

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

The approval of Bursa Malaysia Securities Berhad ("Bursa Securities") for the Proposed Private Placement and Proposed Acquisition of PKF Sarawak (as defined herein) shall not be taken to indicate that Bursa Securities recommends the said proposals. Bursa Securities takes no responsibility for the contents of this Circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

This Circular has been reviewed by M&A Securities Sdn Bhd, the Principal Adviser to SCH Group Berhad ("SCH" or the "Company") in respect to the Proposals.



SCH GROUP BERHAD
(Company No. 972700-P)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

- (A) PROPOSED PRIVATE PLACEMENT OF UP TO 103,000,000 ORDINARY SHARES IN SCH**
- (B) TK TENT PROPOSALS COMPRISING:-**
 - (I) PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN TK TENT & AIR-CONDITIONING RENTAL SDN BHD; AND**
 - (II) PROPOSED DIVERSIFICATION INTO THE EVENT EQUIPMENT SUPPLY BUSINESS SEGMENT**
- (C) PKF SARAWAK PROPOSALS COMPRISING:-**
 - (I) PROPOSED ACQUISITION OF 83.33% EQUITY INTEREST IN PK FERTILIZERS (SARAWAK) SDN BHD; AND**
 - (II) PROPOSED DIVERSIFICATION INTO THE FERTILISERS BUSINESS SEGMENT**

(COLLECTIVELY, THE "PROPOSALS")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



M&A SECURITIES SDN BHD (15017-H)
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("EGM") together with the Proxy Form is enclosed in this Circular. The Proxy Form should be lodged at the Share Registrar's Office of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on or before the time and date indicated below or at any adjournment thereof in order for it to be valid. The lodging of the Proxy Form will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

Last date and time for lodging the Proxy Form for the EGM : Thursday, 5 July 2018 at 11.00 a.m.
Date and time of the EGM : Friday, 6 July 2018 at 11.00 a.m. or any adjournment thereto
Venue of EGM : Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, Cheras, 43200 Selangor Darul Ehsan

This Circular is dated 20 June 2018

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:-

"ACE Market"	: The ACE Market of Bursa Securities
"ACE Market LR"	: ACE Market Listing Requirements of Bursa Securities
"Act"	: Companies Act, 2016, as amended from time to time including any re-enactment thereof
"Agreements"	: TK Tent SSA, TK Tent Supplemental SSA and PKF Sarawak SSA, collectively
"Board"	: Board of directors of SCH
"Bursa Depository"	: Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	: Bursa Malaysia Securities Berhad
"CAGR"	: Compound annual growth rate
"Circular"	: This circular to the shareholders of SCH dated 20 June 2018 in relation to the Proposals
"Consideration Shares"	: 40,000,000 SCH Shares to be issued to PKFSB pursuant to the Proposed Acquisition of PKF Sarawak at the Issue Price
"CPO"	: Crude palm oil
"Ecovis"	: Ecovis AHL PLT
"EGM"	: Extraordinary general meeting
"EPS"	: Earnings per share
"FPE"	: Financial period ended/ending, as the case may be
"FYE"	: Financial year ended/ending, as the case may be
"GP"	: Gross profit
"Guaranteed Sum"	: The aggregate PAT of at least RM15,500,000 for FYE 30 June 2018 to FYE 30 June 2020 to be attained by TK Tent
"HHSB"	: Hextar Holdings Sdn Bhd
"IMR Report"	: Independent market research report on the "Overview of the Event Equipment Supply Market and Fertiliser Industry in Malaysia" dated 20 June 2018 prepared by Protégé Associates
"Initial Placement Price"	: The initial issue price of the Placement Shares of RM0.185 per Placement Share
"Issue Price"	: Issue price of RM0.19 per Consideration Share
"LAT"	: Loss after taxation

DEFINITIONS (Cont'd)

"LBT"	:	Loss before taxation
"LPD"	:	31 May 2018, being the latest practicable date prior to the printing of this Circular
"MT"	:	Metric tonnes
"M&A Securities" or "Principal Adviser"	:	M&A Securities Sdn Bhd
"NA"	:	Net assets
"PASB"	:	Pristine Acres Sdn Bhd
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE"	:	Price-to-earnings
"PKFSB"	:	PK Fertilizers Sdn Bhd
"PKF Sarawak"	:	PK Fertilizers (Sarawak) Sdn Bhd
"PKF Sarawak SSA"	:	Conditional share sale agreement dated 7 March 2018 entered into between SCH and PKFSB in relation to the Proposed Acquisition of PKF Sarawak
"PKF Sarawak Proposals"	:	Proposed Acquisition of PKF Sarawak and Proposed Diversification – Fertilisers, collectively
"Placement Shares"	:	Up to 103,000,000 new SCH Shares to be issued pursuant to the Proposed Private Placement
"Profit Guarantee"	:	The profit guarantee provided by HHSB in relation to the Proposed Acquisition of TK Tent wherein HHSB guarantees that TK Tent shall attain the Guaranteed Sum
"Proposals"	:	Proposed Private Placement, TK Tent Proposals and PKF Sarawak Proposals, collectively
"Proposed Acquisition of PKF Sarawak"	:	Proposed acquisition of the Sale Shares of PKF Sarawak from PKFSB for the Purchase Consideration of PKF Sarawak
"Proposed Acquisition of TK Tent"	:	Proposed acquisition of the Sale Shares of TK Tent from HHSB for the Purchase Consideration of TK Tent
"Proposed Diversification – Event Equipment"	:	Proposed diversification of the existing business of the SCH Group to include the event equipment supply business segment
"Proposed Diversification – Fertilisers"	:	Proposed diversification of the existing business of the SCH Group to include the fertiliser business segment
"Proposed Private Placement"	:	Proposed private placement of up to 103,000,000 Placement Shares

DEFINITIONS (Cont'd)

"Protégé Associates"	: Protégé Associates Sdn Bhd
"Purchase Consideration of PKF Sarawak"	: The purchase consideration for the Sale Shares of PKF Sarawak amounting to RM19,054,811 which shall be satisfied via a combination of cash and the issuance of the Consideration Shares
"Purchase Consideration of TK Tent"	: The purchase consideration for the Sale Shares of TK Tent amounting to RM50,000,000 which shall be satisfied by way of cash
"Quarry Equipment Business"	: The SCH Group's existing business of distribution and supplying of quarry industrial products, quarry machinery, quarry equipment and reconditioned quarry machinery as well as supply of spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry in Malaysia and South East Asia
"RM" and "sen"	: Ringgit Malaysia and sen, respectively
"Sale Shares of PKF Sarawak"	: 15,000,000 ordinary shares in PKF Sarawak, representing 83.33% equity interest in PKF Sarawak
"Sale Shares of TK Tent"	: 11,800,000 ordinary shares in TK Tent, representing the entire equity interest in TK Tent
"SCA"	: Strategic Capital Advisory Sdn Bhd
"SCH" or the "Company"	: SCH Group Berhad
"SCH Group" or "Group"	: SCH and its subsidiaries, collectively
"SCH Share(s)" or "Share(s)"	: Ordinary share(s) in SCH
"TK Tent"	: TK Tent & Air-Conditioning Rental Sdn Bhd
"TK Tent Proposals"	: Proposed Acquisition of TK Tent and Proposed Diversification – Event Equipment, collectively
"TK Tent SSA"	: Conditional share sale agreement dated 2 February 2018 entered into between SCH and HHSB in relation to the Proposed Acquisition of TK Tent
"TK Tent Supplemental SSA"	: Supplemental share sale agreement dated 6 April 2018 entered into between SCH and HHSB in relation to the Proposed Acquisition of TK Tent
"Warrants"	: Outstanding SCH warrants 2016/2021
"5D-VWAMP"	: 5 days volume weighted average market price

All references to the "Company" or "SCH" in this Circular are to SCH, references to the "Group" or "SCH Group" are to the Company and its consolidated subsidiaries and references to "we", "us", "our" and "ourselves" are to the Company, and save where the context otherwise requires, the consolidated subsidiaries.

DEFINITIONS (Cont'd)

All references to "you" in this Circular are to the shareholders of the Company.

Any reference in this Circular to any statutes, rules, regulations or rules of the stock exchange is a reference to such statutes, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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NOTICE OF EGM**ENCLOSED****PROXY FORM****ENCLOSED**



SCH GROUP BERHAD
(Company No. 972700-P)
(Incorporated in Malaysia)

Registered Office:

Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

20 June 2018

Directors:-

Chan Wan Choon (*Independent Non-Executive Chairman/Senior Independent Non-Executive Director*)
Lau Mong Ling (*Managing Director and Deputy Chairman*)
Khoo Chee Siang (*Executive Director*)
Wong Kin Seng (*Executive Director*)
Koh Chen Foong (*Non-Independent Non-Executive Director*)
Liew Fook Meng (*Non-Independent Non-Executive Director*)
Gan Khong Aik (*Independent Non-Executive Director*)
Sim Yee Fuan (*Independent Non-Executive Director*)

To: The Shareholders of SCH

Dear Sir/Madam,

- (A) PROPOSED PRIVATE PLACEMENT;**
- (B) TK TENT PROPOSALS COMPRISING:-**
 - (I) PROPOSED ACQUISITION OF TK TENT; AND**
 - (II) PROPOSED DIVERSIFICATION – EVENT EQUIPMENT**
- (C) PKF SARAWAK PROPOSALS COMPRISING:-**
 - (I) PROPOSED ACQUISITION OF PKF SARAWAK; AND**
 - (II) PROPOSED DIVERSIFICATION – FERTILISERS**

(COLLECTIVELY, THE "PROPOSALS")

1. INTRODUCTION

On 8 January 2018, on behalf of the Board, M&A Securities announced that SCH intends to undertake the Proposed Private Placement.

On 2 February 2018, M&A Securities, on behalf of the Board, announced that SCH had on even date entered into the TK Tent SSA with HHSB for the Proposed Acquisition of TK Tent. In conjunction with the Proposed Acquisition of TK Tent, the Board also proposes to seek shareholders' approval for the Proposed Diversification – Event Equipment.

On 7 March 2018, M&A Securities, on behalf of the Board, announced that SCH had on even date entered into the PKF Sarawak SSA with PKFSB for the Proposed Acquisition of PKF Sarawak. In conjunction with the Proposed Acquisition of PKF Sarawak, the Board also proposes to seek shareholders' approval for the Proposed Diversification – Fertilisers.

On 6 April 2018, M&A Securities, on behalf of the Board, announced that SCH had on even date entered into the TK Tent Supplemental SSA with HHSB to clarify certain terms of the TK Tent SSA.

Subsequently, on 6 April 2018, M&A Securities, on behalf of the Board announced that the additional listing application for the issuance of the Placement Shares and Consideration Shares to be issued pursuant to the Proposed Private Placement and Proposed Acquisition of PKF Sarawak, respectively, as well as the draft Circular to shareholders in relation to the Proposals were submitted to Bursa Securities.

On 14 June 2018, M&A Securities, on behalf of the Board, announced that Bursa Securities had vide its letter dated 14 June 2018, resolved to approve the listing of the Placement Shares and the Consideration Shares, subject to the following conditions:-

No.	Conditions	Status of Compliance
(a)	SCH and M&A Securities must fully comply with the relevant provisions under the ACE Market LR pertaining to the implementation of the Proposed Private Placement and the Proposed Acquisition of PKF Sarawak	To be complied
(b)	SCH and M&A Securities to inform Bursa Securities upon the completion of the Proposed Private Placement and the Proposed Acquisition of PKF Sarawak	To be complied
(c)	SCH to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Private Placement, Proposed Acquisition of PKF Sarawak and the Proposed Diversification – Fertilisers are completed	To be complied
(d)	M&A Securities to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the ACE Market LR to Bursa Securities upon completion of the Proposed Acquisition of PKF Sarawak indicating compliance with the public shareholding spread	To be complied

The purpose of this Circular is to provide the shareholders of SCH with the details of the Proposals, to set out the Board's opinion and recommendation in relation to the Proposals and to seek the approval of SCH's shareholders for the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of SCH. The Notice of EGM together with the Proxy Form is enclosed in this Circular.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE ENTIRE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS AT THE FORTHCOMING EGM OF THE COMPANY.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Private Placement

As at the LPD, SCH has:-

- (a) an issued share capital of RM52,129,101 comprising 412,235,520 SCH Shares; and
- (b) 206,115,510 Warrants.

The Proposed Private Placement will entail the issuance of up to 103,000,000 Placement Shares, representing approximately 25.0% of the existing issued shares in the Company as at the LPD.

The actual number of Placement Shares to be issued will be determined at a later date, after obtaining the relevant regulatory approvals. Subject to the prevailing market conditions and investors' interest, the Proposed Private Placement may be implemented in multiple tranches (if required), within six (6) months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities. As such, there could potentially be several price fixing dates depending on the number of tranches and timing of implementation of the Proposed Private Placement.

2.1.1 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares shall be determined based on the following pricing mechanism:-

- (a) The initial placement price of the Placement Shares has been fixed at RM0.185 per Placement Share. In accordance with Rule 6.14 of the ACE Market LR, payment for this tranche of Placement Shares at the Initial Placement Price must be received within five (5) market days from the date of the Company's shareholders' approval for the Proposed Private Placement.

For avoidance of doubt, the Company has yet to finalise the size of this tranche under the Initial Placement Price as it will depend on the market demand and conditions at that point in time. In the event there is sufficient investors demand at the Initial Placement Price, the Company may place out the entire 103,000,000 Placement Shares. Any Placement Shares not placed out at the Initial Placement Price may be placed out at subsequent tranches subject to pricing mechanism set out in sub-section (b) below.

- (b) For any other tranches of Placement Shares, the issue price of the Placement Shares shall be fixed by the Board at a later date after obtaining the relevant approvals and with a discount of not more than 10% to the 5D-VWAMP of SCH Shares immediately preceding the price fixing date(s).

The above mechanism to determine the issue price of the Placement Shares is in accordance with market based principles.

The Initial Placement Price was determined after taking into account the 5D-VWAMP of SCH Shares traded on Bursa Securities up to and including 5 January 2018, being the market day preceding the date of the announcement of the Proposed Private Placement of RM0.2009. The Initial Placement Price represents a discount of approximately 7.9% to the 5D-VWAMP of SCH Shares up to and including 5 January 2018 of RM0.2009.

For subsequent tranches of the Placement Shares, the issue price shall be based on the then prevailing 5D-VWAMP of SCH Shares with discount of not more than 10%.

The Proposed Private Placement will not require any prospectus to be issued should the issuance of the Placement Shares falls under the relevant categories prescribed under Schedule 7 of the Capital Markets & Services Act, 2007 which includes *inter-alia*, the issuance where the purchase consideration is not less than RM250,000 and the issuance is made to high net worth individual whose personal net worth exceed RM3,000,000 or corporations with NA exceeding RM10,000,000.

2.1.2 Placement arrangement

The Placement Shares will be placed out to HHSB and other independent investors to be identified at a later date. At this juncture, the Company has yet to identify any other placees other than HHSB to participate in the Proposed Private Placement. Kindly refer to Section 2.2.1.1 of this Circular for further details on the offer of Placement Shares to HHSB. In accordance with Rule 6.05(c) of the ACE Market LR, the Placement Shares will not be placed to the following parties:-

- (a) the interested directors, interested major shareholder or interested chief executive of SCH or a holding company of SCH (if applicable), or interested person(s) connected with such director, major shareholder or chief executive; and
- (b) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

2.1.3 Ranking of the Placement Shares

The Placement Shares shall upon allotment and issuance, rank *pari passu* in all respects with the then existing SCH Shares in issue, save and except that they will not be entitled to any dividend, right, allotment and/or distribution, the entitlement date of which is prior to the date of allotment of the Placement Shares.

2.1.4 Listing of the Placement Shares

The approval-in-principle of Bursa Securities has been obtained on 14 June 2018 for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities.

2.2 TK Tent Proposals

2.2.1 Proposed Acquisition of TK Tent

2.2.1.1 Purchase Consideration of TK Tent

The Proposed Acquisition of TK Tent entails the acquisition of the Sale Shares of TK Tent from HHSB for the Purchase Consideration of TK Tent. The Sale Shares of TK Tent shall be acquired free from all encumbrances and together with all rights and benefits attaching thereto.

The Purchase Consideration of TK Tent shall be payable in the following manner:-

No.	Details	RM
(a)	Refundable deposit payable upon the execution of the SSA ("TK Tent Deposit"), (which has been paid on 5 February 2018 to SCH's solicitors as stakeholder)	100,000
(b)	Within 60 days from the unconditional date of the TK Tent SSA ^(a)	45,900,000

No.	Details	RM
(c)	Within 30 days from the availability of TK Tent's audited financial statements for the FYE 30 June 2018 but subject to the completion of the TK Tent SSA	4,000,000
Total		<u>50,000,000</u>

Note:-

- (a) Pursuant to the terms of the TK Tent SSA, in the event SCH is unable to obtain bank borrowings of at least 70% of the Purchase Consideration of TK Tent, then SCH shall be entitled to pay the shortfall of the actual borrowing amount on a deferred basis free of interest not later than fourteen (14) days from the closing of FYE 2020 of TK Tent. On 22 May 2018, the Company announced that it has accepted a letter of offer from AmBank (M) Berhad for the term loan facilities of up to RM43.0 million to finance up to 70% or RM35.0 million (whichever is lower) for the Proposed Acquisition of TK Tent and up to 70% or RM8.0 million (whichever is lower) for the Proposed Acquisition of PKF Sarawak.

As part of the terms of the Proposed Acquisition of TK Tent, HHSB guarantees that TK Tent shall achieve the Guaranteed Sum. In view that HHSB will be providing the Profit Guarantee, the Board intends to offer up to 60,000,000 Placement Shares for subscription by HHSB or its related parties at the Initial Placement Price.

For avoidance of doubt, in the event HHSB does not accept this offer, SCH will not offer the Placement Shares to HHSB or its related parties during the subsequent tranches. As at the LPD, the Board has yet to issue the offer letter for the subscription of the Placement Shares to HHSB or its related parties. The Board intends to issue the offer letter after shareholders' approval has been obtained for the Proposed Private Placement. The offer letter shall contain amongst others, the identity of the placees (i.e. HHSB or its nominated related parties), final issue size and the payment mechanism of the Placement Shares set out in Section 2.1.1(a) above.

The Board is of the view that the participation of HHSB as a strategic investor will align the interest of HHSB to be mutually beneficial to the SCH Group. Kindly refer to Section 3.1(b) of this Circular for the salient terms of the Profit Guarantee.

Upon completion of the Proposed Acquisition of TK Tent, TK Tent will become a wholly-owned subsidiary of SCH.

2.2.1.2 Information on TK Tent

TK Tent was incorporated in Malaysia on 5 January 2010 as a private limited company under the Companies Act, 1965. The existing issued share capital of TK Tent is RM11,800,000 comprising 11,800,000 ordinary shares in TK Tent. As at the LPD, TK Tent does not have any subsidiary or associated company.

TK Tent is principally involved in the provision of event related equipment rental for and trading of the following equipment:-

- (a) temperature control systems, which includes portable air conditioner, chillers, air handling unit, fabric ducting and ventilation systems;
- (b) energy products/equipment, which includes generator sets, cables, switch board, diesel pump and skid tank; and

- (c) other event equipment such as tents, furniture, stage, platform, portable toilets and decoration.

TK Tent's event equipment are mainly used by various trade fairs/shows, exhibitions, office buildings, conventions and national level events held in Malaysia and Asia. Kindly refer to **Appendix I** of this Circular for further information on TK Tent.

2.2.1.3 Information on HHSB

HHSB was incorporated in Malaysia on 3 February 2006 as a private limited company under the Companies Act, 1965. As at the LPD, the issued share capital of HHSB is RM44,743,580 comprising 223,717,900 ordinary shares in HHSB. HHSB is an investment holding company, whilst its other subsidiaries and/or associate companies (other than TK Tent) are principally involved in the following business activities:-

- (a) production, trading, marketing and distribution of pesticide, fertiliser and other industrial chemical products;
- (b) provision of property facilities, property investment holding and resources management services;
- (c) information technology consulting, research and development activities and the provision of laboratory services;
- (d) trading and servicing of forklifts;
- (e) trading of building materials and civil engineering contractor; and
- (f) agro-biotechnology and other related new bio-technology products.

As at the LPD, the directors and shareholders of HHSB and their respective shareholdings in HHSB are as follows:-

Names	Interests in HHSB	<----Direct---->		<----Indirect---->	
		No. of shares	%	No. of shares	%
Dato' Ong Soon Ho	Director/Shareholder	53,444,328	23.9	^(a) 170,273,572	76.1
Dato' Ong Choo Meng	Director/Shareholder	144,816,972	64.7	-	-
Datin Teoh Siew Chin @ Teoh Siew Yok	Shareholder	25,456,600	11.4	^(a) 198,261,300	88.6

Note:-

- (a) Deemed interested by virtue of his/her spouse and his/her son's shareholdings in HHSB pursuant to Section 8 of the Act.

2.2.1.4 Basis and justification for the Purchase Consideration of TK Tent

The Purchase Consideration of TK Tent was arrived at based on a willing-buyer willing-seller and on arm's length transaction taking into account the following:-

- (a) the financial position of TK Tent with an audited NA position of RM17.83 million as at 30 June 2017;
- (b) historical financial performance of TK Tent;

- (c) the future earnings prospects of TK Tent; and
- (d) the Guaranteed Sum.

The Purchase Consideration of TK Tent represents a price to earnings multiple of approximately 9.7 times, based on the average annual PAT of RM5.17 million derived from the Guaranteed Sum over the three (3) years of FYE 30 June 2018 to FYE 30 June 2020.

For the purpose of assessing the reasonableness of the Purchase Consideration of TK Tent, SCH takes note of the analysis and conclusion by SCA in the Independent Fairness Opinion Report on the Purchase Consideration of TK Tent. The PE multiple based on the average profit guarantee for FYE 30 June 2019 and FYE 30 June 2020 of RM5.17 million or 9.7 times is **lower** than the PE multiples of key indices of Bursa Securities (i.e. the FBM Small Cap Index and Trading/Services Index) that ranged between 11.3 times and 20.3 times.

Kindly refer to the Independent Fairness Opinion Report by SCA on the Purchase Consideration of TK Tent as set out in **Appendix VIII** of this Circular.

Board's commentaries

The Board is of the opinion that the Purchase Consideration of TK Tent is fair and reasonable, after taking into consideration the following:-

- (a) the rationale and benefits of the TK Tent Proposals;
- (b) the favourable outlook of the event equipment supply industry in Malaysia as well as the prospects and growth potential of TK Tent as set out in Section 7.2 and Section 7.4 of this Circular, respectively;
- (c) historical audited financial performances of TK Tent from FYE 30 June 2015 to FYE 30 June 2017; and
- (d) the Profit Guarantee. Based on the unaudited financial statement of TK Tent for the six (6) months FPE 31 December 2017, TK Tent has recorded a PAT of RM3.07 million, which translates to an annualised PAT of RM6.14 million which is higher than the average annual PAT of the Guaranteed Sum of RM5.17 million.

2.2.1.5 Sources and breakdown of funding

The Purchase Consideration of TK Tent shall be funded in the following manner:-

Mode of settlement	RM	%
Bank borrowings ^(a)	35,000,000	70.0
Proposed Private Placement and/or internal funds ^(b)	15,000,000	30.0
	50,000,000	100.0

Notes:-

- (a) Pursuant to the terms of the TK Tent SSA, the completion of the Proposed Acquisition of TK Tent is conditional upon SCH having obtained bank borrowings of at least 70% of the Purchase Consideration of TK Tent. In the event SCH manages to obtain bank borrowings in excess of 70% of the Purchase Consideration of TK Tent, then the balance amount to be funded through the Proposed Private Placement and/or internal funds shall be reduced accordingly.

On 22 May 2018, the Company announced that it has accepted a letter of offer from AmBank (M) Berhad for the term loan facilities of up to RM43.0 million to finance up to 70% or RM35.0 million (whichever is lower) for the Proposed Acquisition of TK Tent and up to 70% or RM8.0 million (whichever is lower) for the Proposed Acquisition of PKF Sarawak.

- (b) The breakdown of the balance Purchase Consideration of TK Tent of RM15.0 million shall be satisfied as follows:-

No.	Details	RM
(i)	Proceeds from Proposed Private Placement	10,500,000
(ii)	Internally generated funds of SCH	4,500,000
	Total	15,000,000

For avoidance of doubt, the Proposed Private Placement and Proposed Acquisition of TK Tent are not inter-conditional with each other. The Proposed Private Placement and Proposed Acquisition of TK Tent are intended to be implemented independently. In the event the Proposed Private Placement is not implemented prior to the completion of the Proposed Acquisition of TK Tent, the Company shall seek for other sources of funding to fund the balance Purchase Consideration of TK Tent of RM10.5 million. This may include sourcing for additional internal funds or additional bank borrowings. The proceeds raised from the Proposed Private Placement, if subsequently implemented, will be used to reimburse the said additional internal funds and/or bank borrowings of SCH incurred to fund the Purchase Consideration of TK Tent.

2.2.1.6 Additional financial commitments required

As TK Tent is already operating, there are no additional financial commitments required by SCH in putting the business of TK Tent on-stream subsequent to the Proposed Acquisition of TK Tent.

2.2.1.7 Liabilities to be assumed by SCH from the Proposed Acquisition of TK Tent

Save for the bank borrowings to be obtained to partially fund the Purchase Consideration of TK Tent, SCH will not be assuming any liabilities (including contingent liabilities and guarantees (if any)) pursuant to the Proposed Acquisition of TK Tent. The existing liabilities of TK Tent will be settled in the ordinary course of business. Notwithstanding the above, when the business of TK Tent grows in the future, the SCH Group may provide corporate guarantees to TK Tent, if required, to secure credit facilities granted to TK Tent.

2.2.1.8 Reasonableness of the Profit Guarantee

The Profit Guarantee as stated in Section 3.1(b) of this Circular was derived after taking into consideration, the following:-

- (a) TK Tent's historical financial performance as set out in **Section 9, Appendix I** of this Circular;
- (b) the future plans and prospects of TK Tent as well as the outlook and prospects of the event equipment supply industry as set out in Section 7.2 of this Circular;
- (c) the unaudited PAT of RM3.07 million based on the unaudited financial statements of TK Tent for the six (6)-month FPE 31 December 2017;

- (d) the existing management team of TK Tent will continue to be involved in the day-to-day operational and business activities of TK Tent;
- (e) the future prospects of TK Tent as set out in Section 7.4 of this Circular; and
- (f) the earnings potential and growth of TK Tent, after taking into consideration the economic outlook and outlook of the event equipment supply market in Malaysia, as stated in Section 7 of this Circular.

Based on the above, the Board is of the view that the Profit Guarantee is reasonable and realistic, after having considered the above factors.

2.2.2 Proposed Diversification – Event Equipment

Presently, the SCH Group is principally engaged in the Quarry Equipment Business. The Group proposes to diversify into the event equipment supply business segment pursuant to the Proposed Acquisition of TK Tent in order to diversify its earnings base and enhance its revenue and profitability. By diversifying into this new business segment, the SCH Group is able to mitigate its dependence on its existing business portfolio and activities. Upon completion of the Proposed Acquisition of TK Tent, the SCH Group still intends to carry on with the Quarry Equipment Business.

The Board expects that the Proposed Acquisition of TK Tent may contribute more than 25.0% of the net profits and/or NA position of the SCH Group. In accordance with Rule 10.13(1) of the ACE Market LR, SCH must obtain the approval of its shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25.0% or more of the NA of the Group to an operation which differ widely from the operations currently carried on by the Group; or
- (b) the contribution from such an operation of 25.0% or more of the net profits of the Group.

