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

"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

"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.

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

Any reference in this Circular to any statues, rules, regulations or rules of the stock exchange is a reference to such statues, 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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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	**50,000,000**

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:-

		<----Direct---->		<----Indirect---->	
Names	**Interests in HHSB**	**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	**19,054,811**

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:-

	<----Direct---->		<----Indirect---->	
Names	**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:-

	<----Direct---->		<----Indirect---->	
Names	**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:-

Mode of settlement	**RM**
Bank borrowings[(a)]	7,620,000
Proposed Private Placement	3,500,000
Internally generated funds	334,811
	11,454,811

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		**19,055**	

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	**14.0**

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 agro-biotechnology 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 plated 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:-

	No. of SCH Shares	RM
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:-

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

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) After deducting the estimated expenses for the Proposed Private Placement amounting to approximately RM0.35 million.
(c) After deducting estimated expenses for the Proposed Acquisition of TK Tent amounting to approximately RM0.40 million.
(d) After deducting estimated expenses for the Proposed Acquisition of PKF Sarawak amounting to approximately RM0.25 million.
(e) 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.
(f) 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.
(g) Assuming full exercise of the outstanding 206,115,510 Warrants at an exercise price of RM0.10 per Warrant.
(h) 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:-

	As at the LPD				(I) After Proposed Private Placement			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
Substantial shareholders	**No. of SCH Shares**	**%**	**No. of SCH Shares**	**%**	**No. of SCH Shares**	**%**	**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	13.2
Koh Chen Foong	-	-	[a]68,163,500	16.5	-	-	[a]68,163,500	13.2
Liew Fook Meng	-	-	[a]68,163,500	16.5	-	-	[a]68,163,500	13.2
Chow Dai Ying	716,500	0.2	[a]68,163,500	16.5	716,500	0.1	[a]68,163,500	13.2
Placees (collectively)[b]	-	-	-	-	43,000,000	19.9	-	-
PKFSB	-	-	-	-	-	-	-	-

	(II) After (I) and Proposed Acquisition of PKF Sarawak					(III) After (II) and assuming full exercise of Warrants			
	<-----Direct----->		<-----Indirect----->			<-----Direct----->		<-----Indirect----->	
Substantial shareholders	**No. of SCH Shares**	**%**	**No. of SCH Shares**	**%**	**No. of Warrants held**	**No. of SCH Shares**	**%**	**No. of SCH Shares**	**%**
Thianjing Holdings Sdn Bhd	68,163,500	12.3	-	-	21,581,900	89,745,400	11.8	-	-
Lau Mong Ling	23,873,224	4.3	-	-	-	23,873,224	3.1	-	-
Khoo Chee Siang	27,217,900	4.9	-	-	-	27,217,900	3.6	-	-
Tan Sri Dato' Sri Koh Kin Lip	-	-	[a]68,163,500	12.3	-	-	-	[a]89,745,400	11.8
Koh Chen Foong	-	-	[a]68,163,500	12.3	-	-	-	[a]89,745,400	11.8
Liew Fook Meng	-	-	[a]68,163,500	12.3	-	-	-	[a]89,745,400	11.8
Chow Dai Ying	716,500	0.1	[a]68,163,500	12.3	14,535,150	15,251,650	2.0	[a]89,745,400	11.8
Placees (collectively)[b]	43,000,000	18.5	-	-	-	43,000,000	13.5	-	-
PKFSB	40,000,000	7.2	-	-	-	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/effected 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:-

	High	Low
	RM	RM
2017		
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
2018		
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:-

Dates	Milestones
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:-

Address	Functions	Tenancy/Tenure
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:-

Date of allotment	No. of shares in TK Tent	Consideration	Cumulative number of shares	Cumulative issued share capital
			RM	RM
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:-

Original date of investment	Original cost of investment RM	No. of shares acquired
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:-

Names	Nationality/ Country of incorporation	Interests in TK Tent	←----Direct----→ No. of shares	%	←----Indirect---→ No. of shares	%
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:-

	Audited				Unaudited	
Details	FYE 30 June 2014 RM	FYE 30 June 2015 RM	FYE 30 June 2016 RM	FYE 30 June 2017 RM	FPE 31 December 2016 RM	FPE 31 December 2017 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 handing 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:-

			FYE 31 December 2015		FYE 31 December 2016		FYE 31 December 2017	
			MT/annum		MT/annum		MT/annum	
No.	Types of lines	No. of lines	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

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:-

Date of allotment	No. of shares in PKF Sarawak	Consideration	Cumulative number of shares	Cumulative issued share capital
			RM	RM
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:-

Original date of investment	Original cost of investment
	RM
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:-

Names	Nationality/ Country of incorporation	Interests in PKF Sarawak	←----Direct----→		←----Indirect---→	
			No. of shares	%	No. of shares	%
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:-

	<----Direct---->		<----Indirect---->	
Names	**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:-

	Audited			
Details	**FYE 31 December 2014** **RM**	**FYE 31 December 2015** **RM**	**FYE 31 December 2016** **RM**	**FYE 31 December 2017** **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:

(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 2015 MT	FYE 31 December 2016 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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TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

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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	980,172

DIVIDENDS

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

	RM
In respect of the financial year ended 30 June 2017:	
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	500,000
	6,304,806

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

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

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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.

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

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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.

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

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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.

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

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

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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

Ong Soon Hooi

Teh Li King

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

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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

PESURUHJAYA SUMPAH
No: B413
Nama: AZMI BIN ISHAK
MALAYSIA

Teh Li King

Before me

No 31-1, Tingkat Satu
Jalan Tiara 2B
Bandar Baru Klang
41150 Klang Selangor

Crowe Horwath

Certified True Copy
Crowe Horwath
AF 1018

Crowe Horwath AF 1018
Chartered Accountants
Member Crowe Horwath International

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Setia Alam, Saksyen U13
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www.crowehorwath.com.my
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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.

Crowe Horwath

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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.

Crowe Horwath

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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.

Crowe Horwath Offices in Malaysia:

Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibu • Bintulu • Miri • Kota Kinabalu • Labuan

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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

Crowe Horwath Offices In Malaysia:
Kuala Lumpur • Klang • Penang • Johor Bahru • Melaka • Muar • Kuching • Sibu • Bintulu • Miri • Kota Kinabalu • Labuan

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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Company No: 884835 - W

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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.

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

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STATEMENT 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

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

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

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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

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

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TK TENT & AIR-CONDITIONING RENTAL SDN. BHD.

(Incorporated in Malaysia)
Company No: 884835 - W

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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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 ("PERSs").

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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 PERSs 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.

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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: • Amendments to MFRS 12: Clarification of the Scope of the Standard	1 January 2017

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4. BASIS OF PREPARATION (CONT'D)

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

	Effective Date
Annual Improvements to MFRS Standards 2014 - 2016 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	1 January 2018

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.

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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.

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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 edded 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 essets, 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.

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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.

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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.

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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.

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NOTES TO THE FINANCIAL STATEMENTS
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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 occuring 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.

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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.

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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 taxetion authorities.

Current taxes ere 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 nelther 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 thet it is probable that future taxeble 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 et the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be reelised.

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 taxeble entity (or on different tax entities but they intend to settle current tax essets and liabilities on a net basis) and the same taxation authority.

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5. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.8 Income Taxes (Cont'd)

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

Revenues, expanses 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.

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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 sama 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 parant 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.

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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.

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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	7,485	-	-	-	(1,247)	6,238
Equipment	3,417,132	107,998	(1,198)	(1,040)	(302,157)	3,220,735
Furniture and fittings	36,132	1,720	-	(263)	(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	13,551,787	144,870	-	(4,720)	(919,154)	12,772,763
Renovation	89,772	-	-	-	(13,061)	78,711
Total	19,244,344	307,385	(465,194)	(7,796)	(1,521,960)	17,558,779

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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	8,733	-	-	-	(1,248)	7,485
Equipment	3,563,141	153,782	(2,967)	-	(296,824)	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

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Company No: 884835 - W

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

6. PLANT AND EQUIPMENT (CONT'D)

AT 30.6.2017	COST RM	ACCUMULATED DEPRECIATION RM	NET BOOK VALUE RM
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.

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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).

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

10. SHARE CAPITAL

	2017	2016	2017	2016
	NUMBER OF SHARES		RM	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	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	2016
	RM	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

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12. HIRE PURCHASE PAYABLES (CONT'D)

	2017 RM	2016 RM
Current portion		
Not later than one year	224,467	651,945
Non-current portion		
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
Deferred tax liability			
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
Deferred tax liability			
Accelerated capital allowances	2,835,300	13,400	2,848,700

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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
	775,728	757,894

16. REVENUE

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

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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)

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NOTES TO THE FINANCIAL STATEMENTS
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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)
	605,623	2,032,422
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)
	542,300	13,400
	1,147,923	2,045,822

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	2,128,095	8,510,569
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	1,147,923	2,045,822

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19. DIVIDENDS

	2017 RM	2016 RM
In respect of the financial year ended 30 June 2017:		
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	-
In respect of the financial year ended 30 June 2016:		
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

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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.

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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.

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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).

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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	2016
	RM	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
	2,782,995	4,208,442

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.

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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):-

2017	Contractual Interest Rates %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
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	Contractual Interest Rates %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM
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

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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		
Loans and receivables financial assets		
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		
Other financial liabilities		
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

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NOTES TO THE FINANCIAL STATEMENTS
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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.

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

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

658492-V

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

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PK Fertilizers (Sarawak) Sdn. Bhd.
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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	(654,788)

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.

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PK Fertilizers (Sarawak) Sdn. Bhd.
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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 1.1.2017	Acquired	Sold	As at 31.12.2017
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.

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PK Fertilizers (Sarawak) Sdn. Bhd.
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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.

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PK Fertilizers (Sarawak) Sdn. Bhd.
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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)***

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PK Fertilizers (Sarawak) Sdn. Bhd.
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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,

PESURUHJAYA SUMPAH
No W533
Name: YM TENGKU FARIDDUDIN BIN TENGKU SULAIMAN
MALAYSIA

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
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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.



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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.

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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.