In this regard, the Board proposes to seek the approval of its shareholders for the Proposed Diversification – Event Equipment pursuant to Rule 10.13(1) of the ACE Market LR. If the Proposed Diversification – Event Equipment are approved by the shareholders, SCH Group will be subjected to new challenges and risks arising from the Proposed Diversification – Event Equipment, which is set out in Section 6.2 of this Circular.

SCH will rely on the technical expertise and experience of TK Tent's management team to drive the event equipment supply business segment. TK Tent's management will be spearheaded by Teoh Mei Lan post-completion of the Proposed Acquisition of TK Tent. The profile of Teoh Mei Lan is as follows:-

Teoh Mei Lan, a Malaysian female, aged 37, is presently the Sales and Marketing Director of TK Tent. She is responsible for the overall sales and marketing strategies of TK Tent. She obtained the London Chamber of Commerce and Industry certificate from Systematic Business Training Centre, Kuala Lumpur in 2001. Upon her graduation, she began her career in TK Tent as a Project Executive, where she was responsible for handling customers' queries and purchase orders. Subsequently, she was promoted to Senior Project Manager, a position she has held since 2008 for nine (9) years. In 2017, she was then promoted as the Sales and Marketing Director of TK Tent.

Under the terms of the TK Tent SSA, TK Tent will enter into a management service agreement with its key management personnel (i.e. Teoh Mei Lan) for a period of three (3) years post-completion of the Proposed Acquisition of TK Tent, and such management service agreement period are renewable upon expiry on a yearly basis.

As at the LPD, the board of TK Tent comprises two (2) directors (namely Ong Soon Hooi and Teh Li King). These two (2) directors are expected to remain post-completion of the Proposed Acquisition of TK Tent. SCH will nominate three (3) representative directors (the identities of which will be decided later), of which one (1) director will be the executive director and two (2) directors will be the non-executive directors to the board of TK Tent post-completion. This would allow SCH's management to have an oversight role on the event equipment supply business which includes conducting regular review on the operations and financials of TK Tent. As an added comfort to SCH, HHSB has provided the Profit Guarantee for the FYE 30 June 2018 to FYE 30 June 2020.

Kindly refer to **Section 7.4(b)** of this Circular for details of the additional staff to be employed by TK Tent.

2.3 PKF Sarawak Proposals

2.3.1 Proposed Acquisition of PKF Sarawak

2.3.1.1 Background details

The Proposed Acquisition of PKF Sarawak entails the acquisition of the Sale Shares of PKF Sarawak from PKFSB for the Purchase Consideration of PKF Sarawak. The Sale Shares of PKF Sarawak shall be acquired free from all claims, charges, liens, encumbrances, option, right of first refusal, pre-emption rights, contracts, commitments, security interests, any third party interests and equities of any kind whatsoever together with all rights attached thereto. The Purchase Consideration of PKF Sarawak shall be satisfied in the following manner:-

No.	Mode of settlement	Details	RM
(a)	Cash	(i) Refundable deposit payable upon the execution of the PKF Sarawak SSA ("PKF Sarawak Deposit") (which has been paid on 12 March 2018) to SCH's solicitors as stakeholder	100,000
		(ii) Within sixty (60) days from the unconditional date of the PKF Sarawak SSA	11,354,811
(b)	Consideration Shares	Within sixty (60) days from the unconditional date of the PKF Sarawak SSA	7,600,000
Total			<u>19,054,811</u>

Upon completion of the Proposed Acquisition of PKF Sarawak, PKF Sarawak will become a 83.33% subsidiary of SCH.

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2.3.1.2 Information on PKF Sarawak

PKF Sarawak was incorporated in Malaysia on 6 July 2004 as a private limited company under the Companies Act, 1965 under the name of Hexatima Sdn Bhd. It assumed its present name on 16 May 2008. The existing issued share capital of PKF Sarawak is RM18,000,000 comprising 18,000,000 ordinary shares in PKF Sarawak. PKF Sarawak is principally involved in the following business activities:-

(a) Warehousing and distribution of fertilisers of various types, mixtures and compacted compounds for use in the agriculture industry (palm oil, rubber and timber estates) mainly located in Sarawak. This includes the following:-

- Control-release fertilisers
- Kal-Mag (a type of compacted compound fertiliser)
- Compounds fertilisers
- Micronutrient fertilisers
- Straight fertilisers
- Granular Blend fertilisers
- Imported compound fertilisers
- Organic compound fertilisers
- Household fertilisers

(b) planting advisory services.

PKF Sarawak currently operates a fertiliser warehouse and processing plant located at Lot 4061, Block 26, Kemena Land District, Bintulu, Sarawak. The details of the processing capabilities are as follows:-

No.	Type of lines	No. of lines	Capacities (MT/annum)
(i)	Compacting	7	65,000
(ii)	Hammer mills	1	8,000
(iii)	Roller mills	2	15,000
(iv)	Mixing	1	60,000

Kindly refer to **Appendix II** of this Circular for further details of PKF Sarawak.

2.3.1.3 Information on PKFSB

PKFSB was incorporated in Malaysia on 6 June 1996 as a private limited company under the Companies Act, 1965. As at the LPD, the issued share capital of PKFSB is RM60,000,000 comprising 60,000,000 ordinary shares in PKFSB. PKFSB is principally involved in the businesses related to agrochemicals and fertilisers-related products. As at the LPD, the directors and shareholders of PKFSB and their respective shareholdings in PKFSB are as follows:-

Names	<----Direct---->		<----Indirect---->	
	No. of shares	%	No. of shares	%
Directors				
Dato' Gan Kong Hiok	-	-	(a)57,000,000	95.0
Gan Eng Hian	-	-	(a)57,000,000	95.0
Tengku Shamsul Bahrin	-	-	-	-
Leong Hin Kieat	-	-	-	-
Nishitani Takahiko	-	-	-	-
Shareholders				
PASB ^(b)	57,000,000	95.0	-	-
Mitsubishi Corporation	3,000,000	5.0	-	-

Notes:-

- (a) Deemed interested by virtue of their interests in PASB.
- (b) The directors of PASB are Dato' Gan Kong Hiok, Gan Eng Hann and Gan Eng Hian. The shareholders of PASB are as follows:-

Names	<----Direct---->		<----Indirect---->	
	No. of shares held	%	No. of shares held	%
Dato' Gan Kong Hiok	41,999,998	99.9	(i)2	~
Gan Eng Hann	1	~	(ii)41,999,999	99.9
Gan Eng Hian	1	~	(iii)41,999,999	99.9

Notes:-

- ~ Negligible
- (i) Deemed interest by virtue of his relationship with his sons, namely Gan Eng Hann and Gan Eng Hian.
- (ii) Deemed interest by virtue of his relationship with Dato' Gan Kong Hiok, his father and Gan Eng Hian, his brother.
- (iii) Deemed interest by virtue of his relationship with Dato' Gan Kong Hiok, his father and Gan Eng Hann, his brother.

2.3.1.4 Basis and justification for the Purchase Consideration of PKF Sarawak

The Purchase Consideration of PKF Sarawak was arrived at on willing-buyer willing-seller and on arm's length basis, based on 83.33% equity interest share of PKF Sarawak's audited NA position of RM22,866,688 as at FYE 31 December 2017. In arriving at the Purchase Consideration of PKF Sarawak, SCH has also taken into account the following:-

- (a) The outlook and prospects of the fertiliser market in Malaysia; and
- (b) The future earnings prospects of PKF Sarawak.

For the purpose of assessing the reasonableness of the Purchase Consideration of PKF Sarawak, SCH takes note of the analysis and conclusion by SCA in the Independent Fairness Opinion Report on the Purchase Consideration of PKF Sarawak, as follows:-

- (a) under the Revalued Net Asset Valuation ("RNAV") methodology, SCA have considered the following:-
- (i) the Purchase Consideration of PKF Sarawak was derived based on the audited NA of PKF Sarawak as at 31 December 2017;
- (ii) 59.1% of its total assets as at 31 December 2017 is represented by its property, plant and equipment, the bulk of which has been re-valued in October 2015;
- (iii) 39.1% of the total assets as at 31 December 2017 is represented by trade receivables;
- (iv) assumption that there are no off-balance or contingent liabilities not accounted for in the financial statements of PKF Sarawak; and
- (v) under the terms of the PKF Sarawak SSA, SCH has the right to conduct a post completion audit and PKFSB shall compensate SCH of any shortfall from the minimum NA of RM22,866,688 ("Minimum NA") if the shortfall is more than 2%.

Note:-

PKF Sarawak is the registered owner of the single-storey detached industrial warehouse held under Lot 4061, Block 26 Kemena Land District, Bintulu, Sarawak ("Property"). The net book value of the said Property amounts to RM17.38 million (based on the audited financial statements of PKF Sarawak for the FYE 31 December 2017).

C H Williams Talhar Wong & Yeo Sdn Bhd ("Valuer") had vide its valuation report dated 30 April 2018 ascribed a market value of RM19,200,000 for the Property using the cost and comparison methods of valuation. Kindly refer to **Appendix IX** of this Circular for the valuation certificate on the Property by the Valuer.

- (b) under the relative valuation analysis method, the implied price-to-book multiple of PKF Sarawak of 1.0 times based on the Purchase Consideration of PKF Sarawak is below the range of comparable companies' price-to-book ratio of 1.04 times to 1.47 times.

Kindly refer to the Independent Fairness Opinion Report by SCA on the Purchase Consideration of PKF Sarawak as set out in **Appendix VIII** of this Circular.

Board's commentaries

The Board is of the opinion that the Purchase Consideration of PKF Sarawak is fair and reasonable, after taking into consideration the following:-

- (a) the rationale and benefits of the PKF Sarawak Proposals;
- (b) the favourable outlook of the fertiliser industry in Malaysia as well as the prospects and growth potential of PKF Sarawak as set out in Section 7.3 and Section 7.5 of this Circular, respectively; and
- (c) audited NA position of PKF Sarawak of RM22.87 million as at 31 December 2017.

2.3.1.5 Basis and justification of the Issue Price

The Issue Price was determined on a willing-buyer willing-seller basis after taking into account the following:-

- (a) the historical share price of SCH; and
- (b) the 5D-VWAMP of SCH Shares up to and including 6 March 2018, being the market day before the date of the PKF Sarawak SSA of RM0.2043.

The Issue Price represents a discount of approximately RM0.0143 or 7.0% after taking into consideration the 5D-VWAMP of SCH Shares up to and including 6 March 2018 of RM0.2043, being the market day immediately preceding the date of the PKF Sarawak SSA.

In justifying the above 7.0% discount, the Board took into consideration the following:-

- (a) the Issue Price represents a premium of 18.8% over the NA per share of the SCH Group as at 31 August 2017 of approximately RM0.16; and
- (b) the Issue Price represents a PE multiple of 43.2 times based on the basic EPS of SCH Group of 0.44 sen for the FYE 31 August 2017. As a comparison, the average PE multiple of the "Trading and Services" sectors in Bursa Securities is 20.3 times.

The Board also notes that the issuance of the Consideration Shares to satisfy part of the Purchase Consideration of PKF Sarawak achieved the following:-

- (a) reduces the cash outlay by SCH Group, which can be channelled towards operations and other working capital purposes; and
- (b) reduces the financial burden of SCH Group, as SCH will not have to incur additional borrowings and interest cost.

2.3.1.6 Ranking of the Consideration Shares

The Consideration Shares will, upon issuance and allotment, rank *pari passu* in all respects with the existing SCH Shares except that they will not be entitled to any dividends, rights, allotments or other distributions, which may be declared, made or paid, the entitlement date of which is before the date of issuance and allotment of the Consideration Shares.

2.3.1.7 Listing of and quotation for the Consideration Shares

The approval-in-principle of Bursa Securities has been obtained on 14 June 2018 for the listing of and quotation for the Consideration Shares on the ACE Market of Bursa Securities.

2.3.1.8 Sources and breakdown of funding

The cash consideration of the Purchase Consideration of PKF Sarawak shall be funded in the following manner:-

<u>Mode of settlement</u>	<u>RM</u>
Bank borrowings ^(a)	7,620,000
Proposed Private Placement	3,500,000
Internally generated funds	334,811
	<u>11,454,811</u>

Note:-

- (a) Pursuant to the terms of the PKF Sarawak SSA, the completion of the Proposed Acquisition of PKF Sarawak is conditional upon SCH having obtained bank borrowings of at least 40% of the Purchase Consideration of PKF Sarawak. In the event SCH manages to obtain bank borrowings in excess of 40% of the Purchase Consideration of PKF Sarawak, then the balance amount to be funded through the Proposed Private Placement and/or internal funds shall be reduced accordingly.

On 22 May 2018, the Company announced that it has accepted a letter of offer from AmBank (M) Berhad for the term loan facilities of up to RM43.0 million to finance up to 70% or RM35.0 million (whichever is lower) for the Proposed Acquisition of TK Tent and up to 70% or RM8.0 million (whichever is lower) for the Proposed Acquisition of PKF Sarawak.

For avoidance of doubt, the Proposed Private Placement and Proposed Acquisition of PKF Sarawak are not inter-conditional with each other. The Proposed Private Placement and Proposed Acquisition of PKF Sarawak are intended to be implemented independently. In the event the Proposed Private Placement is not implemented prior to the completion of the Proposed Acquisition of PKF Sarawak, the Company shall seek for other sources of funding for the Purchase Consideration of PKF Sarawak. This may include sourcing for additional internal funds or additional bank borrowings. The proceeds raised from the Proposed Private Placement, if subsequently implemented,

will be used to reimburse the said additional internal funds and/or bank borrowings of SCH incurred to fund the Purchase Consideration of PKF Sarawak.

2.3.1.9 Additional financial commitments required

Currently, PKF Sarawak relies heavily on PKFSB in terms of funding its operations. Upon completion of the Proposed Acquisition of PKF Sarawak, PKF Sarawak will no longer operate using the existing business model and will be required to reduce its reliance on PKFSB. As such, PKF Sarawak will be required to independently finance the purchase of raw materials for the mixing and production of various fertilisers. PKF Sarawak intends to obtain credit terms from new raw material suppliers or new trade facilities for this purpose. In this respect, the SCH Group may provide corporate guarantees to PKF Sarawak, if required, to secure these credit facilities granted to PKF Sarawak.

As at the LPD, PKF Sarawak has:-

- (i) an amount owing of RM10.14 million to PKFSB, being the amount owing for the purchase of finished fertiliser products from PKFSB; and
- (ii) amount owing by trade debtors of RM11.69 million.

Both parties has agreed in writing that the outstanding amount owing to PKFSB shall only be repaid, free of interest, upon PKF Sarawak receiving back-to-back payments from its trade debtors.

2.3.1.10 Liabilities to be assumed by SCH from the Proposed Acquisition of PKF Sarawak

Save for the borrowings to be obtained to partially fund the Purchase Consideration of PKF Sarawak and the corporate guarantees that may be provided to PKF Sarawak as set out in Section 2.3.1.9 above, SCH will not be assuming any liabilities (including contingent liabilities and guarantees (if any)) pursuant to the Purchase Consideration of PKF Sarawak. The existing liabilities of the PKF Sarawak will be settled in the ordinary course of business.

2.3.2 Proposed Diversification - Fertilisers

Presently, the SCH Group is principally engaged in the Quarry Equipment Business. The Group proposes to diversify into the fertiliser business segment pursuant to the Proposed Acquisition of PKF Sarawak in order to diversify its earnings base and enhance its revenue and profitability. By diversifying into this new business segment, the SCH Group is able to mitigate its dependence on its existing business portfolio and activities. Upon completion of the Proposed Acquisition of PKF Sarawak, the SCH Group still intends to carry on with the Quarry Equipment Business.

The Board expects that the Proposed Acquisition of PKF Sarawak may contribute more than 25.0% of the net profits and/or NA position of the SCH Group. In accordance with Rule 10.13(1) of the ACE Market LR, SCH must obtain the approval of its shareholders in a general meeting for any transaction or business arrangement which might reasonably be expected to result in either:-

- (a) the diversion of 25.0% or more of the NA of the Group to an operation which differ widely from the operations currently carried on by the Group; or
- (b) the contribution from such an operation of 25.0% or more of the net profits of the Group.

In this regard, the Board proposes to seek the approval of its shareholders for the Proposed Diversification – Fertilisers pursuant to Rule 10.13(1) of the ACE Market LR. If the Diversification – Fertilisers are approved by the shareholders, SCH Group will be subjected

to new challenges and risks arising from the Proposed Diversification – Fertilisers, which is set out in Section 6.3 of this Circular.

SCH will rely on the technical expertise and experience of PKF Sarawak's management team to drive the fertiliser business segment. PKF Sarawak's management will be spearheaded by Tang Chung Hung post-completion of the Proposed Acquisition of PKF Sarawak.

The profile of Tang Chung Hung is as follows:-

Tang Chung Hung, a Malaysian male, aged 39, is presently the General Manager of PKF Sarawak. He is responsible for all marketing related activities for fertilisers and agrochemicals sales/distribution activities in Sarawak. He obtained his Bachelor of Arts in Business and Management from Oxford Brookes University, United Kingdom in 2002. He started his career in 2002 as a Sales Executive in AV Media Sdn Bhd, where he was responsible for the sales and marketing of audio visual products. In 2006, he joined PKF Sarawak as its Sales Executive whereby he was involved in sales and marketing of fertilisers and agrochemical products. Subsequently, he was promoted as its Assistant Sales Manager in 2008 and Regional Sales Manager for Sarawak region in 2011. In 2017, he was promoted as a General Manager.

Under the terms of the PKF Sarawak SSA, PKF Sarawak will enter into a management service agreement with a key management (i.e. Tang Chung Hung) for a period of three (3) years post-completion of the Proposed Acquisition of PKF Sarawak, and such management service agreement period are renewable on a yearly basis.

As at the LPD, the board of PKF Sarawak comprises four (4) directors (namely Dato' Gan Kong Hiok, Gan Eng Hian, Wu Xiaosheng and Leong Hin Kieat). Only two (2) directors of PKF Sarawak (namely Leong Hin Kieat and Wu Xiaosheng) are expected to remain post-completion of the Proposed Acquisition of PKF Sarawak. SCH will nominate three (3) representative directors (the identities of which will be decided later), of which one (1) director will be the executive director and two (2) directors will be the non-executive directors to the board of PKF Sarawak post-completion. SCH's management will have an oversight function on the fertiliser business which includes conducting regular review on the operations and financials of PKF Sarawak.

Going forward, PKF Sarawak intends to employ two (2) sales executives who have experiences and expertise in the fertiliser industry to facilitate the expansion plans of PKF Sarawak. These additional personnel shall form part of the Group's new key personnel for the fertiliser business segment and shall be supported by the existing management team of PKF Sarawak which shall oversee the day-to-day operations and management of the Company's fertiliser business segment. PKF Sarawak has employed one (1) sales executive in May 2018. Moving forward, the Group is also currently in the midst of determining suitable candidate for the position and the remaining additional one (1) hire is expected to join by the second half of 2018.

3. SALIENT TERMS OF THE AGREEMENTS

3.1 Salient terms of the TK Tent SSA (including the TK Tent Supplemental SSA)

The salient terms of the TK Tent SSA include the following:-

(a) Conditions Precedent

The TK Tent SSA is conditional upon the following being procured, fulfilled and/or waived within ninety (90) days from the date of the TK Tent SSA with an automatic

extension of an additional thirty (30) days ("TK Tent Conditional Period") and such further period as the parties may mutually agree:-

- (i) satisfactory legal, financial and/or business due diligence findings on the TK Tent by SCH;
- (ii) SCH having obtained bank borrowings of at least 70% of the Purchase Consideration of TK Tent for the purpose of completing the Proposed Acquisition of TK Tent and the security documents (including the facilities agreement) shall have been executed, dated and stamped (Note: The Company has on 22 May 2018 accepted a letter of offer for borrowings of 70% of the Purchase Consideration of TK Tent from Ambank (M) Berhad);
- (iii) SCH having obtained its shareholders' approval at a general meeting for the Proposed Acquisition of TK Tent and Proposed Diversification – Event Equipment;

Note:-

In the event that SCH is unable to obtain the above minimum bank borrowings of 70% of the Purchase Consideration of TK Tent, SCH shall be entitled to pay the shortfall of the actual borrowing amount on a deferred basis utilising its internally generated funds not later than fourteen (14) days from the closing of FYE 2020 of TK Tent.

- (iv) HHSB having obtained the approval of the shareholders and directors for the disposal of the Sale Shares of TK Tent; and
- (v) TK Tent having obtained the necessary approvals and/or consents for the transfer of the Sale Shares of TK Tent.

Upon fulfillment of the foregoing, the TK Tent SSA shall be deemed unconditional and the SCH's solicitors shall release the TK Tent Deposit to HHSB. In the event any of the conditions precedent is not fulfilled or waived, then SCH's solicitors shall refund the TK Tent Deposit absolutely to SCH, free of interest.

Note:-

SCH and TK Tent have vide the letter dated 31 May 2018 extended the TK Tent Conditional Period for a further three (3) months from 1 June 2018.

(b) Profit Guarantee

HHSB guarantees that TK Tent shall attain the Guaranteed Sum for FYE 30 June 2018, FYE 30 June 2019 and FYE 30 June 2020 in aggregate. The Guaranteed Sum was arrived based on the targeted PAT as follows:-

- (i) PAT of RM4,000,000 for the FYE 30 June 2018;
- (ii) PAT of RM5,000,000 for the FYE 30 June 2019; and
- (iii) PAT of RM6,500,000 for the FYE 30 June 2020.

In the event of any actual PAT shortfall or excess in each of the abovesaid FYE, such shortfall or excess shall be rolled over to the succeeding FYE up to FYE 30 June 2020. HHSB shall be liable to pay any shortfall to the Guaranteed Sum within fourteen (14) days after the audited financial statements of TK Tent for the FYE 30 June 2020 is made available. For avoidance of doubt, the achievability of the Guaranteed Sum will be computed on an aggregate basis and hence the PAT position of TK Tent for each individual year will not be taken into consideration. The Purchase Consideration of TK Tent will not be adjusted if the aggregate PAT attained for the FYE 30 June 2018 to FYE 30 June 2020 exceeds the Guaranteed Sum.

(c) Completion

If:-

- (i) no event of default has occurred;
- (ii) the Conditions Precedent of TK Tent have been procured, obtained, fulfilled and/or waived;
- (iii) there has been no material adverse change in the financial condition or operation of TK Tent since the date of the TK Tent SSA;
- (iv) TK Tent having entered into a management service agreement with an existing key management of TK Tent;
- (v) each of the representations and warranties of HHSB remains accurate at the completion date of the TK Tent SSA;
- (vi) HHSB has not breached any undertakings, representations, warranties and covenants under the TK Tent SSA; and
- (vii) no governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order which would have the effect of making the transactions contemplated by the TK Tent SSA illegal or restraining or prohibiting consummation of such transactions,

then, SCH shall pay the balance sum of RM45,900,000.00 to HHSB within 60 days from the SSA is rendered unconditional ("Completion Period") and the date of payment shall be referred to as the "Completion Date". HHSB irrevocably agrees that, in the event the said sum cannot be paid due to failure to drawdown or disburse the said bank borrowings, HHSB shall extend the Completion Period for a further thirty (30) days free of interest.

(d) Termination

On the occurrence of any of the following defaulting events, the non-defaulting party may give notice in writing to the defaulting party specifying the default and requiring the defaulting party to remedy the said default or breach within 14 business days or such extended period as may be allowed by the non-defaulting party:-

- (i) breach of any material or fundamental terms or conditions of the TK Tent SSA or a failure to perform any undertaking and/or warranties; or
- (ii) a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the defaulting party; or
- (iii) the defaulting party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of the defaulting party's creditors or any class of them; or
- (iv) an application, petition or order is made for the winding-up or dissolution of the defaulting party; or
- (v) the defaulting party ceases or threatens to cease carrying on a substantial portion of the defaulting party's business; or
- (vi) any representation, warranty or statement which is made by the parties in the TK Tent SSA or information furnished in the due diligence review or provided under or in connection herewith or therewith proves to be incorrect; or
- (vii) any agency of any state seizes, compulsorily acquires, expropriates or nationalises all or a material part of the assets or shares of the defaulting party; or
- (viii) any governmental authority or any person or entity acting or purporting to act under any governmental authority shall have taken any action in order to

condemn, seize, appropriate or assume custody or control of the defaulting party.

If the defaulting party fails to remedy the relevant default or breach within the said fourteen (14) business days or such extended period, the non-defaulting party may elect to terminate the TK Tent SSA upon which HHSB shall refund to SCH all sums paid by SCH towards the Purchase Consideration of TK Tent, free of interest.

(e) Representation, Warranties and Undertakings

HHSB undertakes that, amongst others, to perform the following upon the execution of the TK Tent SSA to the Completion Date of Proposed Acquisition of TK Tent:-

- (i) carry on TK Tent's business in its ordinary course;
- (ii) ensure there shall be no material adverse change in the financial conditions, operations, businesses or prospects of TK Tent;
- (iii) comply in all material respect with all statutes, laws, ordinances, rules and regulations applicable to TK Tent; and
- (iv) not to declare any dividend or make any distribution of its capital to TK Tent's members.

Subject always to the completion of the TK Tent SSA, the remaining RM4,000,000 of the Purchase Consideration of TK Tent ("Retention Sum") shall be paid to HHSB within thirty (30) days from the availability of the audited financial statements of TK Tent for FYE 30 June 2018. In the event HHSB breaches any of its obligations, covenants, warranties and/or representations under the TK Tent SSA, SCH shall be entitled to remedy any of the said breaches and all costs related thereto shall be deducted from the Retention Sum. HHSB warrants to SCH that all remedies of SCH in respect of breach of any of the representations and warranties shall continue to subsist notwithstanding completion of the TK Tent SSA.

3.2 Salient terms of the PKF Sarawak SSA

The salient terms of the PKF Sarawak SSA include the following:-

(a) Conditions Precedent

The PKF Sarawak SSA shall be conditional upon the following being obtained, procured and/or fulfilled within the period of ninety (90) days from the date of the PKF Sarawak SSA with an automatic extension of an additional thirty (30) days ("PKF Sarawak Conditional Period") and such further period as the parties may mutually agree:-

- (i) satisfactory legal, financial and/or business due diligence findings on PKF Sarawak by SCH;
- (ii) SCH having obtained bank borrowings of at least 40% of the Purchase Consideration of PKF Sarawak for the purpose of completing the Proposed Acquisition of PKF Sarawak and the security documents (including the facilities agreement) shall have been executed, dated and stamped (Note: The Company had on 22 May 2018 accepted a letter of offer for borrowings of 70% of the Purchase Consideration of PKF Sarawak from Ambank (M) Berhad);
- (iii) SCH having obtained the approval of the shareholders at a general meeting for the PKF Sarawak Proposals;
- (iv) PKFSB having obtained the approval of the shareholders and directors for the disposal of the Sale Shares of PKF Sarawak;
- (v) PKFSB having caused PKF Sarawak to obtain all the necessary approvals and/or consents for the transfer of the Sale Shares of PKF Sarawak to SCH;

- (vi) such other waivers, consents or approvals as may be required (or deemed necessary) by the parties to the PKF Sarawak SSA from any third party or governmental, regulatory body or competent authority having jurisdiction over any part of the transactions contemplated under the PKF Sarawak SSA to the effect that if such waivers, consents, approvals are not obtained, the sale and purchase of the Sale Shares of PKF Sarawak will be rendered null and void by law.

Upon fulfilment of the foregoing, the PKF Sarawak SSA shall be deemed unconditional and the SCH's solicitors shall release the PKF Sarawak Deposit to PKFSB. In the event any of the conditions precedent is not fulfilled or waived, then SCH's solicitors shall refund the PKF Sarawak Deposit absolutely to SCH, free of interest.

Note:-

SCH and PKF Sarawak had vide the letter dated 1 June 2018 extended the PKF Sarawak Conditional Period for a further three (3) months from 6 July 2018.

(b) Completion

If:-

- (i) no event of default has occurred or would occur as a result of the completion of the PKF Sarawak SSA;
- (ii) the conditions precedents of PKF Sarawak SSA have been procured, obtained, fulfilled and/or waived;
- (iii) there has been no material adverse change in the financial condition or operation of PKF Sarawak since the date of the PKF Sarawak SSA, including but not limited to the maintenance of management continuity by PKFSB in PKF Sarawak;
- (iv) PKF Sarawak having entered into a management service agreement with an existing key management of PKF Sarawak to ensure proper management of PKF Sarawak during the transitional period;
- (v) the then latest management accounts of PKF Sarawak being made available;
- (vi) each of the representations and warranties of PKFSB remains accurate at the completion date as if given on that date by reference to the facts and circumstances then existing;
- (vii) PKFSB has not breached any undertakings, representations, warranties and covenants under the PKF Sarawak SSA; and
- (viii) no Governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the PKF Sarawak SSA illegal or restraining or prohibiting consummation of such transactions.

Notwithstanding the completion of the PKF Sarawak SSA, SCH shall be entitled to conduct an audit on the management account post completion. Such audit shall be commenced within sixty (60) days from the completion date. In the event the audit shows a shortfall of more than 2% variance on the Minimum NA, which was based on the audited NA position of PKF Sarawak as at 31 December 2017, PKFSB shall be liable to make good the shortfall within thirty (30) days from SCH's written demand for the said shortfall.

SCH shall be the absolute owner of and fully entitled to the Sale Shares of PKF Sarawak and to all rights and advantages attaching thereto or accruing thereon from the completion date.

(c) Termination

On the occurrence of any of the following defaulting events, the other non-defaulting party may give notice in writing to the defaulting party specifying the default or breach of the defaulting party and requiring the defaulting party to remedy the said default or breach within 14 business days or such extended period as may be allowed by the non-defaulting party, of the receipt of such notice:-

- (i) breach of any material or fundamental terms or conditions of the PKF Sarawak SSA or a failure to perform or observe any material or fundamental undertaking, obligation or agreement expressed or implied in the PKF Sarawak SSA including the breach of any material warranties; or
- (ii) a receiver, receiver and manager, trustee or similar official is appointed over any of the assets or undertaking of the defaulting party; or
- (iii) the defaulting party enters into or resolves to enter into any arrangement, composition or compromise with, or assignment for the benefit of, the defaulting party's creditors or any class of them; or
- (iv) an application, petition or order is made for the winding-up or dissolution of the defaulting party; or
- (v) the defaulting party ceases or threatens to cease carrying on a substantial portion of the defaulting party's business; or
- (vi) the defaulting party commits any act or omits to do an act which results in the breach or non-fulfilment of any term or condition of any banking, finance or credit facility; or
- (vii) any representation, warranty or statement which is by the parties in the PKF Sarawak SSA or information furnished in the due diligence review or provided under or in connection herewith or therewith proves to be incorrect in any material respect; or
- (viii) any agency of any state seizes, compulsorily acquires, expropriates or nationalises all or a material part of the assets or shares of the defaulting party; or
- (ix) any governmental authority or any person or entity acting or purporting to act under any governmental authority shall have taken any action in order to condemn, seize, appropriate or assume custody or control of the defaulting party.

If the defaulting party fails to remedy the relevant default or breach within the said fourteen (14) business days or such extended period as may be allowed by the non-defaulting party after being given notice by the non-defaulting party, the non-defaulting party may elect to terminate the PKF Sarawak SSA upon which, PKFSB shall refund to SCH all sums paid by SCH, if any, towards the Purchase Consideration of PKF Sarawak, free of interest.

(d) Representation, warranties and undertakings

PKFSB undertakes that, amongst others, PKFSB shall do or cause and procure the following upon the execution of the PKF Sarawak SSA to the completion date:-

- (i) carry on PKF Sarawak's business in its ordinary course;
- (ii) maintain all PKF Sarawak's material structures, equipment and other tangible properties in good repair, order and condition, except for ordinary and reasonable wear and tear;
- (iii) perform in all material respect all of PKF Sarawak's obligations under agreements, contracts and instruments relating to or affecting PKF Sarawak's properties, assets and business;
- (iv) maintain PKF Sarawak's books of account and records in the usual, regular and ordinary manner;

- (v) there shall be no material adverse change in the financial conditions, operations, businesses or prospects of PKF Sarawak;
- (vi) comply in all material respect with all statutes, laws, ordinances, rules and regulations applicable to PKF Sarawak and to the conduct of PKF Sarawak's business; and
- (vii) promptly advise the SCH in writing of any materially adverse change in the financial condition, operations, business or prospects of PKF Sarawak.

(e) Non-Competition

Save and except for business dealing with PKF Sarawak (if any) and/or prior consent of SCH has been obtained, PKFSB hereby undertakes and covenants that, from the Completion Date, it shall cease and desist all its business operations, arrangement or transaction in the state of Sarawak which compete directly or indirectly with PKF Sarawak's business ("Competing Business") and shall not be involved in the said Competing Business.

(f) Post Completion Audit

The parties to the SSA agree that the Purchase Consideration of PKF Sarawak was arrived based on the Minimum NA as stated in the audited financial statement of PKF Sarawak of FYE 31 December 2017. Notwithstanding the completion of the PKF Sarawak SSA, SCH shall be entitled to conduct an audit on the management account of PKF Sarawak post completion.

Such audit shall be commenced within sixty (60) days from the completion date of the PKF Sarawak SSA. In the event the audit shows a shortfall of more than two percent (2%) variance on the Minimum NA, PKFSB shall be liable to make good the shortfall within thirty (30) days from SCH's written demand for the said shortfall.

(g) Novation of existing agreements

Within twelve (12) months from the date of the PKF Sarawak SSA, PKFSB shall novate, assign, and/or transfer to PKF Sarawak all contracts (including supply agreement, letter of award, bidding documents, etc) entered into or made by PKFSB wherein:-

- (i) the performance of the said contracts by PKFSB will contravene its undertaking under Section 3.2(e) above; and/or
- (ii) the subject matter of the said contracts involves products and/or services provided by PKF Sarawak in its ordinary course of business; and
- (iii) the products and/or services to be delivered or completed under the said contracts are within the state of Sarawak.

PKFSB further undertakes that, in the event the aforementioned contracts are non-transferrable or non-assignable, unless otherwise agreed by SCH, PKFSB shall terminate the said contract pursuant to Section 3.2(e) above and to cause the contracting party to enter into similar contract with PKF Sarawak.

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4. UTILISATION OF PROCEEDS

Based on the Initial Placement Price, the Proposed Private Placement is expected to raise gross proceeds of up to approximately RM19,055,000. The details of the utilisation of the gross proceeds raised from the Proposed Private Placement are as follows:-

Details	Notes	RM'000	#Timeframe for utilisation
Acquisitions of new businesses	(a)	14,000	Within 18 months
Working capital requirements	(b)	4,705	Within 12 months
Estimated expenses relating to the Proposed Private Placement	(c)	350	Within 1 month
Total		<u>19,055</u>	

Notes:-

- # From the listing date of the Placement Shares on the ACE Market of Bursa Securities.
- (a) SCH had initially on 8 January 2018 announced that the amount of up to RM12.0 million of the proceeds to be raised from the Proposed Private Placement shall be utilised for future acquisitions which includes the cost of due diligence and technical feasibility studies.

On 2 February 2018 and 7 March 2018, the Board has identified the acquisition targets and increased the allocation, as follows:-

No.	Details	RM'million
(i)	Proposed Acquisition of TK Tent	10.5
(ii)	Proposed Acquisition of PKF Sarawak	3.5
	Total	<u>14.0</u>

In the event that either of the said acquisition is not completed, the proceeds will be reallocated for other future acquisitions. Such future acquisitions could be in existing industries which the Company is currently operating in, or complementary industries to its existing business, or different industries from its existing business. Announcements will be made to Bursa Securities in due course and shareholders' prior approval will be sought (if applicable) in compliance with the ACE Market LR once the target company has been identified and the sale and purchase agreement has been entered into.

- (b) The SCH Group intends to utilise the amount of RM4.7 million as working capital to fund the purchase of additional inventories of quarry machinery and equipment for its trading business activities, comprising up to seven (7) units of hydraulic rock drillers, together with its related accessories and spare parts. The purchase of these brand new quarry machinery and equipment is intended to stock-up the inventory levels of the Company. SCH Group anticipates an increase in the demand of the range of its brand new quarry machinery and equipment in view of the prospects of the growing demand for quarry-based materials needed to support the booming construction industry. As such, SCH Group intends to purchase in advance to bring in more ready inventories so as to shorten the time-to-delivery to its customers in the quarry industry and to prevent shortages of the required quarry machinery and equipment that is required to be supplied to its customers.

- (c) The amount of approximately RM0.35 million allocated is based on the estimated cost for the Proposed Private Placement. If the actual expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for the working capital of the Company. Conversely, if the actual expenses are lower than the amount budgeted, the excess will be utilised for working capital purposes. The following summarises the estimated expenses incidental to the Proposed Private Placement as follows:-

Description	RM'000
Professional fees ⁽ⁱ⁾	100
Placement fees	190
Fees payable to the relevant authorities	16
Contingencies ⁽ⁱⁱ⁾	44
Total	350

Notes:-

- (i) Includes advisory fees for, amongst others, the principal adviser and solicitors.
(ii) Other incidental or related expenses in relation to the Proposed Private Placement.

The actual proceeds to be raised from the Proposed Private Placement are dependent on the actual number of Placement Shares issued and the issue price of the Placement Shares. Any excess or shortfall of the actual proceeds raised will be adjusted against the utilisation for the working capital requirements of the SCH Group.

Pending the full utilisation of the proceeds raised from Proposed Private Placement, the Company intends to place these proceeds (including accrued interest, if any) or the balance thereof in interest-bearing deposit accounts with licensed financial institution(s) or in short-term money market instruments. The interest derived from the deposits with financial institutions or any gains arising from the short-term money market instruments will be used as additional funding for working capital.

5. RATIONALE

5.1 Proposed Private Placement

The Proposed Private Placement is undertaken primarily to enable SCH to raise the necessary funding for the purposes as set out in Section 4 above.

The Board is of the opinion that the Proposed Private Placement is the most expeditious way of fund raising from the capital market as opposed to other forms of fund raising. The Proposed Private Placement also provides an avenue for the Company to raise funds without incurring interest cost as compared to bank borrowings.

The Proposed Private Placement will increase the size and strength of the Company's capital base and shareholders' funds and potentially improve the liquidity and marketability of the issued shares of SCH.

5.2 TK Tent Proposals

The Proposed Acquisition of TK Tent is an opportunity for the Group to bolster its earnings stream in the event equipment supply market through the acquisition of TK Tent. The Profit Guarantee provided by HHSB will give assurance that the Proposed Acquisition of TK Tent

will contribute positively to the earnings of the enlarged SCH Group for at least the next three (3) years.

The TK Tent Proposals will expand the products and services currently offered by the SCH Group to include the provision of event related equipment rental which include rental of air-conditioning and cooling systems, tents and other event related equipment. The TK Tent Proposals are expected to diversify the Group's income stream which is currently mainly derived from the Quarry Equipment Business and is dependent on the cyclical nature of the construction industry.

The TK Tent Proposals will also expand the SCH Group's scale of operations to achieve certain economies of scale in terms of pooling of resources to increase overall operating efficiencies and productivity levels. This includes utilising excess facilities of the SCH Group (such as the existing warehouse/storage space, office space and workshop space of SCH located in Balakong, Selangor) for the new business and sharing of technical (through consolidation of both SCH Group and TK Tent's maintenance team to facilitate knowledge and expertise transfer and administrative personnel. Both SCH Group and TK Tent have the respective maintenance teams with the relevant technical personnel to undertake repair and maintain the machineries and equipment used in the Quarry Equipment Business and event equipment supply business, respectively.

Upon completion of the Proposed Acquisition of TK Tent, the SCH Group intends to consolidate both maintenance teams to facilitate transfer of knowledge and expertise between the technical teams of both companies.

5.3 PKF Sarawak Proposals

The PKF Sarawak Proposals is an added opportunity for the SCH Group to bolster its earnings stream in the fertiliser market through the acquisition of PKF Sarawak. Further, the PKF Sarawak Proposals will enable SCH Group to diversify into a new viable business which provides another stream of income, which may in turn improve SCH's shareholder value.

The Board has decided to venture into the fertiliser business segment in Sarawak based on the positive outlook and prospects of the fertiliser industry. Sarawak has a strong agricultural economy with an abundant land area of agricultural landbanks for future expansion. The use of fertilisers is key for any successful plantation operations and this will drive the demand for this product.

In venturing into the fertiliser business segment, SCH has the option of setting-up a fertiliser processing plant or acquiring an existing operating plant in Sarawak. The option to set-up a new processing plant would entail a lengthy gestation period in terms of time required to design, construct, commission and obtain the relevant regulatory approvals for a new fertiliser plant.

The Proposed Acquisition of PKF Sarawak is akin to acquiring an already operating processing plant with the necessary operating licenses and experienced management team. This would allow the SCH Group to consolidate the earnings of PKF Sarawak immediately after the completion of the PKF Sarawak Proposals, without the need to have a gestation period. In addition, PKF Sarawak also has ready network of clientele to generate immediate revenue stream.

6. RISK FACTORS

The non-exhaustive risk factors in relation to the TK Tent Proposals and PKF Sarawak Proposals are set out below. There can be no assurance that any changes in relation to the risk factors as described below will not have a material adverse effect on the business, operations and financial performance of SCH Group.

6.1 General risk factors

(a) The SCH Group depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could affect its business

As in any other businesses, SCH Group's success in the event equipment supply and fertilisers business segments depends largely on the abilities, skills, experience, competency and continued efforts of the target assets' key management team for its event equipment supply and fertilisers business segments. The loss of any key management personnel without suitable and timely replacement, or the inability of SCH Group to attract and retain other qualified personnel, could adversely affect target assets' ability to operate its business and operations which in turn, could affect its financial performance and prospects. There can be no assurance that there will be continuity in the target assets' present key management team post-acquisitions.

In order to mitigate this risk, it is a condition as stated in the TK Tent SSA and PKF Sarawak SSA that the management service agreement shall be entered into between TK Tent and the existing key management personnel of TK Tent as well as between PKF Sarawak and the existing key management personnel of PKF Sarawak to ensure continuing management post-acquisitions. Further, the SCH Group will develop human resource strategies and plans that include competitive compensation packages, career advancement and training and development programmes to ensure that the SCH Group has the ability to retain its senior management team and other key employees. This will in turn help to ensure continuity and competency of the management team.

(b) Completion risk

The Proposed Acquisition of TK Tent and Proposed Acquisition of PKF Sarawak are conditional upon fulfilment of the conditions precedents stated in the respective TK Tent SSA and PKF Sarawak SSA, respectively. There is no assurances that the acquisitions can be completed within the time period permitted under the TK Tent SSA and the PKF Sarawak SSA, respectively. In the event that the conditions precedents in these respective agreements are not fulfilled within the stipulated time period or in the event any approvals shall contain terms which are not acceptable to the parties to the TK Tent SSA and PKF Sarawak SSA, respectively, the said parties may either mutually extend the stipulated period or terminate the TK Tent SSA and PKF Sarawak SSA, respectively. In this regard, SCH shall endeavour to ensure that there is no delay in fulfilling all conditions precedents in these respective agreements on its part and should there be any delay beyond the agreed time period, the Board shall negotiate to mutually extend the said period prior to its expiry.

6.2 Risks relating to the operations of TK Tent

(a) Dependency on the event industry

The event industry relies on the event equipment supply market to provide the relevant event equipment to set up event/exhibitions/seminars. The event equipment supply market covers the supply of seven major product segments namely; furniture and floor coverings, tableware, air conditioning and cooling systems, power distribution equipment, audio, visual and lighting systems, display and exhibition furniture, and temporary structures.

TK Tent's revenue will be adversely affected should there be any slowdown in the event industry and if TK Tent are not able to successfully offer its range of event equipment and related products for rental/lease in other industries. TK Tent will require securing the supply of its range of event equipment for rental/lease in various trade fairs/shows, exhibitions, office buildings, conventions and national level events from time to time. TK Tent has participated in the supply of its range of event equipment for rental/lease in South East Asia and Hong Kong. As a result, TK Tent's business is subject to certain risks inherent in conducting business overseas, many of which are beyond its control. These risks include but are not limited to:-

- (i) laws and policies affecting trade, investment and taxes, including laws and policies relating to the repatriation of funds and withholding taxes, and changes in these laws;
- (ii) inflation, interest rates and general conditions;
- (iii) changes in local regulatory requirements, including restrictions on use of event equipment;
- (iv) fluctuating foreign exchange rates; and
- (v) natural disasters, war and acts of terrorism.

According to the IMR Report, the event industry in Malaysia generated RM1.24 billion in revenue in 2017. This was mainly contributed by the growth in its business events segment. Protégé Associates estimates that the event equipment supply market in Malaysia was worth RM473.7 million in 2017. The revenue growth for this market reflects the stable demand for event equipment in Malaysia. Any changes in the event industry in terms of demand and supply will be reflected as trends within the event equipment supply market. The event equipment supply market expanded by 2.0% in 2017, mainly attributed to the increase in demand for event equipment due to the growth in the business events and cultural and leisure events segments of the event industry.

From 2018 to 2022, sustained growth between 2.2% to 3.0% is expected for the event equipment supply market, with a spike peaking in 2020 due to the Government's initiatives toward the business tourism sectors. Apart from that, the demand for event equipment is likely to come from increasing in the number of events driven by expected positive consumer and business confidence in the country's economy as well as higher per capita disposable income. Moving forward, the event equipment supply market in Malaysia is projected to grow at an average CAGR of 2.5% during the forecast period from 2018 to 2022. The market is expected to reach RM535.9 million in 2022. Although the event industry is growing, there are no assurances that TK Tent will not be affected by such risk factors mentioned above.

(b) Risks of availability and price fluctuations of various spare parts, blowers and electrical equipment

The primary spare parts and equipment used in the maintenance and repair of its temperature control systems and energy products/equipment include compressors, pipes, blowers and electrical equipment. TK Tent purchase these spare parts, blowers and electrical equipment mainly from its local suppliers. The market prices of these spare parts and electrical equipment may fluctuate due to, amongst others, changes in supply and demand conditions. TK Tent may only be able to increase its rental/leasing rates and pass on the increased costs to its customers if TK Tent is able to maintain its competitiveness in the market.

As TK Tent does not have any significant long-term supply agreements with its suppliers, there is no assurance that TK Tent will not face shortages of spare parts, blowers and electrical equipment to meet its maintenance and repair requirements in the future. Although TK Tent have not encountered any such shortage in the past, any sudden shortage of supply or reduction of allocation of spare parts, blowers and electrical

equipment by its suppliers which could be caused by, amongst others, erratic unfavourable weather conditions or demand and supply conditions, may result in TK Tent having to pay higher prices for these spare parts, blowers and electrical equipment, thereby adversely affecting TK Tent business and results of operations.

In the event that TK Tent are unable to find a comparable source of supply at competitive prices or to pass on any such increases in the costs of such spare parts, blowers and electrical equipment to its customers on a timely basis, the profit margins for rental/lease may be adversely affected. Accordingly, TK Tent's business, financial condition, results of operations and prospects may be adversely affected. In addition, TK Tent also purchase and maintain an inventory of spare parts, blowers and electrical equipment. Should there be any increases in the prices of these parts and equipment, which result in an increase in its costs of sales, and are unable to pass these cost increases on to its customers, TK Tent's profitability and the financial performance of the enlarged SCH Group may be adversely affected.

In order to mitigate the above risk, TK Tent shall leverage on its long established relationship with its suppliers to source quality various spare parts, blowers and electrical equipment at competitive terms. In addition, TK Tent shall continually seek to diversify its source of purchases for various spare parts, blowers and electrical equipment by seeking additional local partners in order to limit its dependence on its existing suppliers.

(c) TK Tent typically do not enter into long term rental contracts with its customers

TK Tent typically rent its temperature control systems and energy product/equipment to its customers on a daily or short term basis. Its existing customers generally do not usually enter into long term contracts for the rental of such temperature control systems and energy product/equipment. It may however enter into long term rental/leasing agreement with its customers involved in building management services for the rental/leasing of its chiller and generator sets for approximately one (1) year. In addition, TK Tent's business performance and profitability may be adversely affected by its customers' preferences such as whether to purchase or rent the event equipment required for its events/exhibitions/buildings. These preferences may change according to the market conditions, the general availability of financing and the type of project which its customers require event equipment for. In the event that TK Tent has to lower the rental rates for its equipment, temperature control systems and energy product/equipment to attract and retain its customers, TK Tent's revenue and financial performance will be adversely affected.

As such, there is no guarantee that its customers will continue to rent its event equipment after the completion of each assignment. Should its customers decide to use the equipment, temperature control systems and energy product/equipment from its competitors or reduce their rental/lease from TK Tent, its revenue and financial performances will be adversely affected.

TK Tent seeks to limit this risk by employing various strategies to broaden its clientele base, which includes *inter-alia* venturing into new markets through expanding its marketing/sales abroad. Despite the absence of long term contracts with its customers, the Group has an established and proven track record in terms of providing quality services, which has earned the Group the confidence and recognition from its customers. TK Tent and SCH Group shall also ensure that its relationships with its existing customers continuously nurtured by providing the latest product offering and related after sales services to its customers.

(d) Risk of prolonged downtime of its temperature control systems and energy product/equipment

Equipment downtime occurs when its temperature control systems and energy product/equipment are sent for repair and maintenance instead of being deployed at its customers' event sites. As at the LPD, TK Tent has 33 units of generator sets, 169 units of chillers, 423 units of various air conditioner which included but not limited to Air Handling Units, 5 Horse Power ("HP") portable air conditioner and 10 HP air conditioner.

In the event that any of its temperature control systems and energy product/equipment experience prolonged downtime due to repair and maintenance, the opportunity cost, in terms of foregone revenue could be substantial. Further, newer its temperature control systems and energy product/equipment are also more sophisticated with the incorporation of newer technologies which makes repair and maintenance of such its temperature control systems and energy product/equipment more time consuming. Although TK Tent's repair and maintenance department is constantly upgrading their technical skills and know-how to keep up with the advancement of temperature control systems and energy product/equipment technologies, there is no assurance that TK Tent will be able to minimise the time required for repair and maintenance.

6.3 Risks relating to the operations of PKF Sarawak

(a) Dependency on agriculture industry

As the agriculture sector is the main end-user market for the agrochemicals and agrobiotechnology industries in which PKF Sarawak operate, there is a certain level dependency of these industries on market conditions of the agriculture sector, in particular the demand for commercial crops such as oil palm. There are two (2) main industries that use fertilisers; the agriculture and landscaping industries. The fertilisers to be produced by PKF Sarawak shall be mainly used by the agriculture sector in Malaysia, particularly in Sarawak, whereby the concentration of various agricultural activities is focused at. Within the agriculture sector, there are three (3) types of crops that require the usage of fertilisers - namely industrial crops, fruit crops and vegetable crops.

According to the IMR Report, industrial crops, particularly oil palm, is the largest consumer of fertilisers in Malaysia, accounting for 77.3% of the fertiliser consumption, followed by rubber. Malaysia's fertiliser industry is very much dependent on its main consumers in the agricultural industry that cultivate crops such as oil palm, rubber and paddy. Apart from industrial crops, banana and pepper plantations are also major fertiliser consumers for the fruit crops and vegetable crops categories, respectively. The growth in the fertiliser industry depends on various factors, such as changes in level of investments/expenditure and productions in industrial crops, poor weather conditions, fluctuation in commodity prices (palm oil and rubber), replanting activities, selling prices of fertilisers as well as vulnerability in imports/alternatives to fertilisers. Any changes in the market for these commodities in terms of price, demand and supply will be reflected as trends within the fertiliser industry. In this regard, PKF Sarawak will continue to monitor changes in market conditions as well as adopt prudent management and efficient operating procedures to adapt to any negative changes in the fertiliser industry.

(b) Competition from other fertiliser producers

The fertiliser industry is very competitive in both global and local arenas. While there are only a handful of global players that produce proprietary products, there are many small generic fertiliser players which operate in their own countries. Inherently, PKF Sarawak is subject to price competition from its competitors. Fertilisers are global commodities, with little product differentiation, and customers make their purchasing decisions principally on the basis of delivered price and to a lesser extent on customer service and product quality.

Consolidation in the fertiliser industry has increased the resources of several of its competitors. As such, consolidation among players in the fertiliser industry could affect its competitive position to the extent PKF Sarawak are not able to expand its own resources either through investments in new or existing operations or through acquisitions, joint ventures or partnerships. PKF Sarawak also face competition from other fertiliser producers in Indonesia, Middle East, Europe, the United States and Latin America who, depending on market conditions, fluctuating import prices, geographic location and freight economics, may take actions at times respect to price or selling volumes that adversely affect the sales and consequently its operations and financial condition.

Notwithstanding that, the enlarged SCH Group will be actively planning and implementing future plans of PKF Sarawak to increase the Group's revenue, market share and its sales activities. Please refer to Section 7.5 of this Circular for further details of the future plans and prospects of PKF Sarawak. In addition, PKF Sarawak and SCH will also continue to monitor the competitors' movements on their pricing and sales/marketing strategies. However, there can be no assurance that changes in the competitive environment will not have any material adverse impact on the enlarged SCH Group.

Furthermore, the threat from new entrants is relatively low due to high barriers of entry such as the tight regulations surrounding the fertiliser industry, the requirement of industrial knowledge and technical competency in the industries that PKF Sarawak operate in, the existence of patented products, as well as the capital intensiveness of our business.

(c) Deterioration of global market and economic conditions

A slowdown of, or persistent weakness in, economic activity caused by a deterioration of global market and economic conditions could adversely affect PKF Sarawak's business in the following ways, among others: conditions in the credit markets could impact the ability of PKF Sarawak's customers and their customers to obtain sufficient credit to support their operations; failure of its customers to fulfil their purchase obligations could result in increases in bad debts and impact its working capital; and the failure of certain key suppliers could increase its exposure to disruption in supply or to financial losses. PKF Sarawak may also experience declining demand and falling prices for its fertilisers due to its customers' reluctance to replenish inventories, thus affecting the demand for its fertilisers and the prices of its fertilisers may need to be lowered in order to maintain the attractiveness of its fertilisers. The overall impact of a global economic downturn on PKF Sarawak is difficult to predict, and its business could be materially adversely impacted as a result.

Whilst PKF Sarawak will continue to adopt prudent financial management and efficient operating procedures, there can be no assurance that its financial condition or results of operations will not be adversely affected.