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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 J
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	(42,444,315)	(62,529,183)
Gross profit		1,258,036	1,919,525
Other income	5	2,755,200	2,755,200
Administration and other expenses		(4,406,771)	(4,094,569)
(Loss)/profit from operation		(393,535)	580,156
Finance costs		(18,146)	(25,371)
(Loss)/profit before tax	6	(411,681)	554,785
Income tax expense	7	(243,107)	(646,184)
Loss representing total comprehensive comprehensive expense for the year		(654,788)	(91,399)

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	24,722,095	26,766,149
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
		17,090,520	28,842,557
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
		15,770,814	28,635,240
Net current assets		1,319,706	207,317
		26,041,801	26,973,466
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		(679,270)	(24,482)
		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
		3,175,113	3,451,990
		26,041,801	26,973,466

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 Fertillzers (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	124,747	2,588,665
Cash flows from investing activity		
Purchase of property, plant and equipment representing net cash flows used in investing activity	(152,952)	(1,855,369)
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	(94,282)	(1,117,815)
Net decrease in cash and cash equivalents	(122,487)	(384,519)
Cash and cash equivalents at beginning of year	260,899	645,418
Cash and cash equivalents at end of the year	138,412	260,899

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.

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%

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.

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 diferrence include non-taxable government grants received and reinvestment allowances and investement tax allowances on qualifying property, plant and equipment.

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 invesment 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.

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 entirely 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.

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.

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.

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.

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.

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	2,755,200	2,755,200

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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	-

(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
	1,008,585	860,667

7. Income tax expense

	2017 RM	2016 RM
Malaysian income tax:		
- Current income tax	156,117	88,229
- Underprovision in prior year	269,585	200,880
	425,702	289,109
Deferred tax (Note 16):		
- Relating to origination of temporary differences	(135,978)	133,110
- (Over)/underprovision in prior year	(46,617)	223,965
	(182,595)	357,075
Total tax expense for the year	243,107	646,184

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 RM	2016 RM
(Loss)/profit before tax	(411,681)	554,785
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	243,107	646,184

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

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 and 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	757,956	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	1,568,626	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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PK Fertilizers (Sarawak) Sdn. Bhd.
(Incorporated in Malaysia)

8. Property, plant and equipment (cont'd.)

2016	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	Electrical and fittings RM	Machinery work in progress RM	Total 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	1,855,369
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	35,874,005
Representing:											
At cost	2,000,000	10,850,555	38,863	94,080	87,955	10,282,813	757,955	15,870	3,000	1,744,880	25,875,351
At valuation	7,187,791	2,810,863	-	-	-	-	-	-	-	-	9,998,654
	9,187,791	13,681,418	38,663	94,080	87,955	10,282,613	757,955	15,670	3,000	1,744,860	35,874,005
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	17,792,104
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	26,766,149

On 15 October 2015, the Company revalued all its leasehold land and buildings based on the valuetions 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 velues on existing use bases.

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

9. Trade receivables

	2017 RM	2016 RM
Third parties	16,383,435	27,968,169
Less: Allowance for doubtful debts	(40,883)	(69,889)
	16,342,552	27,898,280

Movement in trade receivables' allowance accounts:

	2017 RM	2016 RM
At 1 January	69,889	71,463
Reversal for the year (Note 6)	(29,006)	(1,574)
At 31 December	40,883	69,889

10. Other receivables

	2017 RM	2016 RM
Deposits	75,235	95,235
Prepayments	8,090	13,757
Sundry receivables	297,662	280,116
	380,987	389,108

11. Other payables

	2017 RM	2016 RM
Sundry payables	498,462	804,696
Accrued expenses	119,354	111,944
	617,816	916,640

12. Amount due to immediate holding company

	2017 RM	2016 RM
Amount due to immediate holding company		
- Trade	15,058,716	27,624,318

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 shares of RM1 each		Amount	
	2017	2016	2017 RM	2016 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	-
	18,000,000	18,000,000	19,500,000	18,000,000

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.

14. Revaluation reserves

	2017 RM	2016 RM
At 1 January/ 31 December	4,045,958	4,045,958

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	94,282	94,282
Non-current		
Secured:		
Hire purchase	113,612	207,894
Total borrowings		
Hire purchase	207,894	302,176

	2017 RM	2016 RM
Minimum lease payments:		
Within one year	112,428	112,428
Between one to five years	136,264	248,692
	248,692	361,120
Less: Future finance charges	(40,798)	(58,944)
Present value of finance lease liabilities	207,894	302,176
Analysed as:		
Due within 12 months	94,282	94,282
Due after 12 months	113,612	207,894
	207,894	302,176

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.

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	3,061,501	3,244,096

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	777,575	490,927	1,792,999	3,061,501
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	777,575	490,927	1,975,594	3,244,096

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)	-	630,000

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 RM	2016 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	-	(17,500)

Outstanding balances in respect of the above transactions are disclosed in Note 12.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SCH AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANT'S LETTER THEREON

ECOVIS AHL PLT (LLP0003185-LCA) & (AF 001825)
Chartered Accountants. Kuala Lumpur, Malaysia

Kuala Lumpur, Malaysia
Phone : +603 7981 1799
Fax No: +603 7980 4796

The Board of Directors
SCH GROUP BERHAD
Lot 35, Jalan CJ 1/1
Kawasan Perusahaan Cheras Jaya
43200 Cheras
Selangor.