(d) Fluctuation in business and economic conditions and government policies affecting the agricultural industry

The fertiliser business' results of operations are highly dependent upon business and economic conditions and governmental policies affecting the agricultural industry, which PKF Sarawak cannot control. The most important of these factors for the fertiliser markets are as follows:-

- (i) weather patterns and field conditions, which may delay or intermittently disrupt field work during the planting and growing seasons may cause agricultural customers to use different forms of fertilisers, which may adversely affect demand for the forms that it sell or may impede farmers/planters from applying its fertilisers until the following growing season, resulting in lower demand for its range of fertiliser;

- (ii) global trade dynamics for fertilisers, including logistics and seasonality of demand;
- (iii) current and projected grain inventories and prices or world-wide grain markets; and
- (iv) Governmental policies, including farm and biofuel policies, which may directly or indirectly influence the number of acres planted, the level of grain inventories, the mix of crops planted or crop prices

International market conditions, which are outside of PKF Sarawak's control, may significantly influence PKF Sarawak's operating results. The international market for fertilisers is influenced by such factors as the relative value of the USD and its impact upon the cost of importing fertilisers, foreign agricultural policies, the existence of, or changes in, import or foreign currency exchange barriers in certain foreign markets, changes in the hard currency demands of certain countries and other regulatory policies of foreign governments, as well as the laws and policies of the markets in which we operate that affect its foreign trade and investment.

PKF Sarawak and SCH shall seek to limit the impact of such risk by closely monitoring and adapting its business strategies in response of the changes or new development of government policies and regulations in relation to the fertiliser industry. However, there can be no assurance that this risk will not have any adverse impact on the enlarged SCH Group.

(e) Reliance on raw materials supplies

Most of the raw materials used in the process of mixing and manufacturing of various fertilisers are imported from Russia, Korea, China and Europe. PKF Sarawak uses various ingredients such as urea, magnesium, potassium, phosphorus, ammonium sulphate, ammonium chloride and other types of ingredients as its principal raw materials for mixing/producing fertilisers. These raw materials are not easily replaceable as various studies need to be carried out to ensure that the raw materials are suitable and that they meet our requirements. The process of changing of a supplier is tedious, as the raw materials will be required to undergo tests again. Given that, PKF Sarawak will constantly looking out for alternative cheaper sources of raw materials that meet its requirements.

PKF Sarawak's reliance on imports for various raw materials may pose a risk to its business in the event of, among others, shortage of supply, delays in shipment, imposition of duties and/or taxes, and increase in transportation costs. In addition, imports of raw materials require payment by way of trade facilities or credit granted by suppliers. As PKF Sarawak is changing its business model post-completion of the Proposed Acquisition of PKF Sarawak to reduce reliance on PKFSB for financing, it will require sufficient financial resources to be independent from PKFSB. Any shortfall in funding requirements may result in supply disruption for PKF Sarawak.

PKF Sarawak shall continually seek to diversify its source of raw materials for the processing and manufacturing of fertilisers by seeking local partners in order to limit its dependence on the foreign market for its foreign purchases. Hence, by diversifying its source of purchases to include local suppliers, PKF Sarawak should be able to minimise its risks in the event that any one of its existing foreign suppliers is affected by unforeseen circumstances.

PKF Sarawak shall strive to minimise the effects of risk of disruption of supply of its fertilisers by holding adequate level of inventories of its ingredients to act as a buffer against any unfavourable disruption in supply, so as to minimise disruptions and to ensure timely delivery to its customers' to mitigate the risk of delay and ensure smooth plantation operations of its customers. Nonetheless, there can be no assurances that this risk will not have any adverse impact to its operations and financial performance.

7. INDUSTRY OVERVIEW AND PROSPECTS

7.1 Outlook and prospects of the Malaysian economy

The Malaysian economy registered a 5.9% growth in its real gross domestic product in 2017 – a faster pace than the 4.2% growth recorded in 2016. The growth of the Malaysian economy was supported by the continued expansion in domestic demand. The Malaysian economy was also boosted by a better external trade performance as exports were spurred by robust demand for manufactured products.

Despite the positive results revealed in Malaysia's key economic indicators for 2017, the Malaysian Government is mindful of various external challenges, such as the uncertainty on the trend of global oil prices as well as international geopolitical tension that may be economic headwinds for the local economy. The Malaysian economy is forecast to expand by 5.5% to 6.0% in 2018. The growth in the Malaysian economy is expected to be anchored again by domestic demand. Private consumption is anticipated to remain supported by wage growth under a stable labour market, coupled with a low interest rate environment to spur spending.

(Source: Protégé Associates)

7.2 Outlook and prospects of the event equipment supply market in Malaysia

An event is described as an assembly for the purpose of celebration, education or marketing. The event industry in Malaysia generated RM1.24 billion in revenue in 2017. This was mainly contributed by the growth in its business events segment. The business events segment particularly international events have been gaining traction since the establishment of the Malaysia Convention and Exhibition Bureau tasked to promote Malaysia as a destination to host events. The event industry can be categorised by the types of the events being organised, namely business events, cultural and leisure events, and personal events.

The event industry relies on the event equipment supply market to provide the relevant event equipment to set up an event. The event equipment supply market covers the supply of seven major product segments namely; furniture and floor coverings, tableware, air conditioning and cooling systems, power distribution equipment, audio, visual and lighting systems, display and exhibition furniture, and temporary structures. Other relevant equipment segments include traffic and control accessories and security and access control system. Events are generally organised and held over a short duration of time, thus events equipment are installed and dismantled over a short duration of time as well. Therefore, it would not be financially feasible for event organisers to own their own event equipment. In addition, there is a need for continuous improvement and innovation in terms of product offerings. Thus, the demand for event equipment that helps to create the necessary atmosphere at an event as per the criteria of organisers creates an opportunity for the event equipment supply market. This further ensures development of more sophisticated and technically advanced solutions for the event equipment market to meet the needs of event organisers.

Protégé Associates estimates that the event equipment supply market in Malaysia was worth RM473.7 million in 2017. The event equipment supply market in Malaysia is projected to continue on a steady growth path during the 2018 to 2022 forecast period. The outlook for the market is encouraging in light of favourable growth in the event industry.

Historical Performance and Growth Forecast for the Event Equipment Supply Market in Malaysia, 2015-2022

Year	Revenue (RM million)^(a)	Growth Rate (%)
2016	464.4	-
2017	473.7	2.0
2018*	484.1	2.2
2019*	496.7	2.6
2020*	511.6	3.0
2021*	524.4	2.5
2022*	535.9	2.2

CAGR (2018-2022) (base year of 2017): 2.5%

Notes:-

* Denotes forecast

(a) All figures are rounded

The positive outlook in the demand for event equipment in Malaysia stems mainly from the positive consumer and business confidence in the economy, the increasing per capita disposable income, government's support to grow the business tourism sector as well as the availability of event facilities to host more events.

The increasing consumer confidence level indicates that consumers are more optimistic about the future, thus being more likely to spend more on goods and services, including on leisure and entertainment. Similarly, positive business confidence indicates that companies are likely to spend more, such as hosting business events. Similarly, the increase in disposable income leads to the growing affluence of its population, and results in more discretionary income. As discretionary income strengthens, Malaysian are likely to direct their spending on non-essentials such as leisure and entertainment activities (i.e. host or attending events), which directly influences the demand for event equipment.

In addition, the Malaysian Government has continued to provide its support via the Malaysia Convention and Exhibition Bureau to spur the business tourism sector. Malaysia Convention and Exhibition Bureau identifies potential business events, facilitates the bidding processes, promotes government and industry collaboration as well as provides event support and marketing services. Malaysia offers many venues to host events. To name a few notable venues, there are the Putra World Trade Centre, the Kuala Lumpur Convention Centre, the Kota Kinabalu Convention Centre, the Malaysia International Trade & Exhibition Centre, and the Sepang International Circuit. In addition to these large venue spaces, in recent years, there has also been a flourishing group of creative hubs such as studios, co-working spaces, and retail and café spaces taking on the role of hosting events. These creative hubs include small shoplots in downtown Kuala Lumpur, spaces on repurposed industrial land and residential areas, or even spaces amid lush greenery on the outskirts of a village. These additional areas and spaces will enable a better scale and diversity of events to be held in Malaysia. These demand conditions are likely to encourage the demand for events, and by extension, the equipment for such events.

On the supply side, the advancement in technology is expected to boost the development and product range in the event equipment supply market. Event equipment suppliers are now changing their business methods to utilise communications to ensure constant engagement with their customers. They are also obtaining higher efficiency and lower cost equipment that are available due to technological improvements. In addition, the majority of event equipment suppliers offer rental or pay-per-use options for event equipment. The

rental or pay-per-use business model creates an opportunity for customers, such as event organisers to save money and lower their total cost of ownership.

Moving forward, the market for event equipment in Malaysia is projected to expand from RM473.7 million in 2017 to RM535.9 million in 2022. The forecast CAGR for the event equipment supply market is 2.5% for the 2018 to 2022 forecast period.

(Source: Protégé Associates)

7.3 Outlook and prospects of the fertiliser industry in Malaysia

There are two main industries that use fertilisers; the agriculture and landscaping industries. The agriculture sector is the foremost user of fertiliser in the country, while the landscaping industry has been using a lot of fertilisers in newer property developments which have more greenery, hence representing a smaller, but growing market.

Within the agriculture sector, there are three types of crops that require the usage of fertilisers - namely industrial crops, fruit crops and vegetable crops. Industrial crops are crops grown to produce goods for manufacturing. Examples of industrial crops are oil palm, rubber, paddy, cocoa and coconut. Fruit crops and vegetable crops are crops grown for consumption. Examples of fruit and vegetable crops are bananas, durians, rambutans, pineapples, pepper and chillies.

Industrial crops, particularly the oil palm is the largest consumer of fertilisers in the country, accounting for 77.3% of the fertiliser consumption, followed by rubber. Malaysia is a globally renowned oil palm planter and palm oil manufacturer and exporter. In 2016, the total planted area for oil palm in the country stood at 5.7 million hectares. Malaysia is the second largest palm oil producer and exporter in the world, behind only Indonesia. Apart from industrial crops, banana and pepper plantations are also major fertiliser consumers for the fruit crops and vegetable crops categories respectively. Protégé Associates estimates that the fertiliser industry in Malaysia was worth RM7.03 billion in 2017. Of this, 28.3% or RM1.99 billion was contributed by Sarawak. The revenue growth for this industry reflects the stable demand for fertilisers in Malaysia.

Historical Performance and Growth Forecast for the Fertiliser Industry in Malaysia, 2016-2022

Year	Revenue (RM billion) ^{(a)(b)}	Growth Rate (%)
2016	7.43	-
2017	7.03	-5.4 ^(c)
2018*	7.59	8.0
2019*	8.35	10.0
2020*	9.23	10.5
2021*	9.69	5.0
2022*	10.14	4.6

CAGR (2018-2022) (base year of 2017): 7.6%

Notes:-

* Denotes forecast

(a) All figures are rounded.

(b) Includes sales from local manufactured and imported fertilisers.

(c) The fertiliser industry saw a decline in 2017. Volatile fluctuation of commodity prices (including palm oil and rubber prices) has reduced plantation activities as well as the demand for fertilisers. In addition, unfavourable weather conditions during the year

have also disrupted crops cultivation activities. As demand reduced, fertiliser prices reduced too. Even though the price of fertilisers remained low, oil palm planters still reduced fertiliser usage to sustain profitability during the period of low crude palm oil prices. The accumulated supply from end of 2016 coupled with low demand caused fertiliser prices to drop in 2017.

The future prospects for Malaysia's fertiliser industry look bright as the demand for and production of crude palm oil is projected to double within the next few decades. Also, the Bank Negara Malaysia continues to forecast growth for Malaysia's agriculture sector, boding well for fertiliser demand. The sector's growth is projected to strengthen, fuelled by the increase in production of industrial crops and high global prices of agricultural commodities.

Fertiliser demand is also expected to grow on the back of the country's continuous interest in agriculture activities, especially oil palm and rubber cultivation, the persistent importance of Malaysia's oil palm plantation, as well as the growing need to plant food crop to ensure domestic food security. However, with the increasing environmental awareness and awareness of the benefits of organic fertilisers and new methods of fertilising, the industry is likely move away from mineral fertilisers towards organic fertilisers.

The Malaysian Government indicated via the Economic Transformation Programme on the potential of palm oil to be the country's second Gross National Income generator by year 2020. In the Economic Transformation Programme, the Malaysian Government has underlined an Entry Point Project to carry out the replanting of oil palm trees above 25 years old that have lower yield and currently occupy a large land space – and increasingly scarce commodity – that could be better utilised to generate higher oil palm yield. With the government's continuous interest for the palm oil industry, which is also the main consumer of fertilisers in Malaysia, a steadily increasing demand for fertilisers is expected in years to come. Moving forward, the fertiliser industry in Malaysia is projected to grow at a CAGR of 7.6% during the forecast period from 2018 to 2022. The industry is forecast to reach RM10.14 billion in 2022.

(Source: Protégé Associates)

7.4 Future plans and prospects of TK Tent

The Proposed Acquisition of TK Tent is expected to contribute positively to the overall financial performance and future profitability of the enlarged SCH Group. The outlook of TK Tent is underpinned by the growth in event equipment supply industry, the availability of working capital and the strength of the experienced management team of TK Tent. Moving forward, TK Tent plans to further undertake the following efforts to further grow its business operations and prospects in the event equipment supply market, as follows:-

- (a) expand its range of product offerings in its temperature control systems and energy products/equipment to include heavy duty equipment such as silent generator sets and air compressors;
- (b) TK Tent aims to expand its existing customer base and sales network as well as to increase its market share locally and internationally through various marketing efforts to be undertaken such as development of sales channels via strategic partnerships with different clients across various industries. TK Tent's existing customers includes various event management companies, direct sales and supply partners, equipment service providers as well as equipment maintenance companies mainly located in South East Asia (Malaysia, Singapore, Indonesia, Thailand) and East Asia (Hong Kong, Taiwan). Description of TK Tent's customers is as follows:-

- (i) event management companies are customers of TK Tent which shall be responsible for sourcing various equipment required for the setting up of events, seminars and exhibitions located in these countries;
- (ii) direct sales and supply partners are customers who shall be responsible for providing various temperature control systems and energy products/equipment for usage in various commercial buildings (shopping complexes, office buildings, exhibition centres); and
- (iii) equipment service providers as well as equipment maintenance companies provides various tools, spare parts and related equipment for the maintenance of various temperature control systems and energy products/equipment.

Moving forward, TK Tent intends to undertake the following efforts to grow its business, as follows:-

- (i) supply additional units of generator sets and chillers to various office buildings for long term rental via direct tenders held by Government agencies and property developers, which will enable TK Tent to generate recurring rental income in the long run;
 - (ii) collaborate closely with various event management companies to participate in setting up various outdoor events, exhibitions and seminars around Malaysia and East Asia, which includes provide advisory on setting up, design flow of event set up and types of equipment to be supplied for use in these events; and
 - (iii) participate actively in various trade equipment exhibitions and events around South East Asia to increase visibility/presence in foreign markets and market outreach for the rental of its event equipment.
- (c) TK Tent also intends to establish a new marketing team to focus on the expansion and business development in the new international market, particularly in Indonesia, Singapore and Thailand. In this respect, TK Tent expects to expand its existing marketing team from six (6) to ten (10) sales/marketing staff. These additional sales executives are expected to join TK Tent in the second half of 2018.

Barring unforeseen circumstances, the management of TK Tent shall execute and implement its abovementioned business plans within the next six (6) months from the completion date of the Proposed Acquisition of TK Tent. The financial resources required for the abovementioned business plans is estimated at RM0.30 million which shall be funded via internally generated funds of TK Tent.

The Board is of the opinion that the TK Tent Proposals are expected to contribute positively to the future earnings of the enlarged SCH Group based on the Profit Guarantee, historical financial performances of TK Tent and the future earnings potential and the outlook and prospects of the event equipment supply market, hence enhancing shareholder value in the future. Based on the above, the Board expects that the TK Tent Proposals would augur well for the Company in expanding its service offerings.

(Source: Managements of SCH and TK Tent)

7.5 Future plans and prospects of PKF Sarawak

The Proposed Acquisition of PKF Sarawak is expected to contribute positively to the overall financial performance and future profitability of the enlarged SCH Group. The outlook of PKF Sarawak is underpinned by the growth in the fertiliser industry, the availability of working capital and the strength of the experienced management team of PKF Sarawak. Moving forward, PKF Sarawak plans to undertake the following efforts to further grow its business operations and prospects in the fertiliser market, as follows:-

- (a) establish a fertiliser compacting line in Kuching, Sarawak to reduce the logistic and transportation costs of the fertilisers in view of the rapid development of oil palm plantations in Sarawak and the improvement in the average age of oil palms. This is expected to be implemented within the next two (2) years after identifying suitable location for setting up an additional fertiliser plant in Kuching, Sarawak from 2019 to 2020. The financial resources required for this business plan is estimated at RM4.00 million (comprising land acquisition cost, setting up of new manufacturing line and construction of new building costs) to be funded via internally generated funds and/or bank borrowings of PKF Sarawak;
- (b) conduct joint research and development with the local agriculture research houses in order to develop new fertilisers for usage in cultivation of various agriculture products. The financial resources required for this business plan is estimated at RM0.20 million to be funded via internally generated funds and securing Government grants. The management of PKF Sarawak shall execute and implement its this business plans within the next six (6) months from the completion date of the Proposed Acquisition of PKF Sarawak; and
- (c) maintain close working relationship with traditional international principals in order to secure and maintain long term fertilisers' supplies at competitive rates. The financial resources required for this business plan is estimated at RM0.10 million (comprising marketing expenses, travelling and other related expenses) to be funded via internally generated funds of PKF Sarawak. The management of PKF Sarawak shall execute and implement its this business plans within the next six (6) months from the completion date of the Proposed Acquisition of PKF Sarawak

Barring any unforeseen circumstances, the Board believes that the Proposed Acquisition of PKF Sarawak will contribute positively to the enlarged SCH Group moving forward and is expected to enhance the value to the Company's shareholders in the longer term. The Board is of the opinion that the PKF Sarawak Proposals are expected to contribute positively to the long term earnings of the enlarged SCH Group, hence enhancing shareholder value in the future. Given the favourable outlook and prospects of the fertiliser industry, the PKF Sarawak Proposals would augur well for the Company in expanding its products into the lucrative fertiliser industry.

(Source: Management of PKF Sarawak)

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8. EFFECTS OF THE PROPOSALS

8.1 Issued share capital

The TK Tent Proposals and Proposed Diversification – Fertilisers will not have any effect on the issued share capital of SCH as it will not involve issuance of securities by the Company. The pro forma effects of the Proposed Private Placement and the Proposed Acquisition of PKF Sarawak on the issued share capital of SCH are as follows:-

	<u>No. of SCH Shares</u>	<u>RM</u>
Issued share capital as at the LPD	412,235,520	^(a) 52,129,101
To be issued pursuant to the Proposed Private Placement	103,000,000	^(b) 19,055,000
After the Proposed Private Placement	515,235,520	71,184,101
Consideration Shares to be issued pursuant to the Proposed Acquisition of PKF Sarawak	40,000,000	^(c) 7,600,000
After the Proposed Acquisition of PKF Sarawak	555,235,520	78,784,101
Assuming the full exercise of Warrants	206,115,510	^(d) 20,611,551
Enlarged share capital	761,351,030	99,395,652

Notes:-

- (a) The amount in the share premium account had become part of the Company's share capital pursuant to Section 618(2) of the Act in relation to the transitional provisions relating to the abolition of par value which took effect on 31 January 2017.
- (b) Based on the Initial Placement Price.
- (c) Based on the Issue Price of the Consideration Shares.
- (d) Based on the exercise price of RM0.10 per Warrant.

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8.2

NA and gearing

The Proposed Diversification - Event Equipment and Proposed Diversification - Fertilisers do not have any effects on the NA and gearing position of the SCH Group. Based on the audited consolidated financial statements of SCH as at 31 August 2017, the pro forma effects of the Proposals (save for the Proposed Diversification-Event Equipment and Proposed Diversification-Fertilisers) on the consolidated NA and gearing of SCH Group are as follows:-

	(I)		(II)		(III)		(IV)	
	Audited as at 31 August 2017	After Proposed Private Placement	Proposed Acquisition of TK Tent	After (I) and Proposed Acquisition of TK Tent	Proposed Acquisition of PKF Sarawak	After (II) and Proposed Acquisition of PKF Sarawak	After (III) and assuming full exercise of Warrants	After (IV) and assuming full exercise of Warrants
	RM	RM	RM	RM	RM	RM	RM	RM
Share capital	(a)52,129,101	71,184,101	71,184,101	71,184,101	(b)79,356,101	(b)79,356,101	(c)99,967,652	(c)99,967,652
Merger deficit	(24,514,828)	(24,514,828)	(24,514,828)	(24,514,828)	(24,514,828)	(24,514,828)	(24,514,828)	(24,514,828)
Foreign currency translation reserve	276,150	276,150	276,150	276,150	276,150	276,150	276,150	276,150
Retained earnings	36,582,923	(b)36,232,923	(c)35,832,923	(c)35,832,923	(d)35,582,923	(d)35,582,923	35,582,923	35,582,923
NA/Shareholders' funds	64,473,346	83,178,346	82,778,346	82,778,346	90,700,346	90,700,346	111,311,897	111,311,897
No. of shares	412,235,520	515,235,520	515,235,520	515,235,520	555,235,520	555,235,520	761,351,030	761,351,030
NA per share (RM)	0.16	0.16	0.16	0.16	0.16	0.16	0.15	0.15
Interest bearing borrowings (RM)	16,620,018	16,620,018	16,620,018	(e)51,844,485	(f)60,052,379	(f)60,052,379	60,052,379	60,052,379
Gearing ratio (times)	0.26	0.20	0.20	0.63	0.66	0.66	0.54	0.54

Notes:-

- The amount in the share premium account had become part of the Company's share capital pursuant to Section 618(2) of the Act in relation to the transitional provisions relating to the abolition of par value which took effect on 31 January 2017.
- After deducting the estimated expenses for the Proposed Private Placement amounting to approximately RM0.35 million.
- After deducting estimated expenses for the Proposed Acquisition of TK Tent amounting to approximately RM0.40 million.
- After deducting estimated expenses for the Proposed Acquisition of PKF Sarawak amounting to approximately RM0.25 million.
- After incorporating the interest bearing borrowings of TK Tent of RM224,467 as at the FYE 30 June 2017, being the latest audited financial statement of TK Tent and interest bearing borrowings of SCH of RM35.00 million to finance the Proposed Acquisition of TK Tent.
- After incorporating the interest bearing borrowings of PKF Sarawak of RM207,894 as at the FYE 31 December 2017, being the latest audited financial statement of PKF Sarawak and interest bearing borrowings of SCH of RM8.00 million to finance the Proposed Acquisition of PKF Sarawak.
- Assuming full exercise of the outstanding 206,115,510 Warrants at an exercise price of RM0.10 per Warrant.
- After crediting the issuance of 40,000,000 SCH Shares at 5D-VWAMP of RM0.2043, being the fair value of the Consideration Shares.

8.3 Substantial shareholders' shareholdings

The Proposed Diversification – Event Equipment, the Proposed Diversification – Fertilisers and the Proposed Acquisition of TK Tent do not have any effects on the substantial shareholders' shareholdings. The effects of the Proposals (save for the Proposed Diversification – Event Equipment, Proposed Diversification – Fertilisers and Proposed Acquisition of TK Tent) on the shareholdings of the substantial shareholders of SCH are as follows:-

Substantial shareholders	(I)					
	As at the LPD			After Proposed Private Placement		
	<-----Direct----->	No. of SCH Shares	%	<-----Indirect----->	No. of SCH Shares	%
Thianjing Holdings Sdn Bhd	68,163,500	-	16.5	-	68,163,500	13.2
Lau Mong Ling	23,873,224	-	5.8	-	23,873,224	4.6
Khoo Chee Siang	27,217,900	-	6.6	-	27,217,900	5.3
Tan Sri Dato' Sri Koh Kin Lip	-	(a)68,163,500	-	16.5	-	(a)68,163,500
Koh Chen Foong	-	(a)68,163,500	-	16.5	-	(a)68,163,500
Liew Fook Meng	-	(a)68,163,500	-	16.5	-	(a)68,163,500
Chow Dai Ying	716,500	(a)68,163,500	0.2	16.5	716,500	0.1
Placees (collectively) ^(b)	-	-	-	-	43,000,000	19.9
PKFSB	-	-	-	-	-	-
(II)						
After (I) and Proposed Acquisition of PKF Sarawak						
	<-----Direct----->	No. of SCH Shares	%	<-----Indirect----->	No. of SCH Shares	%
Thianjing Holdings Sdn Bhd	68,163,500	-	12.3	-	68,163,500	12.3
Lau Mong Ling	23,873,224	-	4.3	-	23,873,224	4.3
Khoo Chee Siang	27,217,900	-	4.9	-	27,217,900	4.9
Tan Sri Dato' Sri Koh Kin Lip	-	(a)68,163,500	-	12.3	-	(a)68,163,500
Koh Chen Foong	-	(a)68,163,500	-	12.3	-	(a)68,163,500
Liew Fook Meng	-	(a)68,163,500	-	12.3	-	(a)68,163,500
Chow Dai Ying	716,500	(a)68,163,500	0.1	12.3	716,500	0.1
Placees (collectively) ^(b)	43,000,000	-	18.5	-	43,000,000	18.5
PKFSB	40,000,000	-	7.2	-	40,000,000	7.2
(III)						
After (II) and assuming full exercise of Warrants						
	<-----Direct----->	No. of SCH Shares	%	<-----Indirect----->	No. of SCH Shares	%
Thianjing Holdings Sdn Bhd	89,745,400	-	11.8	-	89,745,400	11.8
Lau Mong Ling	23,873,224	-	3.1	-	23,873,224	3.1
Khoo Chee Siang	27,217,900	-	3.6	-	27,217,900	3.6
Tan Sri Dato' Sri Koh Kin Lip	-	-	-	-	(a)89,745,400	11.8
Koh Chen Foong	-	-	-	-	(a)89,745,400	11.8
Liew Fook Meng	-	-	-	-	(a)89,745,400	11.8
Chow Dai Ying	15,251,650	-	2.0	-	15,251,650	2.0
Placees (collectively) ^(b)	43,000,000	-	13.5	-	43,000,000	13.5
PKFSB	40,000,000	-	5.3	-	40,000,000	5.3

Notes:-

- (a) Deemed interested in the shares held by Thianjing Holdings Sdn Bhd pursuant to Section 8 of the Act.
- (b) Pursuant to the TK Tent Proposals, the Board intends to offer up to 60,000,000 Placement Shares for subscription by HHSB or its related parties.

8.4 Earnings and EPS

The Proposals are not expected to have any material effects on the earnings of the SCH Group for the FYE 31 August 2018 as the Proposals are only expected to be completed/effectuated in the second half of 2018. However, the Proposals are expected to have a positive effect to the earnings of SCH for the future financial years. The EPS of the SCH Group may however be proportionately diluted as a result of the increase in the number of SCH Shares after the Proposed Acquisition of of PKF Sarawak and Proposed Private Placement.

For illustrative purposes, based on the audited consolidated financial statements of SCH for the FYE 31 August 2017 and assuming that the Proposed Acquisition of TK Tent and Proposed Acquisition of PKF Sarawak had been completed on 1 September 2016 (being the beginning of the FYE 31 August 2017), the pro forma effects of the Proposed Acquisition of TK Tent and Proposed Acquisition of PKF Sarawak on the consolidated future earnings and EPS of SCH Group for the FYE 31 August 2017 are as follows:-

	Audited FYE 31 August 2017	After the Proposed Acquisition of TK Tent	After the Proposed Acquisition of TK Tent and the Proposed Acquisition of PKF Sarawak
	RM	RM	RM
PAT of the SCH Group	1,822,326	1,822,326	1,822,326
Audited PAT of TK Tent ^(a)	-	980,172	980,172
PAT of TK Tent for FYE 30 June 2018	-	-	-
Audited LAT of PKF Sarawak ^(b)	-	-	(654,788)
Enlarged PAT of the SCH Group	1,822,326	2,802,498	2,147,710
No. of ordinary shares in issue	412,235,520	412,235,520	452,235,520
EPS (sen)	0.44	0.68	0.47

Notes:-

- (a) Based on the audited financial statements of TK Tent for the FYE 30 June 2017.
- (b) Based on the audited financial statements of PKF Sarawak for the FYE 31 December 2017.

8.5 Convertible securities

As at the LPD, the Company has 206,115,510 Warrants. The Proposals would not result in any necessary adjustments to the Warrants. Save as disclosed above, SCH does not have any other convertible securities in issuance.

8.6 Dividends

The Proposals are not expected to affect the dividend policy, if any, of the Company as future dividend payable by the Company would depend on inter-alia, the future profitability and cash flow position of the enlarged SCH Group.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of SCH Shares traded on Bursa Securities for the past twelve (12) months are as follows:-

	<u>High</u> <u>RM</u>	<u>Low</u> <u>RM</u>
<u>2017</u>		
June	0.235	0.210
July	0.230	0.200
August	0.205	0.180
September	0.230	0.195
October	0.245	0.205
November	0.230	0.200
December	0.210	0.190
<u>2018</u>		
January	0.225	0.195
February	0.235	0.205
March	0.210	0.195
April	0.205	0.170
May	0.189	0.173

The last transacted price of SCH Shares on 5 January 2018, being the market day immediately preceding the date of the announcement of the Proposed Private Placement on 8 January 2018 was RM0.21 per Share. The last transacted price of SCH Shares on 6 March 2018, being the market day immediately preceding the date of the announcement of the Proposed Acquisition of PKF Sarawak on 7 March 2018 was RM0.20 per Share.

The last transacted price of SCH Shares as at the LPD was RM0.170 per Share.

(Source: Bloomberg)

10. APPROVALS REQUIRED FOR THE PROPOSALS

The Proposals are subject to and conditional upon approvals from, amongst others, the following:-

- (a) Bursa Securities, for the listing of and quotation for the Placement Shares and Consideration Shares on the ACE Market of Bursa Securities;
- (b) the shareholders of SCH at the forthcoming EGM to be held for the Proposals; and
- (c) any other relevant regulatory authorities, if required.

Each component of the TK Tent Proposals and PKF Sarawak Proposals are inter-conditional with each other, respectively. Other than that, the Proposed Private Placement, TK Tent Proposals and PKF Sarawak Proposals are not conditional with each other.

The Proposals are also not conditional upon any other corporate proposals undertaken or to be undertaken by SCH, if any.

11. ESTIMATED TIMEFRAME FOR COMPLETION

The tentative timetable in relation to the Proposals is as follows:-

<u>Dates</u>	<u>Milestones</u>
6 July 2018	EGM to approve the Proposals
Mid-July 2018	Fulfilment of the conditions precedent of the Proposed Acquisition of TK Tent and Proposed Acquisition of PKF Sarawak
End July 2018	Listing of and quotation for the Placement Shares and Consideration Shares on the ACE Market of Bursa Securities

Barring any unforeseen circumstances and subject to receipt of all relevant regulatory approvals, the Proposals are expected to be completed/effected by the second half of 2018.

12. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition of TK Tent pursuant to Rule 10.02(g) of the ACE Market LR is approximately 77.6%, being the Purchase Consideration of TK Tent compared to the NA of the SCH Group.

The highest percentage ratio applicable to the Proposed Acquisition of PKF Sarawak pursuant to Rule 10.02(g) of the ACE Market LR is approximately 41.2%, being the total assets of PKF Sarawak compared to the total assets of the SCH Group.

13. PRINCIPAL ADVISER

M&A Securities has been appointed as the Principal Adviser to SCH for the Proposals.

14. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING IMPLEMENTATION

Save as disclosed below, as at the LPD, there is no other corporate exercise which has been announced but pending implementation:-

- (a) the Proposals; and
- (b) the proposed disposal of one (1) unit of 1½ storey semi-detached factory erected on a piece of freehold land located at No. 3, Jalan Teras 3, Kawasan Industri Teras Balakong, Taman Industri Selesa Jaya, 43300 Balakong, Selangor Darul Ehsan for a total cash consideration of RM4,600,000.00.

15. DIRECTORS' RECOMMENDATION

The Board, after having considered all aspects of the Proposals, including but not limited to the rationale, future plans and prospects of TK Tent and PKF Sarawak as well as the financial effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company, and accordingly recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM of the Company.

16. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the Directors, major shareholders of the Company and/or persons connected with them have any interest, direct and/or indirect in the Proposals.

17. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, Cheras, 43200 Selangor Darul Ehsan on Friday, 6 July 2018 at 11.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the resolutions so as to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you may complete and return the relevant Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the registered office of the Company, not later than 24 hours before the date and time fixed for the EGM or any adjournment thereof. The lodging of the Proxy Form will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

18. FURTHER INFORMATION

Please refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of
SCH GROUP BERHAD

KHOO CHEE SIANG
EXECUTIVE DIRECTOR

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INFORMATION ON TK TENT**1. BACKGROUND**

TK Tent was incorporated in Malaysia on 5 January 2010 as a private limited company under the Companies Act, 1965. TK Tent commenced its business operations on 15 July 2010. As at the LPD, TK Tent does not have any subsidiary or associated company. TK Tent is principally involved in the provision of event related equipment rental for and trading of the following equipment:-

- (a) temperature control systems, which includes portable air conditioner, chillers, air handling unit, fabric ducting and ventilation systems;
- (b) energy products/equipment, which includes generator sets, cables, switch board, diesel pump and skid tank; and
- (c) other event equipment such as tents, furniture, stage, platform, portable toilets and decoration.

TK Tent's event equipment is mainly used by various trade fairs/shows, exhibitions, office buildings, conventions and national level events held in Malaysia and Asia. A majority of TK Tent's customers are primarily from the local market, which contributes to approximately 92.1% of TK Tent's total revenue for the FYE 30 June 2017. The remaining 7.9% of TK Tent's revenue is contributed by its overseas customers, namely Hong Kong.

As at the LPD, TK Tent does not have any subsidiary and/or associate companies.

2. PRINCIPAL LOCATION OF OPERATIONS

TK Tent's principal place of business is located at:-

<u>Address</u>	<u>Functions</u>	<u>Tenancy/Tenure</u>
No. 22, Jalan Industri Taming Mas, Pusat Industri Taming Mas, 43300 Seri Kembangan, Selangor Darul Ehsan	Corporate office/ Warehouse	Rented/ From 1 October 2016 to 30 September 2019

3. SHARE CAPITAL**3.1 Issuance of shares**

As at the LPD, the existing issued share capital of TK Tent is RM11,800,000 comprising 11,800,000 ordinary shares in TK Tent. The details of the changes in the share capital of TK Tent since its incorporation until the LPD are as follows:-

<u>Date of allotment</u>	<u>No. of shares in TK Tent</u>	<u>Consideration</u>	<u>Cumulative number of shares</u> <u>RM</u>	<u>Cumulative issued share capital</u> <u>RM</u>
5 January 2010	3	3	3	3
28 April 2010	249,997	249,997	250,000	250,000
28 June 2012	10,250,000	10,250,000	10,500,000	10,500,000
27 June 2014	1,300,000	1,300,000	11,800,000	11,800,000

INFORMATION ON TK TENT (cont'd)**3.2 Original date and cost of investment**

The original date and cost of investment in TK Tent by HHSB are as follows:-

<u>Original date of investment</u>	<u>Original cost of investment</u> <u>RM</u>	<u>No. of shares acquired</u>
18 August 2016	39,999,996.61	11,799,999
18 August 2016	3.39	1
	40,000,000	11,800,000

4. EXISTING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the LPD, the directors and shareholders of TK Tent and their respective shareholdings in TK Tent are as follows:-

<u>Names</u>	<u>Nationality/ Country of incorporation</u>	<u>Interests in TK Tent</u>	<u>←-----Direct-----→</u>		<u>←-----Indirect-----→</u>	
			<u>No. of shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>
Ong Soon Hooi	Malaysian	Director	-	-	-	-
Teh Li King	Malaysian	Director	-	-	-	-
HHSB	Malaysia	Direct shareholder	11,800,000	100.0	-	-
Dato' Ong Soon Ho	Malaysian	Indirect shareholder	-	-	(a)11,800,000	100.0
Dato' Ong Choo Meng	Malaysian	Indirect shareholder	-	-	(a)11,800,000	100.0
Datin Teoh Siew Chin @ Teoh Siew Yok	Malaysian	Indirect shareholder	-	-	(a)11,800,000	100.0

Note:-

(a) Deemed interested by virtue of their shareholdings in HHSB.

5. MATERIAL CONTRACTS

As at the LPD, there are no material contracts (not being contract entered into in the ordinary course of business) which have been entered into by TK Tent during the past two (2) years immediately preceding the date of this Circular.

6. MATERIAL LITIGATIONS

As at the LPD, TK Tent is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of TK Tent has no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of TK Tent.

7. MATERIAL COMMITMENTS

As at the LPD, the directors of TK Tent are not aware of any material commitments contracted or known to be contracted by TK Tent that is likely to have an impact on TK Tent's profits or NA upon becoming enforceable.

INFORMATION ON TK TENT (cont'd)**8. CONTINGENT LIABILITIES**

As at the LPD, the directors of TK Tent are not aware of any contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on TK Tent's profits or NA.

9. FINANCIAL INFORMATION

The summary of the audited financial information of TK Tent for the FYE 30 June 2014, FYE 30 June 2015, FYE 30 June 2016 and FYE 30 June 2017 as well as the unaudited 6-months FPE 31 December 2016 and FPE 31 December 2017 are set out below:-

Details	Audited				Unaudited	
	FYE 30 June 2014	FYE 30 June 2015	FYE 30 June 2016	FYE 30 June 2017	FPE 31 December 2016	FPE 31 December 2017
	RM	RM	RM	RM	RM	RM
Revenue	16,093,853	15,641,573	21,824,774	11,955,168	6,780,560	9,786,199
GP	9,649,387	9,610,551	13,249,699	7,205,486	4,840,789	7,137,822
PBT	5,336,994	5,232,110	8,510,569	2,128,095	1,817,389	4,199,544
PAT	3,750,056	3,879,342	6,464,747	980,172	1,260,689	3,065,544
GP margin (%)	60.0	61.4	60.7	60.3	71.4	72.9
PBT margin (%)	33.2	33.5	39.0	17.8	26.8	42.9
PAT margin (%)	23.3	24.8	29.6	8.2	18.6	31.3
Gross EPS (sen)	81.8	81.4	112.3	61.1	41.0	60.5
Net EPS (sen)	31.8	32.9	54.8	8.3	10.7	26.0
Current assets	4,198,412	4,852,997	10,173,679	4,771,734	5,931,051	7,782,192
Non-current assets	19,841,186	19,699,770	19,244,344	17,556,779	18,669,681	17,206,343
Total assets	24,039,598	24,552,767	29,418,023	22,328,513	24,600,731	24,988,535
Current liabilities	1,887,706	2,655,843	3,051,897	1,107,341	2,141,342	2,051,821
Non-current liabilities	3,944,175	3,849,865	3,211,320	3,391,000	2,848,700	3,391,000
Total liabilities	5,831,881	6,505,708	6,263,217	4,498,341	4,990,042	5,442,821
Shareholders' funds/NA	18,207,717	18,047,059	23,154,806	17,830,172	19,610,690	19,545,715
Total borrowings	1,635,417	1,751,712	1,014,565	224,467	688,605	92,131
Net cash flows used in operating activities	947,531	1,985,534	7,092,158	2,913,617	2,631,024	2,585,995
Net cash flows (used in)/ from investing activities	(1,798,371)	(550,376)	(2,118,490)	1,382,796	(241,065)	(421,179)
Net cash flows (used in)/ from financing activities	1,001,794	(654,705)	(1,694,147)	(7,494,904)	(5,130,767)	(1,482,336)
Cash and cash equivalents at end of year	240,468	1,020,921	4,300,442	1,101,951	1,559,633	1,784,431
Gearing (times)	0.09	0.10	0.04	0.01	0.04	~
Current ratio (times)	2.22	1.83	3.33	4.31	2.77	3.79
NA per share	1.54	1.53	1.96	1.51	1.66	1.66

Note:-

~ Less than 0.01%

INFORMATION ON TK TENT (cont'd)

During the financial years under review, there were no accounting policies adopted by TK Tent which are peculiar to its business activities and has not been subjected to any audit qualifications.

Financial commentaries:-**FYE 30 June 2014 vs FYE 30 June 2015**

For the FYE 30 June 2015, the total revenue of TK Tent decreased by 2.81% or RM0.45 million from RM16.09 million during FYE 30 June 2014 to RM15.64 million during FYE 30 June 2015. The slight decrease in the overall revenue levels generated by TK Tent was primarily due to the completion of the rental contract of 1,000 Refrigeration Tonne to 1,400 Refrigeration Tonne of air-cooled chillers to Kuala Lumpur International Airport. The rental period of these chillers was for a period of fourteen (14) months, from the period of August 2012 to September 2013. The project has enabled TK Tent to generate revenue of RM1.40 million for the FYE 30 June 2014.

Despite the decrease in the overall revenue levels, TK Tent has recorded higher PAT levels, which has increased from RM3.75 million during FYE 30 June 2014 to RM3.88 million in FYE 30 June 2015, representing an increase of approximately RM0.13 million or 3.45%. The increase in the PAT was due to the reversal of overprovision of deferred taxation of RM0.043 million recorded in FYE 30 June 2014.

FYE 30 June 2015 vs FYE 30 June 2016

For the FYE 30 June 2016, the total revenue increased by 39.53% or RM6.18 million from RM15.64 million during FYE 30 June 2015 to RM 21.82 million during FYE 30 June 2016. The significant increase in overall revenue levels generated by TK Tent was primarily due to the additional 2,760 kilo Volt Amperes for generator sets and 1,000 tonnes of refrigeration of chillers supplied for rental to several office buildings in Putrajaya during FYE 30 June 2016. The additional units supplied by TK Tent for rental have enabled TK Tent to generate additional revenue of RM7.48 million. The rental period of these equipment was for 12 months, from the period of June 2015 to May 2016.

In line with the increase in overall revenue levels as a result of the rental of the generator sets and chillers to several office buildings in Putrajaya, TK Tent has recorded higher PAT levels, which has increased from RM3.88 million during FYE 30 June 2015 to RM6.46 million in FYE 30 June 2016, representing an increase of approximately RM2.59 million or 66.7%. The increase in overall PAT levels of TK Tent was in line with the increase in the overall revenue levels for the FPE 31 December 2016.

FYE 30 June 2016 vs FYE 30 June 2017

TK Tent has recorded revenue of RM11.96 million during FYE 30 June 2017 against the revenue of RM21.82 million achieved during FYE 30 June 2016, representing a decrease of RM9.87 million or 45.2%. The decrease in the overall revenue levels was mainly due to the completion of the rental contract of generator sets and chillers to several office buildings in Putrajaya in May 2016. In addition, the company's overall administrative and other operating expenses has increased by RM0.93 million or 47.3% from RM1.96 million during FYE 30 June 2016 to RM2.88 million during FYE 30 June 2017 mainly due to provision of bad debts of RM0.34 million which may recur in the future and reclassification of certain expenses from its cost of goods sold of RM0.20 million, which is expected not to recur in the future. As a result of the above factors, the PAT level of TK Tent has decreased by RM5.48 million or 84.8% from RM6.46 million in FYE 30 June 2016 to RM0.98 million in FYE 30 June 2017.

INFORMATION ON TK TENT (*cont'd*)**FPE 31 December 2016 vs FPE 31 December 2017**

TK Tent has recorded revenue of RM9.79 million during FPE 31 December 2017 against the revenue of RM6.78 million achieved during FPE 31 December 2016, representing an increase of RM3.01 million or 44.3%. The increase in the overall revenue levels generated during FPE 31 December 2017 was mainly due to the increase in overall number of rental units of temperature control systems (such as portable air conditioner, chillers, air handling unit), energy equipment (generator sets, chillers, cables, switch boards) and event equipment (tents, portable toilets and others) used in several major sporting events and exhibitions held in Malaysia and Asia during FPE 31 December 2017.

In addition, GP margin has improved from 71.4% during FPE 31 December 2016 to 72.9% during FPE 31 December 2017 as a result of improved cost management initiatives.

As a result of the above factors, TK Tent has recorded PAT position of RM3.07 million during FPE 31 December 2017 as compared to a PAT position of RM1.26 million during FPE 31 December 2016, representing an increase of approximately RM1.81 million or 143.7%. The increase in overall PAT levels of TK Tent was in line with the increase in the overall revenue levels for the FPE 31 December 2017.

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INFORMATION ON PKF SARAWAK

1. BACKGROUND

PKF Sarawak was incorporated in Malaysia on 6 July 2004 as a private limited company under the Companies Act, 1965 under the name of Hexatima Sdn Bhd. It assumed its present name on 16 May 2008. PKF Sarawak commenced its business operations on 2 October 2013. PKF Sarawak is principally involved in the following business activities:-

(a) Warehousing and distribution of fertilisers of various types, mixtures and compacted compounds for use in the agriculture industry (palm oil, rubber and timber estates) mainly located in Sarawak. This includes the following:-

- Control-release fertilisers
- Kal-Mag (a type of compacted compound fertiliser)
- Compounds fertilisers
- Micronutrient fertilisers
- Straight fertilisers
- Granular Blend fertilisers
- Imported compound fertilisers
- Organic compound fertilisers
- Household fertilisers

(b) Planting advisory services.

A majority of PKF Sarawak's fertilisers are distributed for the local market, particularly in Sarawak, which contribute to approximately 98.0% of PKF Sarawak's total revenue for the FYE 31 December 2017. The remaining 2.0% of PKF Sarawak's total revenue was contributed by its overseas customers mainly from Indonesia and Brunei. The raw materials for the processing of fertilisers by PKFSB are mainly sourced from Russia, East Europe, China, United States of America and Japan.

During the three (3) financial years under review from FYE 31 December 2015 to FYE 31 December 2017, PKF Sarawak does not have any subsidiary and/or associate companies.

2. PRINCIPAL LOCATION OF OPERATIONS

PKF Sarawak's principal place of business is located at:-

Address	Activity	Total size (square metres)	Tenancy
Lot 4061, Block 26, Kemena Land District, Bintulu, Sarawak	Office, warehouse and processing plant	16,304	Registered owner is PKF Sarawak

The processing plant is used to manufacture the fertilisers. The details of the processing capabilities of the processing plant are as follows:-

No.	Types of lines	No. of lines	FYE 31 December 2015		FYE 31 December 2016		FYE 31 December 2017	
			MT/annum		MT/annum		MT/annum	
			Average output	Average capacity	Average output	Average capacity	Average output	Average capacity
(i)	Compacting	7	52,165	55,000	67,251	67,000	62,136	67,000
(ii)	Hammer mills	1	4,800	8,000	5,200	8,000	5,400	8,000
(iii)	Roller mills	2	11,968	15,000	10,185	15,000	8,273	15,000
(iv)	Mixing	1	13,256	60,000	17,883	60,000	27,932	60,000

INFORMATION ON PKF SARAWAK (Cont'd)

During the three (3) financial years under review from FYE 31 December 2015 to FYE 31 December 2017, PKF Sarawak has not conducted any research and development activities.

3. SHARE CAPITAL**3.1 Issuance of shares**

As at the LPD, the existing issued share capital of PKF Sarawak is RM18,000,000 comprising 18,000,000 ordinary shares in PKF Sarawak. The details of the changes in the share capital of PKF Sarawak since its incorporation until the LPD are as follows:-

<u>Date of allotment</u>	<u>No. of shares in PKF Sarawak</u>	<u>Consideration</u>	<u>Cumulative number of shares</u> <u>RM</u>	<u>Cumulative issued share capital</u> <u>RM</u>
6 July 2004	2	2	2	2
13 March 2006	999,998	999,998	1,000,000	1,000,000
15 August 2008	1,500,000	1,500,000	2,500,000	2,500,000
12 April 2012	7,500,000	7,500,000	10,000,000	10,000,000
21 May 2012	5,000,000	5,000,000	15,000,000	15,000,000
29 August 2013	3,000,000	3,000,000	18,000,000	18,000,000

3.2 Original date and cost of investment

The original date and cost of investment in PKF Sarawak by PKFSB are as follows:-

<u>Original date of investment</u>	<u>Original cost of investment</u> <u>RM</u>
15 August 2008	13,547,162

4. EXISTING DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the LPD, the directors and shareholders of PKF Sarawak and their respective shareholdings in PKF Sarawak are as follows:-

<u>Names</u>	<u>Nationality/ Country of incorporation</u>	<u>Interests in PKF Sarawak</u>	<u>←----Direct----→</u>		<u>←----Indirect----→</u>	
			<u>No. of shares</u>	<u>%</u>	<u>No. of shares</u>	<u>%</u>
Dato' Gan Kong Hiok	Malaysian	Director	-	-	^(a) 15,000,000	83.3
Leong Hin Kieat	Malaysian	Director	-	-	-	-
Gan Eng Hian	Malaysian	Director	-	-	-	-
Wu Xiaosheng	Chinese	Director	-	-	^(b) 3,000,000	16.7
Yang Lifen	Chinese	-	-	-	^(b) 3,000,000	16.7
Yang Lirong	Chinese	-	-	-	^(b) 3,000,000	16.7
PKFSB	Malaysia	Shareholder	15,000,000	83.3	-	-
Golden Barley International Pte Ltd ^(c)	Singapore	Shareholder	3,000,000	16.7	-	-

INFORMATION ON TK TENT (cont'd)**Notes:-**

- (a) Deemed interested by virtue of his interest in PASB, which is the major shareholder of PKFSB.
- (b) Deemed interested by virtue of their interests held in Golden Barley International Pte Ltd, which is the substantial shareholder of PKFSB.
- (c) The directors of Golden Barley International Pte Ltd are Yang Lifen, Yang Lirong and Wu Xiaosheng whilst its shareholders are as follows:-

Names	<----Direct---->		<----Indirect---->	
	No. of shares held	%	No. of shares held	%
Yang Lifen	2,000,000	33.3	-	-
Yang Lirong	2,000,000	33.3	-	-
Wu Xiaosheng	2,000,000	33.4	-	-

5. MATERIAL CONTRACTS

As at LPD, there are no material contracts (not being contract entered into in the ordinary course of business) which have been entered into by PKF Sarawak during the past two (2) years immediately preceding the date of this Circular.

6. MATERIAL LITIGATIONS

As at the LPD, PKF Sarawak is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the directors of PKF Sarawak has no knowledge of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of PKF Sarawak.

7. MATERIAL COMMITMENTS

As at the LPD, the directors of PKF Sarawak are not aware of any material commitments contracted or known to be contracted by PKF Sarawak that is likely to have an impact on PKF Sarawak's profits or NA upon becoming enforceable.

8. CONTINGENT LIABILITIES

As at the LPD, the Directors of PKF Sarawak are not aware of any contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have an impact on PKF Sarawak's profits or NA position.

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INFORMATION ON PKF SARAWAK (cont'd)

9. FINANCIAL INFORMATION

The summary of the audited financial information of PKF Sarawak for the FYE 31 December 2014, FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 are set out below:-

Details	Audited			
	FYE 31 December 2014	FYE 31 December 2015	FYE 31 December 2016	FYE 31 December 2017
	RM	RM	RM	RM
Revenue	33,329,195	55,509,811	64,448,708	43,702,351
GP	1,575,602	2,447,186	1,919,525	1,258,036
PBT/LBT	649,877	1,361,207	554,785	(411,681)
Taxation	(1,566,894)	378,672	(646,184)	(243,107)
PAT/LAT	(917,017)	1,739,879	(91,399)	(654,788)
GP margin (%)	4.7	4.4	3.0	2.9
PBT/(LBT) margin (%)	1.9	2.5	0.9	(0.9)
PAT/(LAT) margin (%)	(2.8)	3.1	(0.1)	(1.5)
Gross EPS (sen)	0.09	13.60	10.66	6.99
Net EPS/(Loss per share) (sen)	(0.05)	9.67	(0.51)	(3.64)
Current assets	18,137,790	30,049,655	28,842,557	17,090,520
Non-current assets	23,272,602	26,909,025	26,766,149	24,722,095
Total assets	41,410,392	56,958,680	55,608,706	41,812,615
Current liabilities	19,706,753	29,526,608	28,635,240	15,770,814
Non-current liabilities	3,217,564	3,189,197	3,451,990	3,175,113
Total liabilities	22,924,317	32,715,805	32,087,230	18,945,927
Shareholders' funds/NA	18,486,075	24,242,875	23,521,476	22,866,688
Total borrowings	1,972,053	789,991	302,176	207,894
Net cash flows used in operating activities	3,363,884	1,980,322	2,588,665	124,747
Net cash flows (used in)/from investing activities	(1,369,624)	186,668	(1,855,369)	(152,952)
Net cash flows (used in)/for financing activities	(2,143,229)	1,182,062	(1,117,815)	(94,282)
Cash and cash equivalents at end of year	33,828	645,418	260,899	138,412
Gearing (times)	0.11	0.03	0.01	0.01
Current ratio (times)	0.92	1.02	1.01	1.08
NA per share	1.03	1.35	1.31	1.27

During the financial years under review, there were no accounting policies adopted by PKF Sarawak which are peculiar to its business activities and has not been subjected to any audit qualifications.

During the financial years under review, the operations of PKF Sarawak were conducted based on the following business model:-

- (a) PKF Sarawak provides contract manufacturing and warehousing services to PKFSB for the manufacturing of fertilisers of various types, mixtures and compact compounds. In return, PKFSB pays rental fees basis to PKF Sarawak for the use of the processing plant and warehouse facility owned by PKF Sarawak which is located at Lot 4061, Block 26, Kemena Land District, Bintulu, Sarawak. For FYE 31 December 2017, the rental fees amounted to RM2.76 million which comprises:

INFORMATION ON PKF SARAWAK (cont'd)

- (i) Rental of warehouse amounting to RM1.20 million based on rental rate of RM0.10 million per month; and
- (ii) Rental of the equipment amounting to RM1.56 million based on rental rate of approximately RM0.13 million per month.
- (b) Upon the receipt of purchase orders from third party customers mainly based in Sarawak by PKF Sarawak (comprising palm oil plantations, rubber estates and timber concession areas), PKF Sarawak shall then purchase the finished fertiliser products (manufactured at PKF Sarawak processing plant in Bintulu, Sarawak) from PKFSB. The selling price of the fertilisers sold to third party customers was based on a certain mark-up of the cost of purchase of the finished fertiliser products purchased from PKFSB.
- (c) Under the above arrangement, PKF Sarawak does not own any raw materials, work-in-progress and/or finished goods inventories. All inventories are owned by PKFSB and kept at the warehouse facility until it is sold to third party customers.