20 June 2018

Dear Sirs

SCH GROUP BERHAD ("SCH" OR "THE COMPANY")

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017

We have completed our assurance engagement to report on the compilation of Pro Forma consolidated statements of financial position as at 31 August 2017 together with the notes thereon of SCH and its subsidiaries ("SCH Group" or the "Group") prepared by the Board of Directors of SCH ("the Board"). The Pro Forma consolidated statements of financial position which is set out in Appendix I (which we have stamped for the purpose of identification) has been compiled by the Board for inclusion in the circular to shareholders of SCH in connection with:

(i) Proposed private placement up to 103,000,000 new ordinary shares in SCH ("Placement Shares") ("SCH Shares") at an indicative issue price of RM0.185 per placement shares ("Initial Placement Price") ("Proposed Private Placement);

(ii) Proposed acquisition of the entire equity interest in TK Tent Air-Conditioning Rental Sdn. Bhd. ("TK Tent") comprising 11,800,000 ordinary shares in TK Tent, for a purchase consideration of RM50,000,000 to be satisfied in part by a cash consideration of RM15,000,000, which RM 10,500,000 from proceeds from Proposed Private Placement and RM 4,500,000 from internal funds, and bank borrowings amounting RM 35,000,000 ("Proposed Acquisition of TK Tent");

(iii) Proposed acquisition of 83.33% equity interest in PK Fertilizers (Sarawak) Sdn. Bhd. ("PKF Sarawak") comprising 15,000,000 ordinary shares in PKF Sarawak, for a purchase consideration of RM19,054,811 to be satisfied in part by a cash consideration of RM11,454,811, which RM8,000,000 from bank borrowings and RM 3,454,811 from proceeds from Proposed Private Placement, and issuance of 40,000,000 new ordinary shares in SCH shares ("Consideration Shares") at an issue price of RM 0.19 for Consideration Shares ("Issue Price") ("Proposed Acquisition of PKF Sarawak");

(Collectively referred to as the "Proposals").

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SCH AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANT'S LETTER THEREON *(cont'd)*

The applicable criteria on the basis of which the Board of the Company have compiled the Pro Forma consolidated statements of financial position are described in Notes 1 and 3 of Appendix I.

The Pro Forma consolidated statements of financial position have been compiled by the Board to illustrate the impact of the Proposals on the audited consolidated statements of financial position of SCH as at 31 August 2017 as if the proposed exercises had taken place on that date. As part of this process, information about the Pro Forma Consolidated Statement of Financial Position as at 31 August 2017 has been extracted from the Company's audited Consolidated Statement of Financial Position as at 31 August 2017. Information about the financial position as at 30 June 2017 of TK Tent has been extracted from TK Tent's audited financial statements as at 30 June 2017 prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"). Information about the financial position as at 31 December 2017 of PKF Sarawak has been extracted from PKF Sarawak's audited financial statements as at 31 December 2017 prepared in accordance with Malaysian Private Entities Reporting Standards ("MPERSs").

The Pro Forma consolidated statements of financial position, because of its nature, may not be reflective of SCH's actual financial position. Furthermore, such information does not purport to predict the future financial position of SCH.

Directors' Responsibilities

It is the sole responsibility of the Board to prepare the Pro Forma consolidated statements of financial position as at 31 August 2017 on the basis described in notes to the Pro Forma consolidated statements of financial position as set out in Appendix I.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the proper compilation of the Pro Forma consolidated statements of financial position as at 31 August 2017 in all material respects, by the Board on the basis of applicable criteria.

In providing this opinion, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma a consolidated statements of financial position.

The purpose of the Pro Forma consolidated statements of financial position is solely to illustrate the impacts of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions have been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

Basis of Opinion

We conducted our work in accordance with Malaysian Approved Standards on Assurance Engagements - (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board have compiled, in all material respects, the Pro Forma consolidated statements of financial position on the basis described in notes to the Pro Forma consolidated statements of financial position.

A reasonable assurance engagement to report on whether the Pro Forma consolidated statements of financial position have been compiled, in all material respects, on the basis described in notes to the Pro Forma consolidated statements of financial position, involves performing procedures to assess whether the compilation of the Pro Forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

(i) the related Pro Forma adjustments give appropriate effect to the Pro Forma consolidated statements of financial position; and

(ii) the Pro Forma consolidated statements of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma consolidated statements of financial position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(i) the Pro Forma consolidated statements of financial position of SCH as at 31 August 2017, which have been prepared by the Board, have been properly prepared, in all material respects, on the basis stated in the accompanying notes to the Pro Forma consolidated statements of financial position using the audited financial statements of SCH as at 31 August 2017, which were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with both the format of the consolidated statements of financial position and the accounting policies of SCH; and

(ii) the adjustments made to the information used in the preparation of the Pro Forma consolidated statements of financial position are appropriate, in all material respects, for the purposes of preparing the Pro Forma consolidated statements of financial position.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF SCH AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANT'S LETTER THEREON *(cont'd)*

Other Matters

This letter is issued for the sole purpose of inclusion in the circular to shareholders of SCH in connection with the Proposals. Our work had been carried out in accordance with Malaysian Approved Standards on Assurance Engagements and accordingly should not be relied upon as if it had been carried out in accordance with standards and practices in other jurisdictions. Therefore, this letter is not appropriate in other jurisdictions and should not be used or relied upon for any purpose other than the Proposals described above. We accept no duty or responsibility to and deny any liability to any party in respect of any use of, or reliance upon, this letter in connection with any type of transaction.