The revenue generated by PKF Sarawak are analysed as follows-

	FYE 31 December 2014	FYE 31 December 2015	FYE 31 December 2016	FYE 31 December 2017
Units sold MT	32,337	55,786	62,725	46,206
Average selling price of fertilisers (RM/MT)	1,030.68	995.05	1,028.68	945.82

Financial commentaries:-**FYE 31 December 2014 vs FYE 31 December 2015**

For FYE 31 December 2015, PKF Sarawak achieved revenue levels of RM55.51 million, which was 66.55% or RM22.18 million higher than the revenue of RM33.33 million recorded during FYE 31 December 2014. PKF Sarawak recorded increase in volumes of fertilisers sold, increasing from 32,337 MT in FYE 31 December 2014 to 55,786 MT in FYE 31 December 2015. The higher revenue levels recorded for FYE 31 December 2015 was mainly due to the significant increase in the fertilisers sold during the financial year under review as a result of the increase in tenders obtained by PKF Sarawak due to increase in plantation activities by various oil palm plantations located mainly in Sarawak and the transfer of various contracts to PKF Sarawak by PKFSB.

PKF Sarawak has recorded PAT position of RM1.74 million in FYE 31 December 2015 against LAT position of RM0.92 million in FYE 31 December 2014, representing an increase of approximately RM2.66 million or 289.73%. The turnaround was due to the overprovision of deferred taxation of RM1.11 million in FYE 31 December 2014 which resulted in tax credit of RM0.38 million in FYE 31 December 2015.

INFORMATION ON PKF SARAWAK (cont'd)**FYE 31 December 2015 vs FYE 31 December 2016**

For FYE 31 December 2016, PKF Sarawak achieved revenue levels of RM64.45 million, which was 16.10% or RM8.94 million higher than the revenue of RM55.51 million recorded during FYE 31 December 2015. PKF Sarawak recorded increase in volumes of fertilisers sold, increasing from 55,786 MT in FYE 31 December 2015 to 62,725 MT in FYE 31 December 2016. The higher revenue levels recorded for FYE 31 December 2016 was mainly due to the following developments:-

- (a) introduction of Kal-Mag series of fertilisers during FYE 31 December 2015, a type of compacted compound fertiliser formularised by PKFSB containing nitrogen, phosphorous, potassium and magnesium to provide nutrients for the cultivation of oil palm trees. The introduction of Kal-Mag series of fertilisers has received good feedback and demand from oil palm plantations mainly located in Sarawak, as it improves the cultivation period of oil palm trees and reduces frequency of fertilisation (as compared to use of other forms of fertilisers). As a result, PKF Sarawak has successfully sold approximately 12,311 MT and 10,695 MT of Kal-Mag series of fertilisers during FYE 31 December 2015 and FYE 31 December 2016, respectively; and
- (b) increase in overall sales volume of its range of compact compounds, straight/mixtures fertilisers and other types of fertilisers, which were also in high demand by oil palm and timber plantations in Sarawak. Major oil palm plantations had increased the cultivation of oil palm trees activities in line with the increasing export demand for palm oil and global CPO prices. PKF Sarawak has sold the following volumes of compact compounds, straight/mixtures fertilisers and other types of fertilisers (in terms of MT):-

Type of fertilisers	FYE 31 December	FYE 31 December
	2015	2016
	MT	MT
Compact compounds	25,495	33,388
Straight/Mixtures	13,912	14,546
Others (i.e. compounds, release controls and organic)	4,068	4,096

Despite the increase in the overall revenue levels, PKF Sarawak has recorded LAT position of RM0.09 million during FYE 31 December 2016, from PAT position of RM1.74 million recorded during FYE 31 December 2015, due to the following:-

- (a) decrease in overall GP and GP margin recorded from RM2.45 million or 4.4% during FYE 31 December 2015 to RM1.92 million or 2.9% during FYE 31 December 2016, mainly attributable to the higher purchase costs of the finished fertiliser products purchased from PKFSB; and
- (b) increase in overall taxation expenses from a tax credit of RM0.38 million during FYE 31 December 2015, (due to the overprovision of deferred taxation of RM1.11 million in FYE 31 December 2014 which resulted in tax credit of RM0.38 million in FYE 31 December 2015) to a tax expenses of RM0.65 million during FYE 31 December 2016.

INFORMATION ON PKF SARAWAK (cont'd)**FYE 31 December 2016 vs FYE 31 December 2017**

PKF Sarawak has recorded revenue of RM43.70 million during FYE 31 December 2017 against the revenue of RM64.45 million achieved during FYE 31 December 2016, representing a decrease of approximately RM20.75 million or 32.19%. The decrease in the overall revenue levels was due to the following factors:-

- (a) decrease in the overall volume sales of fertilisers sold from 62,725 MT in FYE 31 December 2016 to 46,206 MT in FYE 31 December 2017 as PKF Sarawak adopted a conservative approach in view of the weaker RM and volatile fluctuation of CPO prices, which has affected selling prices of fertilisers, thus PKF Sarawak has been selective in securing its forward sales of fertilisers; and
- (b) unfavourable weather conditions which has disrupted cultivation activities at oil palm plantations, timber and rubber estates. As such, the demand of the fertilisers had decreased accordingly.

PKF Sarawak recorded LAT position of RM0.65 million in FYE 31 December 2017 against LAT position of RM0.09 million in FYE 31 December 2016, representing an increase of approximately RM0.56 million or 622.22%, mainly due to the following:-

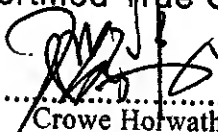
- (a) decrease in the GP of RM0.66 million in FYE 2017 due to lower revenue;
- (b) increase in staff cost and depreciation expenses of RM0.32 million in FYE 2017; and
- (c) offset by decrease in tax expenses in FYE 2017 of RM0.40 million.

Tax expenses during FYE 31 December 2016 were higher than the statutory tax rate of 24.0% mainly due to the under-provision of income tax and deferred tax in prior years. For FYE 31 December 2017, PKF Sarawak has recorded tax expenses of RM0.24 million despite recording a LBT of RM0.41 million which was mainly due to incurring certain non-deductible expenses and under-provision of income tax in prior years.

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AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017

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.....
Crowe Horwath
AF 1018

**TK TENT & AIR-CONDITIONING
RENTAL SDN. BHD.**

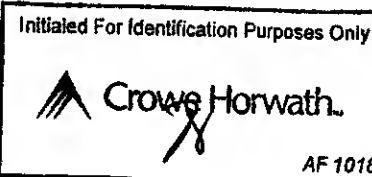
(Incorporated in Malaysia)
Company No : 884835 - W

FINANCIAL REPORT
for the financial year ended 30 June 2017

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AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.(Incorporated in Malaysia)
Company No: 884835 - W**DIRECTORS' REPORT**

The directors hereby submit their report and the audited financial statements of the Company for the financial year ended 30 June 2017.

PRINCIPAL ACTIVITY

The Company is principally engaged in the business of renting and trading of mobile air conditioner, tent and event related equipment and tools.

RESULTS

	RM
Profit after taxation for the financial year	<u>980,172</u>

DIVIDENDS

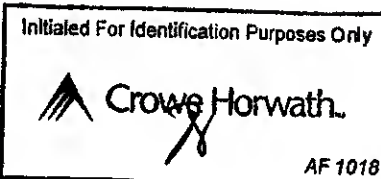
During the current financial year, the dividends paid by Company were as follows:-

	RM
<u>In respect of the financial year ended 30 June 2017:</u>	
First interim single tier tax-exempt dividend of approximately 2.58 sen per ordinary share, paid on 29 July 2016	304,806
Second interim single tier tax-exempt dividend of approximately 33.90 sen per ordinary share, paid on 25 August 2016	4,000,000
Third interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share, paid on 9 December 2016	500,000
Fourth interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share, paid on 17 February 2017	500,000
Fifth interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share, paid on 8 March 2017	500,000
Sixth interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share, paid on 30 June 2017	<u>500,000</u>
	<u>6,304,806</u>

The directors do not recommend the payment of any further dividend for the current financial year.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)**TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
Company No: 884835 - W

**DIRECTORS' REPORT**

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year were disclosed in the financial statements.

ISSUES OF SHARES AND DEBENTURES

During the financial year,

- (a) there were no changes in the issued and paid-up share capital of the Company, and
- (b) there were no issues of debentures by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

During the financial year, no options were granted by the Company to any person to take up any unissued shares in the Company.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for impairment losses on receivables, and satisfied themselves that all known bad debts had been written off and that no allowance for impairment losses on receivables is required.

At the date of this report, the directors are not aware of any circumstances that would require the further writing off of bad debts, or the allowance for impairment losses on receivables in the financial statements of the Company.

CURRENT ASSETS

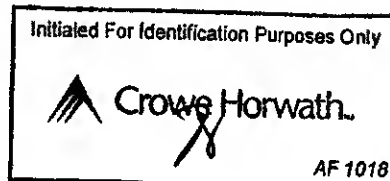
Before the financial statements of the Company were made out, the directors took reasonable steps to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, including their value as shown in the accounting records and of the Company, have been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements misleading.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



DIRECTORS' REPORT

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:-

- (a) any charge on the assets of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the financial year.

No contingent or other liability of the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF AN UNUSUAL NATURE

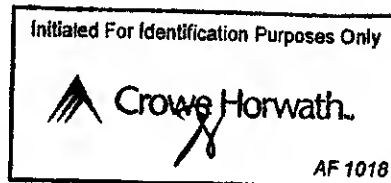
The results of the operations of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Company for the financial year.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



DIRECTORS' REPORT

HOLDING COMPANY

The holding company is Hextar Holdings Sdn. Bhd., a company incorporated in Malaysia.

DIRECTORS

The names of directors who served during the financial year and up to the date of this report are as follows:-

ONG SOON HOOI (Appointed on 18.8.2016)
TEH LI KING (Appointed on 18.8.2016)
DATO' TEE TIAM HOCK (Resigned on 18.8.2016)
LIM SENG POH (Resigned on 18.8.2016)
YAP THIAM SENG (Resigned on 18.8.2016)

DIRECTORS' INTERESTS

None of the directors holding office at the end of the financial year had any interest in shares in the Company during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' REMUNERATION

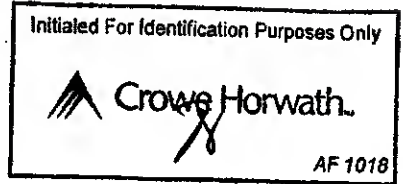
There were no director's remuneration paid or payable during the financial year.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

DIRECTORS' REPORT



INDEMNITY AND INSURANCE COST

During the financial year, there is no indemnity given to or professional indemnity insurance effected for directors, officers or auditors of the Company.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

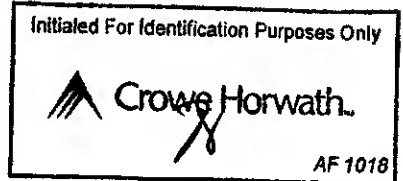
The significant event during the financial year is disclosed in Note 21 to the financial statements.

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AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



DIRECTORS' REPORT

AUDITORS

The auditors, Messrs. Crowe Horwath, have expressed their willingness to continue in office.

The auditors' remuneration are disclosed in Note 17 to the financial statements.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 27 NOV 2017**

A handwritten signature in black ink, appearing to be "Ong Soon Hooi".

Ong Soon Hooi

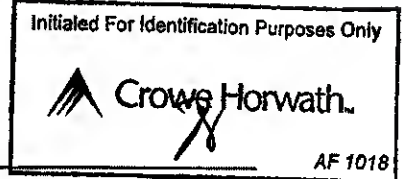
A handwritten signature in black ink, appearing to be "Teh Li King".

Teh Li King

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Ong Soon Hooi and Teh Li King, being the two directors of TK Tent & Air-Conditioning Rental Sdn. Bhd., state that, in our opinion, the financial statements set out on pages 12 to 48 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as of 30 June 2017 and of its financial performance and cash flows for the financial year ended on that date.

**SIGNED IN ACCORDANCE WITH A RESOLUTION OF THE DIRECTORS
DATED 27 NOV 2017**

Ong Soon Hooi

Teh Li King

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016**

I, Teh Li King, being the director primarily responsible for the financial management of TK Tent & Air-Conditioning Rental Sdn. Bhd., do solemnly and sincerely declare that the financial statements set out on pages 12 to 48 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Teh Li King, at Klang in the
state of Selangor Darul Ehsan
on this
27 NOV 2017



Teh Li King

Before me

No 34-1, Tingkat Satu
Jalan Tera 2B
Bandar Baru Klang
41150 Klang, Selangor

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)

Crowe Horwath™

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Crowe Horwath
AF 1018

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

Klang Office
Suite 50-3, Setia Avenue
No. 2, Jalan Setia Prima S U13/S
Setia Alam, Seksyen U13
40170 Shah Alam
Selangor Darul Ehsan, Malaysia
Main +6 03 3343 0730 / 3343 1846
Fax +6 03 3344 3036
www.crowehorwath.com.my
info.klg@crowehorwath.com.my

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
Company No: 884835 - W

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of TK Tent & Air-Conditioning Rental Sdn. Bhd., which comprise the statement of financial position as at 30 June 2017 of the Company, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 48.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 30 June 2017, and of its financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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

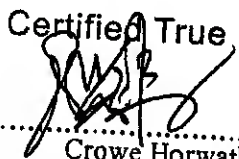
We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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 Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)



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 Crowe Horwath
 AF 1018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
 TK TENT & AIR-CONDITIONING RENTAL SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
 Company No: 884835 - W

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

Our opinion on the financial statements of the Company does not cover the Directors' Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the Directors' Report and, in doing so, consider whether the Directors' Report is materially inconsistent with the financial statements 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 the Directors' Report, 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 Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.


In preparing the financial statements of the Company, the directors are responsible for assessing 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 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 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 approved standards on auditing in Malaysia and International Standards on Auditing 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.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)



Certified True Copy


 Crowe Horwath
 AF 1018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
 TK TENT & AIR-CONDITIONING RENTAL SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
 Company No: 884835 - W

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)



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 Crowe Horwath
 AF 1018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
 TK TENT & AIR-CONDITIONING RENTAL SDN. BHD. (CONT'D)**

(Incorporated in Malaysia)
 Company No: 884835 - W

Other Matters

1. As stated in Note 4.1 to the financial statements, TK Tent & Air-Conditioning Rental Sdn. Bhd. adopted Malaysian Financial Reporting Standards on 1 July 2016 with a transition date of 1 July 2015. This standard was applied retrospectively by directors to the comparative information in these financial statements, including the statement of financial position of the Company as at 30 June 2016, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year ended 30 June 2016 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial period from 1 July 2016 to 30 June 2017, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balance as at 1 July 2016 do not contain misstatements that materially affect the financial position as at 30 June 2017 and the financial performance and cash flows for the financial year then ended.
2. The financial statements of the Company for the preceding financial year were audited by another firm of auditors whose report dated 3 August 2016 expressed an unqualified opinion on those statements.
3. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Crowe Horwath
 Firm No: AF 1018
 Chartered Accountants
 27 NOV 2017

Ong Beng Chooi
 Approval No: 03155/05/2019 J
 Chartered Accountant

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

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 Crowe Horwath
 AF 1018

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2017


	NOTE	30.6.2017 RM	Restated 30.6.2016 RM	1.7.2015 RM
ASSETS				
NON-CURRENT ASSET				
Plant and equipment	6	17,556,779	19,244,344	19,699,770
CURRENT ASSETS				
Trade receivables	7	2,782,995	4,206,442	3,366,857
Other receivables, deposits and prepayments	8	767,388	473,795	465,219
Amount owing by a director		-	1,193,000	-
Current tax assets		119,400	-	-
Fixed deposits with a licensed bank	9	582,095	-	-
Cash and bank balances		519,856	4,300,442	1,020,921
		4,771,734	10,173,679	4,852,997
TOTAL ASSETS		22,328,513	29,418,023	24,552,767
EQUITY AND LIABILITIES				
EQUITY				
Share capital	10	11,800,000	11,800,000	11,800,000
Retained profits	11	6,030,172	11,354,806	6,247,059
TOTAL EQUITY		17,830,172	23,154,806	18,047,059
NON-CURRENT LIABILITIES				
Hire purchase payables	12	-	362,620	1,014,565
Deferred tax liability	13	3,391,000	2,848,700	2,835,300
		3,391,000	3,211,320	3,849,865
CURRENT LIABILITIES				
Trade payables	14	107,146	339,318	526,713
Other payables and accruals	15	775,728	757,894	947,783
Amount owing to a director		-	400,000	-
Hire purchase payables	12	224,467	651,945	737,147
Current tax liabilities		-	902,740	444,200
		1,107,341	3,051,897	2,655,843
TOTAL LIABILITIES		4,498,341	6,263,217	6,505,708
TOTAL EQUITY AND LIABILITIES		22,328,513	29,418,023	24,552,767

The annexed notes form an integral part of these financial statements.

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AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.


(Incorporated in Malaysia)
Company No: 884835 - WCertified True Copy

Crowe Horwath
AF 1018STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	NOTE	2017 RM	2016 RM
REVENUE	16	11,955,168	21,824,774
COST OF SALES		(4,749,682)	(8,575,075)
GROSS PROFIT		7,205,486	13,249,699
OTHER OPERATING INCOME		51,405	207,545
		7,256,891	13,457,244
SELLING AND DISTRIBUTION EXPENSES		(647,770)	(1,100,039)
ADMINISTRATIVE AND OTHER OPERATING EXPENSES		(2,884,695)	(1,957,874)
OTHER EXPENSES		(1,552,188)	(1,803,608)
FINANCE EXPENSES		(44,143)	(85,154)
PROFIT BEFORE TAXATION	17	2,128,095	8,510,569
INCOME TAX EXPENSE	18	(1,147,923)	(2,045,822)
PROFIT AFTER TAXATION		980,172	6,464,747
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		980,172	6,464,747
PROFIT AFTER TAXATION ATTRIBUTABLE TO OWNERS OF THE COMPANY		980,172	6,464,747
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY		980,172	6,464,747

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

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Crowe Horwath
AF 1018

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

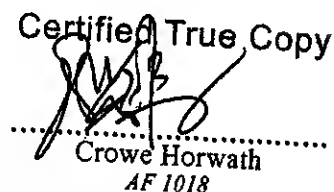
	NOTE	SHARE CAPITAL RM	RETAINED PROFITS RM	TOTAL EQUITY RM
Balance at 1.7.2015		11,800,000	6,247,059	18,047,059
Profit after taxation/Total comprehensive income for the financial year		-	6,464,747	6,464,747
Dividends	19	-	(1,357,000)	(1,357,000)
Balance at 30.6.2016/1.7.2016		11,800,000	11,354,806	23,154,806
Profit after taxation/Total comprehensive income for the financial year		-	980,172	980,172
Dividends	19	-	(6,304,806)	(6,304,806)
Balance at 30.6.2017		11,800,000	6,030,172	17,830,172

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

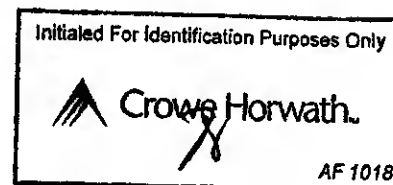
	NOTE	2017 RM	Restated 2016 RM
CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES			
Profit before taxation		2,128,095	8,510,569
Adjustments for:-			
Bad debts written off		338,796	-
Depreciation of equipment		1,521,960	1,573,503
Equipment written off		7,796	558
Interest expense		44,143	85,154
Gain on disposal of plant and equipment		(646)	(137,833)
Interest income		(31,341)	(55,312)
Reversal of allowance for impairment loss on trade receivables		-	(216,883)
Operating profit before working capital changes		4,008,803	9,759,756
Decrease/(Increase) in trade and other receivables		791,058	(631,278)
Decrease in trade and other payables		(214,338)	(377,284)
CASH FROM OPERATIONS		4,585,523	8,751,194
Interest paid		(44,143)	(85,154)
Tax paid		(1,627,763)	(1,573,882)
NET CASH FROM OPERATING ACTIVITIES		2,913,617	7,092,158
CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES			
Interest received		31,341	55,312
Purchase of plant and equipment		(307,385)	(1,422,302)
Proceeds from disposal of plant and equipment		465,840	441,500
Repayment from/(Advances to) a former director		1,193,000	(1,193,000)
NET CASH FROM/(FOR) INVESTING ACTIVITIES		1,382,796	(2,118,490)
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES			
Dividends paid		(8,304,806)	(1,357,000)
(Repayment to)/Advances from a former director		(400,000)	400,000
Repayment of hire purchase obligations		(790,098)	(737,147)
NET CASH FOR FINANCING ACTIVITIES		(7,494,904)	(1,694,147)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(3,198,491)	3,279,521
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		4,300,442	1,020,921
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	20	1,101,951	4,300,442

The annexed notes form an integral part of these financial statements.

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AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)**TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
Company No: 884835 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017****1. GENERAL INFORMATION**

The Company is a private liability limited company, incorporated and domiciled in Malaysia. The registered office and principal place of business is at No. 22, Jalan Industri Taming Mas, Pusat Industri Taming Mas, 43300 Seri Kembangan, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 27 November 2017.

2. PRINCIPAL ACTIVITY

The Company is principally engaged in the business of renting and trading of mobile air conditioner, tent and event related equipment and tools.

3. HOLDING COMPANY

The holding company is Hextar Holdings Sdn. Bhd., a company incorporated in Malaysia.

4. BASIS OF PREPARATION

The financial statements of the Company are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

- 4.1 This is the Company's first set of financial statements prepared in accordance with MFRSs, which are also in line with International Financial Reporting Standards as issued by the International Accounting Standards Board.

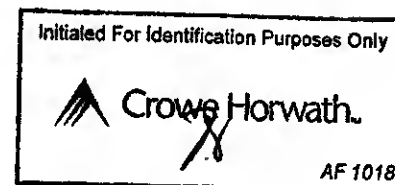
In the previous financial year, the financial statements of the Company were prepared in accordance with Private Entity Reporting Standards ("PERs").

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

**4. BASIS OF PREPARATION (CONT'D)**

- 4.1 The transition to MFRSs is accounted for in accordance with MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards', with 1 July 2015 as the date of transition. An opening statement of financial position as at the date of transition has been prepared based on the accounting policies as described in Note 5 to the financial statements. Such accounting policies have also been applied to other financial information covered under this set of financial statements, including the comparative information presented. There were no material financial impacts on the transition from PERs to MFRSs.

During the current financial year, the Company has adopted the following new accounting standards and interpretations (including the consequential amendments, if any):-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)

MFRS 14 Regulatory Deferral Accounts

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities - Applying the Consolidation Exception

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture - Bearer Plants

Amendments to MFRS 127: Equity Method in Separate Financial Statements

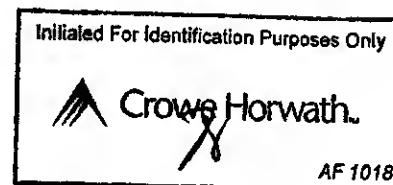
Annual Improvements to MFRSs 2012 - 2014 Cycle

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) did not have any material impact on the Company's financial statements.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4. BASIS OF PREPARATION (CONT'D)

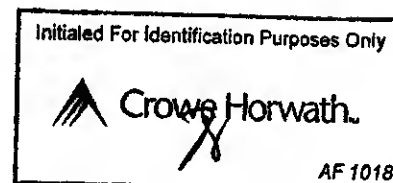
- 4.2 The Company has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarifications to MFRS 15 'Revenue from Contracts with Customers'	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 140 - Transfers of Investment Property	1 January 2018
Annual Improvements to MFRS Standards 2014 - 2016 Cycles:	1 January 2017
• Amendments to MFRS 12: Clarification of the Scope of the Standard	

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

4. BASIS OF PREPARATION (CONT'D)

4.2 MFRSs and/or IC Interpretations (Including The Effective Date Consequential Amendments) (Cont'd)

Annual Improvements to MFRS Standards 2014 - 2016 1 January 2018
Cycles:

- Amendments to MFRS 1: Deletion of Short-term Exemptions for First-time Adopters
- Amendments to MFRS 128: Measuring an Associate or Joint Venture at Fair Value

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Company upon their initial application.

5. SIGNIFICANT ACCOUNTING POLICIES

5.1 Critical Accounting Estimates and Judgements

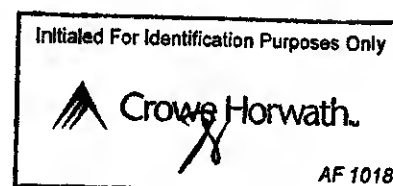
Estimates and judgements are continually evaluated by the directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and judgements that affect the application of the Company's accounting policies and disclosures, and have a significant risk of causing a material adjustment to the carrying amounts of assets, liabilities, income and expenses are discussed below:-

(a) *Income Taxes*

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the year in which such determination is made.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)**TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
Company No: 884835 - W



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.1 Critical Accounting Estimates and Judgements (Cont'd)***(b) Impairment of Trade Receivables*

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loans and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. If the expectation is different from the estimation, such difference will impact the carrying value of receivables.

5.2 Functional and Foreign Currencies

The financial statements of the Company are presented in Ringgit Malaysia ('RM') which is the Company's functional and presentation currency.

5.3 Financial Instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

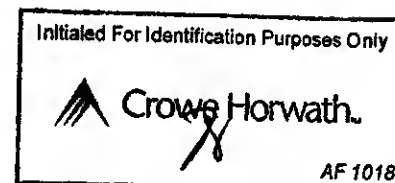
Financial instruments are offset when the Company has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017



5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 Financial Instruments (Cont'd)

A financial instrument is recognised initially at its fair value. Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statement of financial position are disclosed in the individual policy statement associated with each item.

(a) *Financial Assets*

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

- *Financial Assets at Fair Value Through Profit or Loss*

As at the end of the reporting period, there were no financial assets classified under this category.

- *Held-to-maturity Investments*

As at the end of the reporting period, there were no financial assets classified under this category.

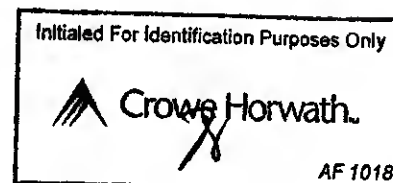
- *Loans and Receivables Financial Assets*

Trade receivables and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables financial assets. Loans and receivables financial assets are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.3 Financial Instruments (Cont'd)

(a) *Financial Assets (Cont'd)*

- *Loans and Receivables Financial Assets (Cont'd)*

Loans and receivables financial assets are classified as current assets, except for those having settlement dates later than 12 months after the reporting date which are classified as non-current assets.

- *Available-for-sale Financial Assets*

As at the end of the reporting period, there were no financial assets classified under this category.

(b) *Financial Liabilities*

- *Financial Liabilities at Fair Value through Profit or Loss*

As at the end of the reporting period, there were no financial liabilities classified under this category.