Yours faithfully,

ECOVIS AHL PLT
AF 001825
Chartered Accountants

CHUA KAH CHUN
No. 2696/09/19 (J)
Chartered Accountant

Kuala Lumpur
20 June 2018

APPENDIX I

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON

SCH Group Berhad (972700-P)

Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor, Malaysia.

Tel : (603) 9082 2481 I Fax: (603) 9082 9697 I Website: www.schgroup.com.my

The pro forma consolidated statements of financial position of SCH Group Berhad as set out below are provided for illustrative purpose only and to show the effects of the transactions referred to in the notes accompanying as if they were effected on 31 August 2017.

		Audited Consolidated Statement of Financial Position of SCH Group Berhad as at 31.8.2017 RM	**Pro forma I** After private placement RM	**Pro forma II** After Pro forma (I) and Proposed Acquisition of TK Tent RM	**Pro forma III** After Pro forma (I), (II) and Proposed Acquisition of PKF Sarawak RM	**Pro forma IV** After Pro forma (I), (II), (III) and Fully Exercise of Warrants RM
ASSETS						
Non-Current Assets						
Property, plant and equipment	5.1	23,926,510	23,926,510	41,483,289	48,819,228	48,819,228
Investment properties	5.2	-	-	-	17,386,156	17,386,156
Goodwill on consolidation	5.3	-	-	32,169,828	32,741,828	32,741,828
Total Non-Current Assets		23,926,510	23,926,510	73,653,117	98,947,212	98,947,212
Current Assets						
Inventories		22,232,334	22,232,334	22,232,334	22,232,334	22,232,334
Trade receivables	5.4	20,475,065	20,475,065	23,258,060	39,600,612	39,600,612
Other receivables, deposits and prepayments	5.5	3,396,401	3,396,401	4,163,789	4,544,776	4,544,776
Tax recoverable	5.6	1,925,317	1,925,317	2,044,717	2,273,286	2,273,286
Fixed deposit with financial instituitutions	5.7	9,085,364	9,085,364	9,667,459	9,667,459	9,667,459
Cash and bank balances	5.8	3,044,118	21,749,118	6,868,974	3,302,575	23,914,126
		60,158,599	78,863,599	68,235,333	81,621,042	102,232,593
Asset held for sale		376,960	376,960	376,960	376,960	376,960
Total Current Assets		60,535,559	79,240,559	68,612,293	81,998,002	102,609,553
Total Assets		**84,462,069**	**103,167,069**	**142,265,410**	**180,945,214**	**201,556,765**

ECOVIS AHL PLT
(AF 001825)
Chartered Accountants
For identification purposes only

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

SCH Group Berhad (972700-P)

Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor, Malaysia.

Tel : (603) 9082 2481 I Fax: (603) 9082 9697 I Website: www.schgroup.com.my

		Audited Consolidated Statement of Financial Position of SCH Group Berhad as at 31.8.2017	Pro forma I After private placement	Pro forma II After Pro forma (I) and Proposed Acquisition of TK Tent	Pro forma III After Pro forma (I), (II) and Proposed Acquisition of PKF Sarawak	Pro forma IV After Pro forma (I), (II), (III) and Fully Exercise of Warrants
		RM	RM	RM	RM	RM
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	5.9	52,129,101	71,184,101	71,184,101	79,356,101	99,967,652
Merger deficit		(24,514,828)	(24,514,828)	(24,514,828)	(24,514,828)	(24,514,828)
Translation reserve		276,150	276,150	276,150	276,150	276,150
Retained earnings	5.10	36,582,923	36,232,923	35,832,923	35,582,923	35,582,923
Equity Attributable to Owners of the company		64,473,346	83,178,346	82,778,346	90,700,346	111,311,897
Non-controlling interest	5.11	-	-	-	3,811,877	3,811,877
Total Equity		64,473,346	83,178,346	82,778,346	94,512,223	115,123,774
Non-Current Liabilities						
Lease liabilities	5.12	316,415	316,415	316,415	430,027	430,027
Bank borrowings	5.13	4,110,671	4,110,671	39,110,671	41,590,671	41,590,671
Deferred tax liabilities	5.14	108,143	108,143	3,499,143	6,560,644	6,560,644
Total Non-Current Liabilities		4,535,229	4,535,229	42,926,229	48,581,342	48,581,342

ECOVIS AHL PLT
(AF 001825)
Chartered Accountants
For identification purposes only

SCH Group Berhad (972700-P)

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Tel : (603) 9082 2481 I Fax: (603) 9082 9697 I Website: www.schgroup.com.my