- *Other Financial Liabilities*

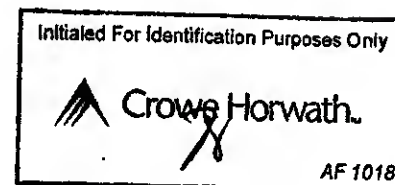
Other financial liabilities are initially measured at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)**TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
Company No: 884835 - W



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**5.3 Financial Instruments (Cont'd)***(c) Equity Instruments*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

5.4 Plant and Equipment

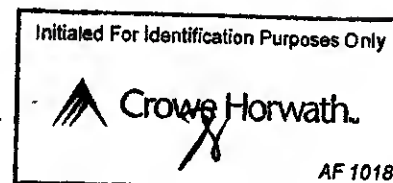
All items of plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.4 Plant and Equipment (Cont'd)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

Depreciation on plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Electrical fittings	10%
Equipment	5% - 10%
Furniture and fittings	15%
Motor vehicles	10%
Office equipment	15%
Plant and machineries	5% - 10%
Renovation	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

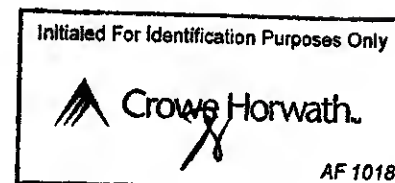
Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these plant and equipment.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017



5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.5 Impairment

(a) *Impairment of Financial Assets*

All financial assets (other than those categorised at fair value through profit or loss), are assessed at the end of each reporting period whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

An impairment loss in respect of held-to-maturity investments and loans and receivables financial assets is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

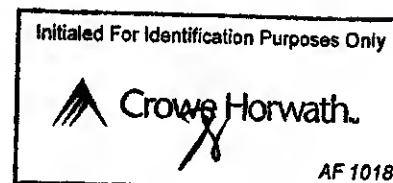
(b) *Impairment of Non-financial Assets*

The carrying values of assets, other than those to which MFRS 136 - Impairment of Assets does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)**TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017****5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.5 Impairment (Cont'd)***(b) Impairment of Non-financial Assets (Cont'd)*

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

5.6 Leased Assets

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incidental to ownership. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in the statement of financial position as hire purchase payables.

Minimum lease payments made under finance leases are apportioned between the finance costs and the reduction of the outstanding liability. The finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss and allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each accounting period.

5.7 Borrowing costs

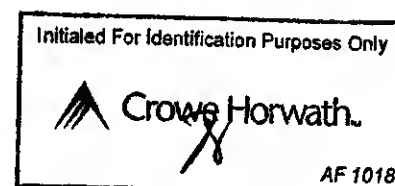
Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017



5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Income Taxes

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for temporary differences other than those that arise from 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.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

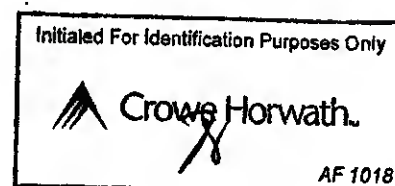
Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or 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 the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Income Taxes (Cont'd)

(c) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of GST except for the GST incurred in a purchase of assets or services which are not recoverable from the taxation authorities, the GST is included as part of the costs of the assets acquired or as part of the expense item whichever is applicable.

In addition, receivables and payables are also stated with the amount of GST included (where applicable).

The net amount of the GST recoverable from or payable to the taxation authorities at the end of the reporting period is included in other receivables or other payables respectively.

5.9 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and excluded fixed deposits pledged to secure banking facilities.

5.10 Employee Benefits

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Company.

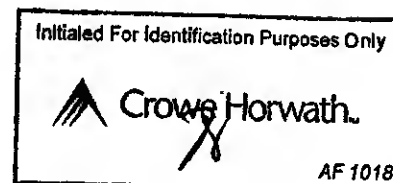
(b) Defined Contribution Plans

The Company's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Company has no further liability in respect of the defined contribution plans.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.11 Related Parties

A party is related to an entity (referred to as the "reporting entity") if:-

- (a) A person or a close member of that person's family is related to a reporting entity if that person:-
- (i) has control or joint control over the reporting entity;
 - (ii) has significant influence over the reporting entity; or
 - (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

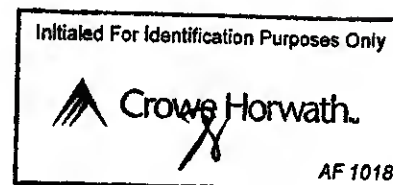
Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the reporting entity.

- (b) An entity is related to a reporting entity if any of the following conditions applies:-
- (i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint 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 post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above 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).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.11 Related Parties (Cont'd)**

- (b) Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the reporting entity either directly or indirectly, including any director (whether executive or otherwise) of that entity.

5.12 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable, net of returns, goods and services tax, cash and trade discounts.

(a) *Sale of Goods*

Revenue from sale of goods is recognised when significant risks and rewards of ownership of the goods have been transferred to the buyer and where the Company does not have continuing managerial involvement and effective control over the goods sold.

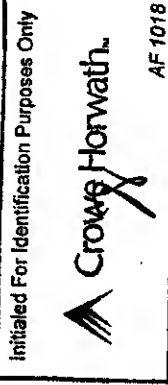
(b) *Services*

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(c) *Interest Income*

Interest income is recognised on an accrual basis.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (Cont'd)



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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

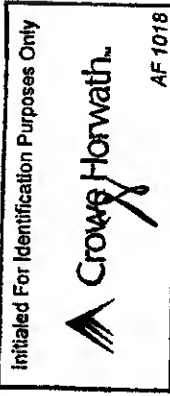
6. PLANT AND EQUIPMENT

2017 NET BOOK VALUE	AT 1.7.2016 RM	ADDITIONS RM	DISPOSALS RM	WRITTEN OFF RM	DEPRECIATION CHARGES RM	AT 30.6.2017 RM
Electrical fittings Equipment	7,485 3,417,132	- 107,998	- (1,198)	- (1,040)	(1,247) (302,157)	6,238 3,220,735
Furniture and fittings	36,132	1,720	-	(253)	(20,394)	17,195
Motor vehicles	2,033,777	3,470	(463,996)	-	(223,879)	1,349,372
Office equipment	108,279	49,327	-	(1,773)	(42,068)	113,765
Plant and machinery Renovation	13,551,787 89,772	144,870 -	- -	(4,720) -	(919,154) (13,061)	12,772,763 78,711
Total	19,244,344	307,385	(465,194)	(7,796)	(1,521,960)	17,558,779

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (Cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

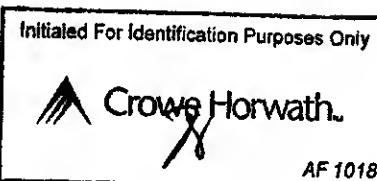
6. PLANT AND EQUIPMENT (CONT'D)

2016 NET BOOK VALUE	AT 1.7.2015 RM	ADDITIONS RM	DISPOSALS RM	WRITTEN OFF RM	DEPRECIATION CHARGES RM	AT 30.6.2016 RM
Electrical fittings Equipment	8,733 3,563,141	- 153,782	- (2,967)	- -	(1,248) (296,824)	7,485 3,417,132
Furniture and fittings	62,436	-	-	-	(26,304)	36,132
Motor vehicles	1,493,037	950,055	(125,350)	-	(283,965)	2,033,777
Office equipment	109,831	38,915	-	(558)	(39,909)	108,279
Plant and machinery	14,359,780	279,550	(175,350)	-	(912,193)	13,551,767
Renovation	102,832	-	-	-	(13,060)	89,772
Total	19,699,770	1,422,302	(303,667)	(558)	(1,573,503)	19,244,344

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS
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6. PLANT AND EQUIPMENT (CONT'D)

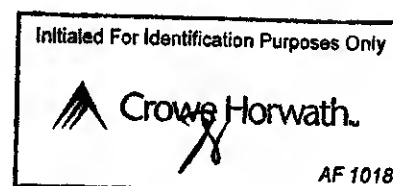
	COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
At 30.6.2017			
Electrical fittings	12,477	(6,239)	6,238
Equipment	4,956,912	(1,738,177)	3,220,735
Furniture and fittings	176,592	(159,397)	17,195
Motor vehicles	2,238,789	(889,417)	1,349,372
Office equipment	311,523	(197,758)	113,765
Plant and machinery	18,381,283	(5,608,520)	12,772,783
Renovation	130,602	(53,891)	76,711
Total	26,208,178	(8,651,399)	17,556,779
At 30.6.2016			
Electrical fittings	12,477	(4,992)	7,485
Equipment	4,851,910	(1,434,778)	3,417,132
Furniture and fittings	175,362	(139,230)	36,132
Motor vehicles	2,863,154	(829,377)	2,033,777
Office equipment	266,060	(157,781)	108,279
Plant and machinery	18,242,063	(4,690,296)	13,551,767
Renovation	130,602	(40,830)	89,772
Total	26,541,628	(7,297,284)	19,244,344

Included in the plant and equipment of the Company at the end of the reporting period were motor vehicles with a total net book value of RM138,188 (2016 - RM746,428) and plant and machinery with a total net book value of RM650,720 (2016 - RM1,205,290), which were acquired under hire purchase terms. These leased assets have been pledged as security for the related finance lease liabilities of the Company as disclosed in Note 12 to the financial statements.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

7. TRADE RECEIVABLES

	2017 RM	2016 RM
Trade receivables	2,766,407	4,043,934
Unbilled receivables	16,588	162,508
	2,782,995	4,206,442

The Company's normal trade credit terms range from 30 to 60 days (2016 - 30 to 60 days). Other credit terms are assessed and approved on a case-by-case basis.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

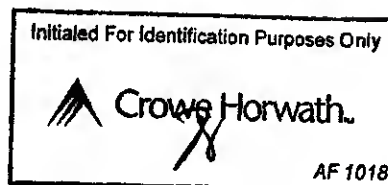
	2017 RM	2016 RM
Other receivables:		
- third parties	518,954	61,660
- goods and services tax	303	85,427
	519,257	147,087
Deposits	198,950	201,600
Prepayments	49,181	125,108
	767,388	473,795

9. FIXED DEPOSITS WITH A LICENSED BANK

The fixed deposits with a licensed bank of the Company at the end of the reporting period bore effective interest rates ranging from 2.95% to 3.10% (2016 - Nil) per annum. The fixed deposits have maturity period of 1 month (2016 - Nil).

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10. SHARE CAPITAL

	2017 NUMBER OF SHARES	2016 NUMBER OF SHARES	2017 RM	2016 RM
Authorised				
Ordinary shares of RM1 each	N/A	2,500,000	N/A	2,500,000
Issued and Fully Paid-Up				
			2017 NUMBER OF SHARES	2017 RM
Ordinary Shares			11,800,000	11,800,000

N/A - Not applicable pursuant to Companies Act 2016 which come into operation as on 31 January 2017. On that date, the concepts of the authorised share capital and par value of share capital were abolished in accordance with the Companies Act 2016. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

11. RETAINED PROFITS

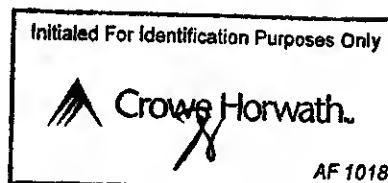
Under the single tier tax system, tax on the Company's profits is the final tax and accordingly, any dividends distributed to the shareholders are not subject to tax.

12. HIRE PURCHASE PAYABLES

	2017 RM	2016 RM
Minimum hire purchase payments:		
- not later than one year	230,746	694,993
- later than one year and not later than five years	-	372,906
	230,746	1,067,899
Less: Future finance charges	6,279	53,334
Present value of hire purchase payables	224,467	1,014,565

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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12. HIRE PURCHASE PAYABLES (CONT'D)

	2017 RM	2016 RM
<u>Current portion</u>		
Not later than one year	224,467	651,945
<u>Non-current portion</u>		
Later than one year and not later than five years	-	362,620
	224,467	1,014,565

- (a) The hire purchase payables of the Company are secured by the Company's motor vehicles and plant and machinery under hire purchase finance leases as disclosed in Note 6 to the financial statements. The hire purchase arrangements are expiring in 1 year (2016 - 1 to 3 years).
- (b) The hire purchase payables of the Company at the end of the reporting period bore interest rates ranging from 2.54% to 2.64% (2016 - 2.54% to 5.55%) per annum. The interest rates are fixed at the inception of the hire purchase arrangements.

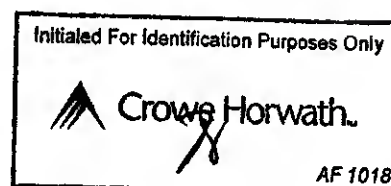
13. DEFERRED TAX LIABILITY

	At 1.7.2016 RM	Recognised in profit or loss (Note 18) RM	At 30.6.2017 RM
<u>Deferred tax liability</u>			
Accelerated capital allowances	2,848,700	542,300	3,391,000
	At 1.7.2015 RM	Recognised in profit or loss (Note 18) RM	At 30.6.2016 RM
<u>Deferred tax liability</u>			
Accelerated capital allowances	2,835,300	13,400	2,848,700

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

14. TRADE PAYABLES

The normal trade credit terms granted to the Company range from 30 to 90 days (2016 - 30 to 90 days).

15. OTHER PAYABLES AND ACCRUALS

	2017 RM	2016 RM
Other payables:		
- third parties	144,036	105,794
- goods and services tax	42,475	140,567
	186,511	246,361
Accruals	480,860	181,262
Deferred income	108,357	330,271
	<u>775,728</u>	<u>757,894</u>

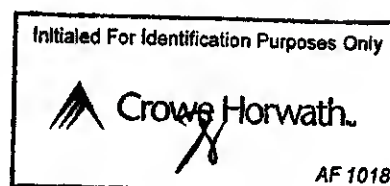
16. REVENUE

Revenue of the Company represents the invoiced value of services rendered and goods sold less trade discounts and returns.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

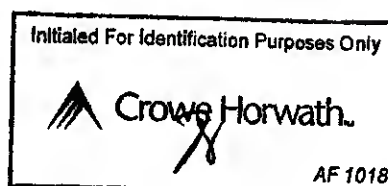
17. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):-

	2017 RM	2016 RM
Audit fee	15,600	20,000
Depreciation of plant and equipment	1,521,960	1,573,503
Directors' fees	-	800,300
Equipment written off	7,796	558
Hire purchase interest	44,143	85,154
Remuneration paid to:		
- directors	-	506,432
- former directors	484,329	-
Rental expense:		
- lorry	6,450	-
- premise	696,240	678,300
Staff costs:		
- salaries and other benefits	3,576,687	3,159,034
- defined contribution plan	246,614	239,010
Gain on disposal of plant and equipment	(646)	(137,833)
(Gain)/Loss on foreign exchange:		
- realised	(1,268)	331
Interest income	(31,341)	(55,312)
Rental Income	(14,400)	(14,400)
Reversal of allowance for impairment loss on trade receivables	-	(216,883)
	<u>-</u>	<u>(216,883)</u>

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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Company No: 884835 - WNOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

18. INCOME TAX EXPENSE

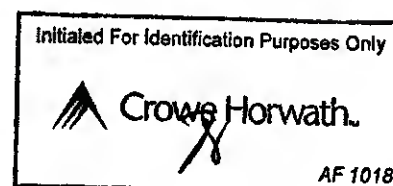
	2017 RM	2016 RM
Income tax:		
- for the financial year	660,600	2,077,900
- overprovision in the previous financial year	(54,977)	(45,478)
	<u>605,623</u>	<u>2,032,422</u>
Deferred tax (Note 13):		
- for the financial year	(134,300)	57,600
- underprovision in the previous financial year	676,600	72,100
- effect of change in corporate income tax rate from 25% to 24%	-	(116,300)
	<u>542,300</u>	<u>13,400</u>
	<u>1,147,923</u>	<u>2,045,822</u>

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Company is as follows:-

	2017 RM	2016 RM
Profit before taxation	<u>2,128,095</u>	<u>8,510,569</u>
Tax at the statutory tax rate of 24%	510,743	2,042,537
Tax effects of:-		
Non-deductible expenses	15,557	92,963
(Over)/Underprovision in the previous financial year:		
- income tax	(54,977)	(45,478)
- deferred tax	676,600	72,100
Effect of change in corporate income tax rate from 25% to 24% on deferred tax	-	(116,300)
Income tax expense for the financial year	<u>1,147,923</u>	<u>2,045,822</u>

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

19. DIVIDENDS

	2017 RM	2016 RM
<u>In respect of the financial year ended</u> <u>30 June 2017:</u>		
First interim single tier tax-exempt dividend of approximately 2.58 sen per ordinary share	304,806	-
Second interim single tier tax-exempt dividend of approximately 33.90 sen per ordinary share	4,000,000	-
Third interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share	500,000	-
Fourth interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share	500,000	-
Fifth interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share	500,000	-
Sixth interim single tier tax-exempt dividend of approximately 4.24 sen per ordinary share	500,000	-
<u>In respect of the financial year ended</u> <u>30 June 2016:</u>		
First interim single tier tax-exempt dividend of approximately 11.50 sen per ordinary share	-	1,357,000
	6,304,806	1,357,000

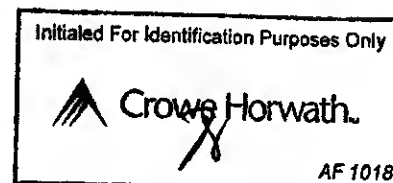
20. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

	2017 RM	2016 RM
Fixed deposits with a licensed bank	582,095	-
Cash and bank balances	519,856	4,300,442
	1,101,951	4,300,442

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)**TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
Company No: 884835 - W


**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**
21. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The Companies Act 2016 came into operation on 31 January 2017 (except for Section 241 and Division 8 of Part III of the said Act) and replaced Companies Act 1965.

Amongst the key changes introduced under the Companies Act 2016 that have affected the financial statements of the Company upon its initial implementation are:-

- (i) Removal of the authorised share capital; and
- (ii) Ordinary shares ceased to have par value.

The Companies Act 2016 was applied prospectively and the impacts on implementation are disclosed in the respective notes to the financial statements.

22. FINANCIAL INSTRUMENTS

The Company's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Company's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

22.1 Financial Risk Management Policies

The Company's policies in respect of the major areas of treasury activity are as follows:-

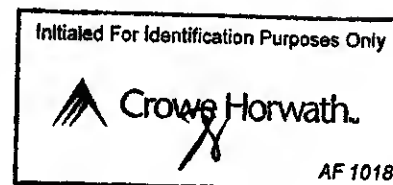
(a) Market Risks*(i) Foreign Currency Risk*

The Company is exposed to foreign currency risk on transactions that are denominated in currencies other than Ringgit Malaysia. The currencies giving rise to this risk are primarily United States Dollar ('USD'). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

The Company does not have any balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)**TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.**

(Incorporated in Malaysia)
Company No: 884835 - W



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

22. FINANCIAL INSTRUMENTS (CONT'D)**22.1 Financial Risk Management Policies (Cont'd)****(a) Market Risks (Cont'd)***(ii) Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Company's policy is to obtain the most favourable interest rates available.

The Company's fixed rate borrowings and fixed deposits with a licensed bank are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

Interest rate risk sensitivity analysis

The Company does not have any floating rate borrowings and hence, no sensitivity analysis is presented.

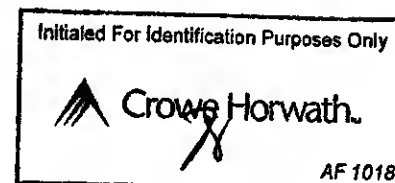
(iii) Equity Price Risk

The Company does not have any quoted investments and hence is not exposed to equity price risk.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (*cont'd*)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22. FINANCIAL INSTRUMENTS (CONT'D)

22.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Company manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Company's major concentration of credit risk relates to the amounts owing by three customers which constituted approximately 62% of its trade receivables at the end of the reporting period.

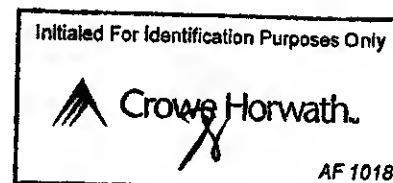
Exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Company after deducting any allowance for impairment losses (where applicable).

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22. FINANCIAL INSTRUMENTS (CONT'D)

22.1 Financial Risk Management Policies (Cont'd)

(b) Credit Risk (Cont'd)

Ageing analysis

The ageing analysis of the Company's trade receivables is as follows:-

	CARRYING AMOUNT	
	2017 RM	2016 RM
Not past due	374,488	1,181,133
Past due:		
- less than 3 months	991,592	1,440,965
- over 3 months	1,416,915	1,584,344
	<u>2,782,995</u>	<u>4,208,442</u>

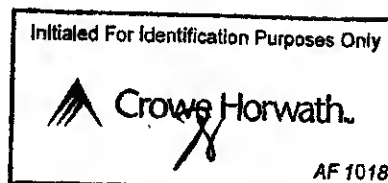
The Company believes that no impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Company practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - WNOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22. FINANCIAL INSTRUMENTS (CONT'D)

22.1 Financial Risk Management Policies (Cont'd)

(c) Liquidity Risk (Cont'd)

Maturity Analysis

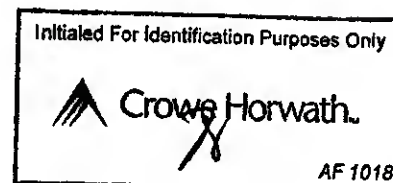
The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payment computed based on the rate at the end of the reporting period):-

	Contractual Interest Rates %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
2017					
Trade payables	-	107,148	107,146	107,146	-
Other payables and accruals	-	775,728	775,728	775,728	-
Hire purchase payables	2.54 - 2.64	224,467	230,746	230,747	-
		1,107,341	1,113,620	1,113,621	-
2016					
Trade payables	-	339,318	339,318	339,318	-
Other payables and accruals	-	757,894	757,894	757,894	-
Amount owing to a director	-	400,000	400,000	400,000	-
Hire purchase payables	2.54 - 5.55	1,014,565	1,067,899	694,993	372,906
		2,511,777	2,565,111	2,192,205	372,906

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22. FINANCIAL INSTRUMENTS (CONT'D)

22.2 Capital Risk Management

The Company manages its capital by maintaining an optimal capital structure so as to support its businesses and maximise shareholder value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to its shareholders or issuing new shares.

The Company manages its capital based on debt-to-equity ratio. The debt-to-equity ratio of the Company at the end of the reporting period is not presented as its cash and cash equivalents exceeded the total external borrowings.

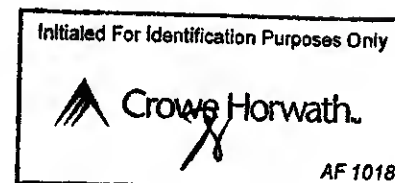
22.3 Classification of Financial Instruments

	2017 RM	2016 RM
Financial Assets		
<u>Loans and receivables financial assets</u>		
Trade receivables	2,782,995	4,206,442
Other receivables and deposits	717,904	263,260
Amount owing by a director	-	1,193,000
Deposit with a licensed bank	582,095	-
Cash and bank balances	519,856	4,300,442
	4,602,850	9,963,144
Financial Liabilities		
<u>Other financial liabilities</u>		
Trade payables	107,146	339,318
Other payables and accruals	624,896	287,056
Amount owing to a director	-	400,000
Hire purchase payables	224,467	1,014,565
	956,509	2,040,939

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

22. FINANCIAL INSTRUMENTS (CONT'D)**22.4 Fair Value Information**

At the end of the reporting period, there were no financial instruments carried at fair values in the statement of financial position.

The fair values of the financial assets and financial liabilities of the Company that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of borrowings that carry fixed interest rates approximated their carrying amounts as the impact of discounting is not material. The fair value is determined by discounting the relevant cash flows using current market interest rates for similar instruments.

23. TRANSITION TO THE MFRS FRAMEWORK

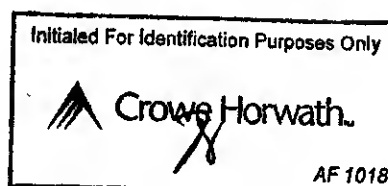
As stated in Note 4.1 to the financial statements, this is the first set of financial statements of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 5 to the financial statements have been applied to all financial information covered under this set of financial statements.

The transition to MFRS does not have any financial impact to the separate financial statements of the Company.

AUDITED FINANCIAL STATEMENTS OF TK TENT FOR THE FYE 30 JUNE 2017 (cont'd)

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - WNOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

24. COMPARATIVE FIGURES

The following figures have been reclassified to conform with the presentation of the current financial year:-


	As Restated RM	As Previously Reported RM
<u>Statement of Financial Position (Extract):-</u>		
<u>Current Assets</u>		
Trade receivables	4,206,442	4,043,934
Other receivables, deposits and prepayments	473,795	636,303
<u>Current Liabilities</u>		
Trade payables	339,318	370,609
Other payables and accruals	757,894	726,603
<u>Statement of Profit or Loss and</u>		
<u>Other Comprehensive Income (Extract):-</u>		
Cost of sales	8,757,075	8,532,055
Other expenses	1,803,608	1,846,628
<u>Cash Flows From/(For) Operating Activities</u>		
<u>Cash generated from operations</u>		
Increase in amount due from a director	-	(1,193,000)
Increase in amount due to a director	-	400,000
Dividends paid	-	(1,357,000)
Interest received	-	55,312
<u>Cash Flows From/(For) Investing Activities</u>		
Advances to a director	(1,193,000)	-
Interest received	55,312	-
<u>Cash Flows (For)/From Financing Activities</u>		
Advances from a director	400,000	-
Dividends paid	(1,357,000)	-

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017

PK FERTILIZERS (SARAWAK) SDN. BHD.
(658492-V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2017

CERTIFIED TRUE COPY



ERNST & YOUNG
AF: 0039
CHARTERED ACCOUNTANTS

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)****658492-V****PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)**

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Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Statement of cash flows	13
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**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

658492-V

**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)**

Directors' report

The directors hereby present their report together with the audited financial statements of the Company for the financial year ended 31 December 2017.

Principal activities

The principal activities of the Company are carrying on business of manufacturing, merchandising, trading and distribution of fertilizers.

Result

	RM
Loss for the year	<u>(654,788)</u>

There were no material transfers to or from reserves or provisions during the year.

In the opinion of the directors, the result of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

No dividend has been paid or declared by the Company since the end of the previous financial year.

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)

658492-V

PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Dato' Gan Kong Hiok
 Leong Hin Kieat
 Gan Eng Hian
 Wu Xiao Sheng

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full time employee of the related corporations) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Directors' interests

According to the register of directors shareholdings, the interest of directors in office at the end of the financial year in shares of the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares of RM1 each			As at 31.12.2017
	As at 1.1.2017	Acquired	Sold	
Indirect interest through Pristine Acres Sdn. Bhd.				
Dato' Gan Kong Hiok	41,999,998	-	-	41,999,998

None of the other directors holding office as at 31 December 2017 had any interest in the ordinary shares of the Company and of its related corporations during the financial year.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

658492-V

**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)**

Indemnification to directors and officers

No payment has been made to indemnify the directors and officers during or since the financial year.

Other statutory information

- (a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in these financial statements inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets and liabilities of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the financial statements misleading.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

658492-V

**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)**

Other statutory Information (cont'd.)

(e) As at the date of this report, there does not exist:

- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the year of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

The auditors' remuneration is disclosed in Note 6 to the financial statements.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement against claims by third parties arising from the audit for an unspecified amount. No payment has been made to indemnify Ernst & Young during or since the financial year.

Signed on behalf of the Board in accordance with a resolution of the directors dated 26 FEB 2018


Dato' Gan Kong Hiok


Leong Hin Kieat

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)

658492-V

PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

Statement by directors
Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Gan Kong Hiok and Leong Hin Kieat, being two of the directors of PK Fertilizers (Sarawak) Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 33 are drawn up in accordance with Malaysian Private Entities Reporting Standard and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2017 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated **26 FEB 2018**



Dato' Gan Kong Hiok



Leong Hin Kieat

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act, 2016

I, Dato' Gan Kong Hiok, being the director primarily responsible for the financial management of PK Fertilizers (Sarawak) Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 33 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared
by the abovenamed Dato' Gan Kong Hiok
at Kuala Lumpur in the Federal Territory
on **26 FEB 2018**



Dato' Gan Kong Hiok

Before me,



205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)



Ernst & Young ar 0039
 GST Reg No: 001556430848
 Chartered Accountants
 Level 23A Menara Milenium
 Jalan Damanlela, Pusat Bandar Damansara
 50490 Kuala Lumpur Malaysia

Tel: +603 7495 8000
 Fax: +603 2095 5332 (General line)
 +603 2095 9076
 +603 2095 9078
 ey.com

658492-V

Independent auditors' report to the member of
 PK Fertilizers (Sarawak) Sdn. Bhd.
 (Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of PK Fertilizers (Sarawak) Sdn. Bhd. which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 10 to 33.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. 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 audit opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and 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 By-Laws and the IESBA Code.