		Audited Consolidated Statement of Financial Position of SCH Group Berhad as at 31.8.2017 RM	**Pro forma I** After private placement RM	**Pro forma II** After Pro forma (I) and Proposed Acquisition of TK Tent RM	**Pro forma III** After Pro forma (I), (II) and Proposed Acquisition of PKF Sarawak RM	**Pro forma IV** After Pro forma (I), (II), (III) and Fully Exercise of Warrants RM
Current liabilities						
Trade payables	5.15	1,950,165	1,950,165	2,057,311	17,116,027	17,116,027
Other payables and accruals	5.16	1,254,178	1,254,178	2,029,906	2,647,722	2,647,722
Amount due to a Director		19,000	19,000	19,000	19,000	19,000
Lease liabilities	5.12	161,398	161,398	385,865	480,147	480,147
Bank borrowings	5.13	12,031,534	12,031,534	12,031,534	17,551,534	17,551,534
Tax liabilities		37,219	37,219	37,219	37,219	37,219
Total Current Liabilities		15,453,494	15,453,494	16,560,835	37,851,649	37,851,649
Total Liabilities		19,988,723	19,988,723	59,487,064	86,432,991	86,432,991
Total Equity and Liabilities		**84,462,069**	**103,167,069**	**142,265,410**	**180,945,214**	**201,556,765**
No. of SCH Shares		412,235,520	515,235,520	515,235,520	555,235,520	761,351,030
Net assets per SCH Shares * (RM)		0.16	0.16	0.16	0.16	0.15
Interest bearing borrowings (RM)		16,620,018	16,620,018	51,844,485	60,052,379	60,052,379
Gearing# (times)		0.26	0.20	0.63	0.66	0.54

* Net assets is defined as equity attributiable to owners of the Company

\# Gearing ratio is calculated on total borrowings divided by net assets

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Chartered Accountants

APPENDIX I

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

SCH Group Berhad (972700-P)

Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor, Malaysia.

Tel : (603) 9082 2481 I Fax: (603) 9082 9697 I Website: www.schgroup.com.my

1. INTRODUCTION

The pro forma consolidated statement of financial position of SCH Group Berhad ("SCH" or "Company") and its subsidiaries ("SCH Group" or "Group"), for which the Directors of the Company are solely responsible, has been prepared for illustrative purpose only for inclusion in the Circular to Shareholders of the Company ("Circular") to be issued in connection with the following:

(i) Proposed private placement up to 103,000,000 new ordinary shares of SCH ("Placement Shares") ("SCH Shares") at an indicative issue price of RM0.185 per placement shares ("Initial Placement Price") ("Proposed Private Placement");

(ii) Proposed acquisition of the entire equity interest in TK Tent Air-Conditioning Rental Sdn. Bhd. ("TK Tent") comprising 11,800,000 ordinary shares in TK Tent ("Sale Shares of TK Tent"), for a purchase consideration of RM50,000,000 to be satisfied by cash ("Purchase Consideration of TK Tent"), which RM 10,500,000 from proceeds from Proposed Private Placement, RM 4,500,000 from internal funds, and bank borrowings amounting RM 35,000,000 ("Proposed Acquisition of TK Tent");

(iii) Proposed acquisition of 83.33% equity interest in PK Fertilizers (Sarawak) Sdn. Bhd. ("PKF Sarawak") comprising 15,000,000 ordinary shares in PKF Sarawak ("Sale Shares of PKF Sarawak"), for a purchase consideration of RM19,054,811 ("Purchase Consideration of PKF Sarawak"), to be satisfied via a combination of cash consideration of RM11,454,811, which maximum of RM 8,000,000 from bank borrowings and RM 3,454,811 from proceeds from Proposed Private Placement, and issuance of 40,000,000 new ordinary shares in SCH shares ("Consideration Shares") at an issue price of RM 0.19 for Consideration Shares ("Issue Price") ("Proposed Acquisition of PKF Sarawak").

(Collectively referred to as the "Proposals")

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

SCH Group Berhad (972700-P)

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2. DETAILS OF THE PROPOSED ACQUISITIONS

2.1 PROPOSED ACQUISITION OF TK TENT

On 2 February 2018, SCH announced that the Company had on even date, entered into a conditional share sale agreement ("TK Tent SSA") with Hextar Holdings Sdn Bhd ("HHSB") for the Proposed Acquisition of TK Tent for a cash consideration of RM 50,000,000.

2.2 PROPOSED ACQUISITION OF PKF SARAWAK

On 7 March 2018, SCH announced that the Company had on even date, entered into a conditional share sale agreement ("PKF Sarawak SSA") with PK Fertilizers Sdn. Bhd. ("PKFSB") for the Proposed Acquisition of PKF Sarawak in the following matters:

i) Cash consideration amounting RM 11,454,811; and

ii) Issuance of 40,000,000 new ordinary shares of SCH shares at an issue price of RM 0.19 per SCH Shares.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

SCH Group Berhad (972700-P)

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3. BASIS OF PREPARATION

3.1 The pro forma consolidated statements of financial position of SCH Group as at 31 August 2017, for which the Board of Directors of SCH ("Board") are solely responsible, is prepared for illustrative purposes only, to show the effects of the pro forma consolidated financial position of SCH Group as at 31 August 2017 had the Proposals been effected on that date, and should be read in conjunction with the notes accompanying thereto.

The pro forma consolidated statements of financial position is prepared for illustrative purposes only, such information, because of its nature, does not give a true picture of the effects of the Proposals on the financial position of SCH Group presented had the transactions or events occurred on 31 August 2017. Further, such information does not purport to predict the Group's future financial position.

3.2 For purpose of illustration only, the effects of the Proposals are shown using the financial position of SCH as at 31 August 2017, the financial position of TK Tent as at 30 June 2017 and the financial statement of PKF Sarawak as at 31 December 2017 on the assumption that the Proposed Acquisition I and II had been effected on 31 August 2017.

3.3 The pro forma consolidated statements of financial position after adjustments incorporating the effects of the Proposals and consolidation eliminations were compiled using the:

i) audited consolidated statements of financial position of SCH as at 31 August 2017 prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") was audited by Messrs. ECOVIS AHL PLT;

ii) audited statements of financial position of TK Tent as at 30 June 2017 prepared in accordance with MFRSs, which were audited by Messrs. Crowe Horwath; and

iii) audited statements of financial position of PKF Sarawak as at 31 December 2017 prepared in accordance with Malaysian Private Entities Reporting Standards ("MPERSs"), which were audited by Messrs. Ernst & Young.

As the Proposed Acquisition of PKF Sarawak complete, the PKF Sarawak will be adopting MFRSs under the Group's accounting standards. The initial adoption of MFRSs by PKF Sarawak is not expected to have a material impact to the Pro Forma Consolidated Financial Statement of the Group.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

SCH Group Berhad (972700-P)

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3. BASIS OF PREPARATION (CONT'D)

3.4 The estimated expenses for the Proposals is RM1,000,000 which has been adjusted in the pro forma consolidated statements of financial position.

3.5 A Purchase Price Allocation ("PPA") exercise will be conducted as at the acquisition date, at which point adjustments may be made to the goodwill amount currently recorded for illustrative purposes.

3.6 The pro forma consolidated statements of financial position was prepared using non-conterminous year ends i.e. 31 August for SCH, 30 June for TK Tent and 31 December for PKF Sarawak.

3.7 The historical financial information of SCH, TK Tent and PKF Sarawak are presented in Ringgit Malaysia ("RM"), which is also SCH's, TK Tent's and PKF Sarawak's functional currency.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

SCH Group Berhad (972700-P)

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4. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017

Pro forma adjustments to the pro forma consolidated statements of financial position, which show the effects of the Proposals are illustrated as follows:

4.1 Pro forma I - After Proposed Private Placement

Upon completion of the proposed private placement, the issued share capital of SCH will be increased to RM 71,184,101.

The gross proceeds raise from the Propose Private Placement is RM 19,055,000 would increase in cash and cash equivalents of SCH. Transaction cost in relation to the issuance of share capital are assumed to be negligible as at the date of this report.

The estimated expenses is RM 350,000.

4.2 Pro forma II - After Pro forma I and After Proposed Acquisition of TK Tent.

(a) Adjustments for the acquisition of TK Tent

The acquisition of shares in TK Tent would give rise to an increase of RM50,000,000 in the investment in subsidiaries of SCH. Correspondingly, the payment for the acquisition would decrease the cash and cash equivalents of SCH of RM15,000,000 and increase in bank borrowings of SCH of RM 35,000,000.

The estimated expenses is RM 400,000.

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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4. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

Pro forma adjustments to the pro forma consolidated statements of financial position, which show the effects of the Proposals are illustrated as follows (cont'd):

4.2 Pro forma II - After Pro forma I and After Proposed Acquisition of TK Tent (cont'd)

(b) Adjustment for goodwill on business combination

The adjustment for the goodwill on business combination illustrates the effect of the goodwill arising from the Proposed Acquisition of TK Tent. Details of the provisional fair value of assets and liabilities acquired are as follows:

	RM
Property, plant and equipment	17,556,779
Trade receivables	2,782,995
Other receivable, deposits and prepayments	767,388
Tax recoverable	119,400
Deposits with financial institutions	582,095
Cash at bank	519,856
Trade payables	(107,146)
Other payables and accruals	(775,728)
Lease liabilities	(224,467)
Deferred tax liabilities	(3,391,000)
	17,830,172
Goodwill on business combination (Note 5.3)	32,169,828
Purchase consideration	50,000,000

The assumption used in the calculation of goodwill on business combination is that the fair values as at 30 June 2017 would be used to derive the illustrative impact on the pro forma consolidated statement of financial position as at 31 August 2017.

The fair value of the Purchase Consideration of TK Tent comprises:

	RM
Cash	15,000,000
Bank borrowings	35,000,000
	50,000,000

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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4 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

4.2 Pro forma II - After Pro forma I and After Proposed Acquisition of TK Tent (cont'd)

(b) Adjustment for goodwill on business combination (cont'd)

The Board of the Company are of the view that fair values of the assets and liabilities of TK Tent approximate their book values at that date and have not been adjusted for the purpose of this pro forma. Actual adjustment may differ based on the financial information of TK Tent on the actual acquisition date.