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 Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

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

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

658492-V

Independent auditors' report to the member of
PK Fertilizers (Sarawak) Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements 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 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 Company in accordance with Malaysian Private Entities Reporting Standard and the requirements of the Companies Act, 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the directors are responsible for assessing 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 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 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 approved standards on auditing in Malaysia and International Standards on Auditing 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.

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)



658492-V

Independent auditors' report to the member of
 PK Fertilizers (Sarawak) Sdn. Bhd. (cont'd.)
 (Incorporated in Malaysia)

Auditors' responsibilities for the audit of the financial statements (cont'd.)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements 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 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 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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

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.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**



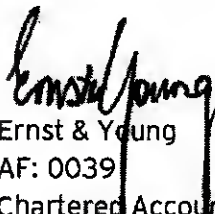
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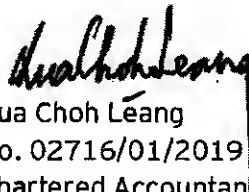
Independent auditors' report to the member of
PK Fertilizers (Sarawak) Sdn. Bhd. (cont'd.)
(Incorporated in Malaysia)

Report on other legal and regulatory requirements

Other matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


Ernst & Young
AF: 0039
Chartered Accountants


Kua Choh Léang
No. 02716/01/2019
Chartered Accountant

Kuala Lumpur, Malaysia

26 FEB 2018

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 December 2017

	Note	2017 RM	2016 RM
Revenue	4	43,702,351	64,448,708
Cost of sales	4	<u>(42,444,315)</u>	<u>(62,529,183)</u>
Gross profit		1,258,036	1,919,525
Other income	5	2,755,200	2,755,200
Administration and other expenses		<u>(4,406,771)</u>	<u>(4,094,569)</u>
(Loss)/profit from operation		(393,535)	580,156
Finance costs		<u>(18,146)</u>	<u>(25,371)</u>
(Loss)/profit before tax	6	(411,681)	554,785
Income tax expense	7	<u>(243,107)</u>	<u>(646,184)</u>
Loss representing total comprehensive comprehensive expense for the year		<u>(654,788)</u>	<u>(91,399)</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of financial position
As at 31 December 2017

	Note	2017 RM	2016 RM
Non-current asset			
Property, plant and equipment	8	<u>24,722,095</u>	<u>26,766,149</u>
Current assets			
Trade receivables	9	16,342,552	27,898,280
Other receivables	10	380,987	389,108
Tax recoverable		228,569	294,270
Cash and bank balances		138,412	260,899
		<u>17,090,520</u>	<u>28,842,557</u>
Current liabilities			
Other payables	11	617,816	916,640
Amount due to immediate holding company	12	15,058,716	27,624,318
Borrowings	15	94,282	94,282
		<u>15,770,814</u>	<u>28,635,240</u>
Net current assets		<u>1,319,706</u>	<u>207,317</u>
		<u>26,041,801</u>	<u>26,973,466</u>
Equity attributable to equity holder of the Company			
Share capital	13	19,500,000	18,000,000
Share premium		-	1,500,000
Revaluation reserves	14	4,045,958	4,045,958
Accumulated losses		<u>(679,270)</u>	<u>(24,482)</u>
		22,866,688	23,521,476
Non-current liabilities			
Borrowings	15	113,612	207,894
Deferred tax liabilities	16	3,061,501	3,244,096
		<u>3,175,113</u>	<u>3,451,990</u>
		<u>26,041,801</u>	<u>26,973,466</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2017

	Share capital RM	Share premium RM	Revaluation reserves RM	Retained earnings/ (Accumulated losses) RM	Total RM
At 1 January 2017	18,000,000	1,500,000	4,045,958	(24,482)	23,521,476
Total comprehensive expense	-	-	-	(654,788)	(654,788)
Transfer to share capital pursuant to Section 618(2) of the Companies Act 2016	1,500,000	(1,500,000)	-	-	-
At 31 December 2017	19,500,000	-	4,045,958	(679,270)	22,866,688
At 1 January 2016	18,000,000	1,500,000	4,045,958	696,917	24,242,875
Total comprehensive expense	-	-	-	(91,399)	(91,399)
Dividend (Note 17)				(630,000)	(630,000)
At 31 December 2016	18,000,000	1,500,000	4,045,958	(24,482)	23,521,476

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)
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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2017

	2017 RM	2016 RM
Cash flows from operating activities		
(Loss)/profit before tax	(411,681)	554,785
Adjustments for:		
Depreciation of property, plant and equipment	2,166,679	1,998,246
Finance cost	18,146	25,371
Written off of property, plant and equipment	30,326	-
Reversal of allowance for doubtful debts	(29,006)	(1,574)
Operating profit before working capital changes	1,774,464	2,576,828
Receivables	11,592,855	1,008,192
Payables	(298,824)	456,906
Amount due to immediate holding company	(12,565,602)	(949,441)
Amount due to a related company	-	(5,300)
Cash flows generated from operations	502,893	3,087,185
Interest paid	(18,146)	(25,371)
Tax paid	(360,000)	(473,149)
Net cash flows generated from operating activities	<u>124,747</u>	<u>2,588,665</u>
Cash flows from investing activity		
Purchase of property, plant and equipment representing net cash flows used in investing activity	<u>(152,952)</u>	<u>(1,855,369)</u>
Cash flows from financing activities		
Repayment of term loan	-	(393,533)
Dividend paid	-	(630,000)
Net repayment of hire purchases	(94,282)	(94,282)
Net cash flows used in financing activities	<u>(94,282)</u>	<u>(1,117,815)</u>
Net decrease in cash and cash equivalents	(122,487)	(384,519)
Cash and cash equivalents at beginning of year	<u>260,899</u>	<u>645,418</u>
Cash and cash equivalents at end of the year	<u>138,412</u>	<u>260,899</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)**

Notes to the financial statements - 31 December 2017

1. Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at PKF Building, No.12938, Jalan BBN 1/7D, Putra Indah, 71800 Nilai, Negeri Sembilan Darul Khusus. The principal place of business of the Company is located at Lot 978 & 979, Kidurong Light Industrial Estate, P.O. Box 978, 97008 Bintulu, Sarawak, Malaysia.

The immediate and ultimate holding companies of the Company are PK Fertilizers Sdn. Bhd. and Pristine Acres Sdn. Bhd., respectively, both of which are incorporated in Malaysia.

The principal activities of the Company are carrying on business of manufacturing, merchandising, trading and distribution of fertilizers.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 26 February 2018.

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company have been prepared under the historical cost convention and in accordance with Malaysian Private Entities Reporting Standard ("MPERS") and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM").

The financial statements of the Company have also been prepared on a historical basis, except for the revaluation policies on leasehold land and buildings included within property, plant and equipment of the Company that have been measured at their fair values.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

2. Significant accounting policies (cont'd.)

(b) Property, plant and equipment and depreciation

Leasehold land and buildings are stated at revalued amount, which is the fair value at the date of the revaluation less accumulated depreciation and any accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by professionally qualified valuers. Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the reporting date. Any revaluation surplus is credited to the revaluation reserve included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss to the extent of the decrease previously recognised. A revaluation deficit is first offset against unutilised previously recognised revaluation surplus in respect of the same asset and the balance is thereafter recognised in profit or loss.

Property, plant and equipment except for leasehold land and buildings are stated at cost less accumulated depreciation and impairment losses. The policy for recognition and measurement of impairment losses is in accordance with Note 2(e).

Machinery work in progress are not depreciated as these assets are not available for use.

All other property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life. The depreciation methods used and the useful lives of the respective classes of property, plant and equipment are as follows:

	Method	Rates
Long term leasehold land	Straight-line	51 years
Buildings	Straight-line	25 years
Furniture, fixtures and fittings	Straight-line	20%
Office equipment	Straight-line	20%
Computer equipment	Straight-line	20%
Plant, machinery and equipment	Straight-line	10%
Motor vehicles	Straight-line	25%
Electrical and fittings	Straight-line	20%

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****(b) Property, plant and equipment and depreciation (cont'd.)**

At the end of each reporting period, the residual values, useful lives and depreciation methods for the property, plant and equipment are reviewed for reasonableness. Any change in estimate of an item is adjusted prospectively over its remaining useful life, commencing in the current period.

(c) Impairment of non-financial assets

If an individual asset generates independent cash inflows, it is tested for impairment as a stand-alone asset. If an asset does not generate independent cash inflows, it is tested for impairment together with other assets (including any allocated goodwill) in a cash-generating unit, at the lowest level in which independent cash inflows are generated and monitored for internal management purpose.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and the value in use. The Company determines the fair value less costs to sell of an asset or a cash-generating unit in a hierarchy based on:

- (i) price in a binding sale agreement;
- (ii) market price traded in an active market; and
- (iii) estimate of market price using the best available information.

The value in use is estimated by discounting the net cash inflows (by an appropriate discount rate) of the asset or unit, using reasonable and supportable management's budgets and forecasts of five years and extrapolation of cash inflows for periods beyond the five-year forecast or budget.

For an asset measured on a cost based model, any impairment loss is recognised in profit or loss.

The Company reassesses the recoverable amount of an impaired asset or a cash-generating unit if there is any indication that an impairment loss recognised previously may have reversed.

Other than goodwill, any reversal of impairment loss for an asset carried at a cost-based model is recognised in profit or loss, subject to the limit that the revised carrying amount does not exceed the amount that would have been determined had no impairment loss been recognised previously.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****(d) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand, demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Company's cash management.

(e) Borrowing costs

Borrowing costs of the Company include interest on loans, finance lease liabilities and interest expense of other debt instruments calculated using the effective interest method. All borrowing costs are recognised as an expense when incurred.

(f) Tax assets and tax liabilities

Taxes payable are determined by the Company. 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 exceed the amount due for those periods, the excess is recognised as a current tax assets. A current tax liability (asset) is measured at the amount the entity expects to pay (recover) using tax rates and laws that have been enacted or substantially enacted by the reporting date.

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from: (a) the initial recognition of goodwill; or (b) 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 capital allowances and acquired intangible assets that are not deductible 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, affects neither accounting profit nor taxable profit (or tax loss). The exceptions for the initial recognition difference include non-taxable government grants received and reinvestment allowances and investment tax allowances on qualifying property, plant and equipment.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****(f) Tax assets and tax liabilities (cont'd.)**

A deferred tax asset is recognised for the carry-forward of unutilised tax losses and unutilised 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. Unused tax credits do not include unabsorbed reinvestment allowance and unabsorbed investment tax allowances because the Company treats these as part of initial recognition differences.

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

(g) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be measured reliably.

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the profit or loss when the significant risks and rewards of ownership have been transferred to the buyer.

(h) Financial instruments**Initial recognition and measurement**

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, an entity in the Company becomes a party to the contractual provisions of the instrument.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value, which is generally the transaction price, 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. For intra-group loans and advances, and other contractual arrangements, that constitute a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****(h) Financial instruments (cont'd.)****Initial recognition and measurement (cont'd.)**

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables) are measured at fair value, which is generally the transaction price, 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. For intra-group loans and advances, and other contractual arrangements, that constitute a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Derecognition of financial instruments

For derecognition purposes, the Company 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 Company transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Company acts only as a collecting agent of the transferee, and retains no significant risk 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 expired.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)**2. Significant accounting policies (cont'd.)****(h) Financial Instruments (cont'd.)****Subsequent measurement of financial assets**

For the purpose of subsequent measurement, the Company classifies financial assets into two categories namely:

- (i) financial assets at fair value through profit or loss; and
- (ii) financial assets at amortised cost.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment as described below.

Subsequent measurement of financial liabilities

After initial recognition, the Company measures all financial liabilities at amortised cost using the effective interest method.

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 when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

Impairment allowance of financial assets

The Company applies the incurred loss model to recognise impairment losses of financial assets. At the end of each reporting period, the Company examines whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Evidences of trigger loss events include:

- (i) significant difficulty of the issuer or obligor;
- (ii) a breach of contract, such as a default or delinquency in interest or principal payment;
- (iii) granting exceptional concession to a customer;
- (iv) it is probable that a customer will enter bankruptcy or other financial reorganisation;
- (v) the disappearance of an active market for that financial asset because of financial difficulties; or
- (vi) any observable market data indicating that there may be a measurable decrease in the estimated future cash flows from a group of financial assets.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****(h) Financial instruments (cont'd.)**

For a non-current loan and receivable carried at amortised cost, the revised estimated cash flows are discounted at the original effective interest rate. Any impairment loss is recognised in profit or loss and a corresponding amount is recorded in a loss 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.

(i) Share capital

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

- (i) to deliver cash or another financial asset; or
- (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, are classified as equity instruments.

When ordinary shares and other equity instruments are issued in a private placement or in a rights issue to existing shareholders, they are recorded at the issue price. For ordinary shares and other equity instruments issued in exchange for non-monetary assets, they are measured by reference to the fair values of the assets received.

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 their fair value at the date of the exchange transaction.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax effect.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)**

2. Significant accounting policies (cont'd.)

(j) Employee benefits

The Company recognises a liability when an employee has provided service in exchange for employee benefits to be paid in the future and an expense when the Company consumes the economic benefits arising from service provided by an employee in exchange for employee benefits.

(i) Short-term benefits

Wages and salaries are usually accrued and paid on a monthly basis and are recognised as an expense, unless they relate to cost of producing inventories or other assets.

Paid absences (annual leave, maternity leave, paternity leave, sick leave and others) are accrued in each period if they are accumulating paid absences that can be carried forward, or in the case of non-accumulating paid absences, recognised as and when the absences occur.

Profit sharing and bonus payments are recognised when, and only when, the Company has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made.

(ii) Defined contribution plans

The Company make statutory contributions to approved provident funds, Employees Provident Fund ("EPF") and the contributions made are charged to profit or loss in the period to which they relate. When the contributions have been paid, the Company has no further payment obligations.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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**PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)****2. Significant accounting policies (cont'd.)****(k) Hire purchase and leased assets**

A lease is recognised as a finance lease if it transfers substantially to the Company all the risks and rewards incident to ownership. All other leases are classified as operating leases.

Assets financed by hire purchase agreements and leasing arrangements, which transfer substantially, all the risks and rewards of ownership to the Company (such as finance leases) are capitalised as plant and equipment and the corresponding obligations are treated as liabilities. Finance charges are allocated to the profit or loss over the period of the agreements to give a constant periodic rate of charge on the remaining hire purchase and lease liabilities.

The depreciation policy for leased assets is consistent with that for depreciable plant and equipment.

3. Significant accounting judgements and estimate

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Depreciation of property, plant and equipment

The cost of property, plant and equipment are depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of property, plant and equipment to be within 5 to 51 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Company's property, plant and equipment at the reporting is disclosed in Note 8.

**AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)**

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

3. Significant accounting judgements and estimate (cont'd.)

(b) Loss allowances of financial assets

Individually significant loans and receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Company's past experiences of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Company's financial position and results.

(c) Measurement of income taxes

The Company operates in various jurisdictions and are subject to income taxes in each jurisdiction. Significant judgement is required in determining the Company's provision for current and deferred taxes because the ultimate tax liability for the Company as a whole is uncertain. When the final outcome of the taxes payable is determined with the tax authorities in each jurisdiction, the amounts 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 Company will adjust for the differences of current or deferred taxes in the current period in which those differences arise.

4. Revenue and cost of sales

Revenue represents income from trading and distribution of fertilizers and chemical related products while cost of sales consist of the cost of goods sold.

5. Other income

	2017 RM	2016 RM
Rental income	<u>2,755,200</u>	<u>2,755,200</u>

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

6. (Loss)/profit before tax

This is arrived at after charging/(crediting):

	2017 RM	2016 RM
Auditors' remuneration		
- current year	5,300	5,000
- Underprovision in prior year	300	-
Staff costs (a)	1,008,585	860,667
Depreciation of property, plant and equipment (Note 8)	2,166,679	1,998,246
Finance cost:		
- Term loan	-	7,225
- Hire purchase	18,146	18,146
Rental of warehouse	72,000	78,000
Rental of equipment	-	17,500
Rental of premise	30,000	30,000
Reversal of allowance for doubtful debts	(29,006)	(1,574)
Written off of property, plant and equipment	30,326	-
	<u>1,008,585</u>	<u>860,667</u>

(a) Staff costs:

	2017 RM	2016 RM
Salary and wages	498,688	465,137
Employees Provident Fund and social security	104,850	83,189
Others	405,047	312,341
	<u>1,008,585</u>	<u>860,667</u>

AUDITED FINANCIAL STATEMENTS OF PKF SARAWAK FOR THE FYE 31 DECEMBER 2017
(cont'd)

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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

7. Income tax expense

	2017	2016
	RM	RM
Malaysian income tax:		
- Current income tax	156,117	88,229
- Underprovision in prior year	269,585	200,880
	<u>425,702</u>	<u>289,109</u>
Deferred tax (Note 16):		
- Relating to origination of temporary differences	(135,978)	133,110
- (Over)/underprovision in prior year	(46,617)	223,965
	<u>(182,595)</u>	<u>357,075</u>
Total tax expense for the year	<u>243,107</u>	<u>646,184</u>

Malaysian income tax is calculated at the statutory rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

A reconciliation of income tax expense applicable to (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Company is as follows:

	2017	2016
	RM	RM
(Loss)/profit before tax	<u>(411,681)</u>	<u>554,785</u>
Taxation at Malaysian statutory tax rate of 24% (2016: 24%)	(98,803)	133,148
Expenses not deductible for tax purposes	118,942	88,192
Underprovision of income tax expense in prior year	269,585	200,880
(Over)/underprovision of deferred tax expense in prior year	(46,617)	223,965
Tax expense for the year	<u>243,107</u>	<u>646,184</u>

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PK Fertilizers (Sarawak) Sdn. Bhd.
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8. Property, plant and equipment

2017	Long term leasehold land RM	Buildings RM	Furniture, fixtures and fittings RM	Office equipment RM	Computer equipment RM	Plant, machinery and equipment RM	Motor vehicles RM	Signboard RM	Electrical fittings RM	Machinery work in progress RM	Total RM
Cost or revaluation											
At 1 January	9,187,791	13,661,418	38,663	94,080	87,955	10,282,613	757,955	15,670	3,000	1,744,860	35,874,005
Additions	-	-	-	3,830	3,867	141,005	-	4,250	-	-	152,952
Written off	-	-	-	-	-	(70,000)	-	-	-	-	(70,000)
Reclassification	-	-	-	-	-	1,744,860	-	-	-	(1,744,860)	-
At 31 December	9,187,791	13,661,418	38,663	97,910	91,822	12,098,478	757,955	19,920	3,000	-	35,956,957
Representing:											
At cost	2,000,000	10,850,555	38,663	97,910	91,822	12,098,478	757,955	19,920	3,000	-	25,958,303
At valuation	7,187,791	2,810,863	-	-	-	-	-	-	-	-	9,998,654
	9,187,791	13,661,418	38,663	97,910	91,822	12,098,478	757,955	19,920	3,000	-	35,956,957
Accumulated depreciation											
At 1 January	941,260	3,749,250	26,275	24,748	73,683	3,836,518	453,142	131	2,850	-	9,107,857
Charge for the year (Note 6)	197,579	574,964	4,634	20,294	8,917	1,207,294	151,014	1,833	150	-	2,166,679
Written off	-	-	-	-	-	(39,674)	-	-	-	-	(39,674)
At 31 December	1,138,839	4,324,214	30,909	45,042	82,600	5,004,138	604,156	1,964	3,000	-	11,234,862
Net carrying amount											
Representing:											
At cost	1,568,628	7,142,732	7,754	52,868	9,222	7,094,340	153,799	17,956	-	-	16,047,297
At valuation	6,480,326	2,194,472	-	-	-	-	-	-	-	-	8,674,798
At 31 December	8,048,952	9,337,204	7,754	52,868	9,222	7,094,340	153,799	17,956	-	-	24,722,095

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8. Property, plant and equipment (cont'd.)

2016	Long term leasehold land	Buildings	Furniture, fixtures and fittings	Office equipment	Computer equipment	Plant, machinery and equipment	Motor vehicles	Electrical fittings	Machinery work in progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
Cost or revaluation										
At 1 January	9,187,791	13,661,418	33,163	37,971	86,155	10,251,183	757,955	-	3,000	34,018,636
Additions	-	-	5,500	56,109	1,800	31,430	-	15,670	-	1,744,860
At 31 December	9,187,791	13,661,418	38,663	94,080	87,955	10,282,613	757,955	15,670	3,000	1,744,860
Representing:										
At cost	2,000,000	10,850,555	38,863	94,080	87,955	10,282,613	757,955	15,870	3,000	1,744,880
At valuation	7,187,791	2,810,863	-	-	-	-	-	-	-	9,998,654
At 31 December	9,187,791	13,681,418	38,663	94,080	87,955	10,282,613	757,955	15,670	3,000	1,744,860
Accumulated depreciation										
At 1 January	743,681	3,174,286	19,080	13,817	56,302	2,809,841	290,554	-	2,250	7,109,611
Charge for the year (Note 6)	197,579	574,964	7,195	11,131	17,381	1,026,677	162,588	131	600	1,998,246
At 31 December	941,260	3,749,250	26,275	24,748	73,683	3,836,518	453,142	131	2,850	9,107,857
Net carrying amount										
Representing:										
At cost	1,607,843	7,578,812	12,388	69,332	14,272	6,446,095	304,813	15,539	150	1,744,860
At valuation	6,638,688	2,335,357	-	-	-	-	-	-	-	8,974,045
At 31 December	8,246,531	9,912,189	12,388	69,332	14,272	6,446,095	304,813	15,539	150	1,744,860
At 31 December	8,246,531	9,912,189	12,388	69,332	14,272	6,446,095	304,813	15,539	150	1,744,860

On 15 October 2015, the Company revalued all its leasehold land and buildings based on the valuations conducted by Ting Kang Sung, a Registered Valuer (V-0586) with C H Williams Talhar & Wong Sdn. Bhd.. Valuations were made on the basis of open market values on existing use bases.

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9. Trade receivables

	2017	2016
	RM	RM
Third parties	16,383,435	27,968,169
Less: Allowance for doubtful debts	<u>(40,883)</u>	<u>(69,889)</u>
	<u>16,342,552</u>	<u>27,898,280</u>

Movement in trade receivables' allowance accounts:

	2017	2016
	RM	RM
At 1 January	69,889	71,463
Reversal for the year (Note 6)	<u>(29,006)</u>	<u>(1,574)</u>
At 31 December	<u>40,883</u>	<u>69,889</u>

10. Other receivables

	2017	2016
	RM	RM
Deposits	75,235	95,235
Prepayments	8,090	13,757
Sundry receivables	<u>297,662</u>	<u>280,116</u>
	<u>380,987</u>	<u>389,108</u>

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11. Other payables

	2017	2016
	RM	RM
Sundry payables	498,462	804,696
Accrued expenses	119,354	111,944
	<u>617,816</u>	<u>916,640</u>

12. Amount due to immediate holding company

	2017	2016
	RM	RM
Amount due to immediate holding company		
- Trade	<u>15,058,716</u>	<u>27,624,318</u>

The amounts due to immediate holding company which are trade in nature are unsecured, non-interest bearing and repayable on demand.

13. Share capital

	Number of ordinary		Amount	
	shares of RM1 each			
	2017	2016	2017	2016
			RM	RM
Authorised:				
At 1 January/31 December	-	25,000,000	-	25,000,000
Issued and fully paid:				
At 1 January	18,000,000	18,000,000	18,000,000	18,000,000
Transfer of share premium	-	-	1,500,000	-
	<u>18,000,000</u>	<u>18,000,000</u>	<u>19,500,000</u>	<u>18,000,000</u>

Under the Companies Act 2016 ("Act") in Malaysia which came into effect on 31 January 2017, the concept of authorised share capital no longer exist.

In accordance with Section 74 of the Act, the Company's ordinary shares no longer have a par or nominal value with effect from 31 January 2017. Pursuant to Section 618(2) of the Act, the amounts standing to the credit of the Company's share premium accounts have become part of the Company's share capital. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result thereof.

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14. Revaluation reserves

	2017 RM	2016 RM
At 1 January/ 31 December	<u>4,045,958</u>	<u>4,045,958</u>

The revaluation reserves represent increases in the fair value of long term leasehold land and buildings, net of deferred tax.

15. Borrowings

	2017 RM	2016 RM
Current		
Secured:		
Hire purchase	<u>94,282</u>	<u>94,282</u>
Non-current		
Secured:		
Hire purchase	<u>113,612</u>	<u>207,894</u>
Total borrowings		
Hire purchase	<u>207,894</u>	<u>302,176</u>
	2017 RM	2016 RM
Minimum lease payments:		
Within one year	112,428	112,428
Between one to five years	<u>136,264</u>	<u>248,692</u>
	248,692	361,120
Less: Future finance charges	<u>(40,798)</u>	<u>(58,944)</u>
Present value of finance lease liabilities	<u>207,894</u>	<u>302,176</u>
Analysed as:		
Due within 12 months	94,282	94,282
Due after 12 months	<u>113,612</u>	<u>207,894</u>
	<u>207,894</u>	<u>302,176</u>

The hire purchase bore flat interest rates at the reporting date of between 2.60% to 4.20% (2016: 2.60% to 4.20%) per annum.

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16. Deferred tax liabilities

	2017 RM	2016 RM
At 1 January	3,244,096	2,887,021
Recognised in profit or loss (Note 7)	(182,595)	357,075
At 31 December	<u>3,061,501</u>	<u>3,244,096</u>

The components and movements of deferred tax liabilities of the Company are as follows:

	Revaluation of land RM	Revaluation of building RM	Accelerated capital allowances RM	Total RM
At 1 January 2017	777,575	490,927	1,975,594	3,244,096
Recognised in profit or loss	-	-	(182,595)	(182,595)
At 31 December 2017	<u>777,575</u>	<u>490,927</u>	<u>1,792,999</u>	<u>3,061,501</u>
At 1 January 2016	777,575	490,927	1,618,519	2,887,021
Recognised in profit or loss	-	-	357,075	357,075
At 31 December 2016	<u>777,575</u>	<u>490,927</u>	<u>1,975,594</u>	<u>3,244,096</u>

17. Dividend

Dividends recognised in year	
2017 RM	2016 RM

**In respect of financial year
ended 31 December 2016:**

Single-tier interim dividend of 3.5% on 18,000,000
ordinary shares (0.035 sen per ordinary share)

-	<u>630,000</u>
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18. Related party disclosures

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 terms agreed between the parties during the financial year:

	2017	2016
	RM	RM
Immediate holding company, PK Fertilizers Sdn. Bhd.:		
- Sales	31,326	189,728
- Purchase	(42,328,877)	(62,334,764)
- Rental income	2,755,200	2,755,200
- Dividend	-	(525,000)
Related company, Evergreen Agricultural Services Sdn. Bhd.:		
- Rental expense	<u>-</u>	<u>(17,500)</u>

Outstanding balances in respect of the above transactions are disclosed in Note 12.