Upon completion of the Proposed Acquisition of TK Tent, the goodwill of the Group will increase by RM 32,169,828 and its corresponding entries would decrease the Group's consolidated retained earnings by the pre-acquisition reserves of RM6,030,172 and share capital of the subsidiary acquired of RM11,800,000 and eliminate the investment in subsidiaries by RM50,000,000.

A Purchase Price Allocation ("PPA") exercise will be conducted as at the acquisition date, at which point adjustment may be made to the goodwill amount recorded for illustrative purpose.

4.3. Pro forma III - After Pro forma II and After Proposed Acquisition of PKF Sarawak

(a) Adjustments for the acquisition of PKF Sarawak

The acquisition of shares in PKF Sarawak would give rise to an increase of RM 19,626,811 in the investment in subsidiaries of SCH. Correspondingly, the payment for the acquisition would give rise to a decrease in the cash and cash equivalents of SCH of RM3,454,811, increase in bank borrowings of SCH of RM 8,000,000 and the issuance of 40,000,000 new ordinary shares in SCH at an issue price of RM 0.2043 per Consideration Shares ("Fair Value of the Consideration Shares")*[1], thereby increasing the issued share capital of SCH by RM 8,172,000. Transaction cost in relation to the issuance of share capital are assumed to be negligible as at the date of this report.

The estimated expenses is RM 250,000.

*[1] *Fair value of consideration shares stated at The 5-day volume weighted average market price ("5D-VWAMP") of SCH shares up to and including 6 March 2018, being the market day proceeding the date of SSA*

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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4. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

4.3. Pro forma III - After Pro forma II and After Proposed Acquisition of PKF Sarawak (cont'd)

(b) Adjustment for goodwill on business combination

The adjustment for the goodwill on business combination illustrates the effect of the goodwill arising from the Proposed Acquisition of PKF Sarawak. Details of the provisional fair value of assets and liabilities acquired are as follows:

	RM
Property, plant and equipment	24,722,095
Trade receivables	16,342,552
Other receivable, deposits and prepayments	380,987
Tax recoverable	228,569
Cash at bank	138,412
Trade payables	(15,058,716)
Other payables and accruals	(617,816)
Lease liabilities	(207,894)
Deferred tax liabilities	(3,061,501)
	22,866,688
Less: Non-controlling interest of net assets (16.67%) (Note 5.11)	(3,811,877)
Goodwill on business combination (Note 5.3)	572,000
Purchase consideration	19,626,811

The assumption used in the calculation of goodwill on business combination is that the fair values as at 31 December 2017 would be used to derive the illustrative impact on the pro forma consolidated statement of financial position as at 31 August 2017.

The fair value of the Purchase Consideration of PKF Sarawak comprises:

	RM
Cash	3,454,811
Bank borrowings	8,000,000
Ordinary shares issued (40,000,000 Consideration shares at RM 0.2055 per share)*2	8,172,000
	19,626,811

*2 *Fair value of consideration shares stated at 5D-VWAMP.*

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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4. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

Pro forma adjustments to the pro forma consolidated statements of financial position, which show the effects of the Proposals are illustrated as follows (cont'd):

4.3. Pro forma III - After Pro forma II and After Proposed Acquisition of PKF Sarawak (cont'd)

(b) Adjustment for goodwill on business combination (cont'd)

The Board of the Company are of the view that fair values of the assets and liabilities of PKF Sarawak approximate their book values at that date and have not been adjusted for the purpose of this pro forma. Actual adjustment may differ based on the financial information of PKF Sarawak on the actual acquisition date.

Upon completion of the Proposed Acquisition of PKF Sarawak, the goodwill of the Group will increase by RM 572,000 and its corresponding entries would decrease the Group's consolidated retained earnings by the pre-acquisition reserves of RM3,616,688 and share capital of the subsidiary acquired of RM16,254,350 and eliminate the investment in subsidiaries by RM19,626,811 and increase of non-controlling interest of RM3,811,877.

A PPA exercise will be conducted as at the acquisition date, at which point adjustment may be made to the goodwill amount recorded for illustrative purpose.

4.4 Pro forma IV – After Pro forma III and Full Exercise of the Warrants

Pro forma IV incorporates the effects of Pro forma III and assuming full exercise of 206,115,510 outstanding SCH warrants 2016/2021 ("Warrants").

Assuming Full Exercise of the Warrants at the indicative exercise price of RM0.10 each, the issued share capital of SCH will be increased to RM99,967,652.

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APPENDIX I

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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5. NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017

5.1 Property, plant and equipment

	RM
Audited as at 31 August 2017, Pro forma I	23,926,510
Proposed Acquisition of TK Tent:	
- Per audited statement of financial position ("SOFP") of TK Tent as at 30 June 2017	17,556,779
Pro forma II	41,483,289
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	24,722,095
- Reclassification to investment properties	(17,386,156)
Pro forma III, Pro forma IV	48,819,228

#1 Reclassification of property, plant and equipment to investment properties arising from rental agreement on leasehold land and building with the former owner of PKF Sarawak. The rental agreement expires on 31 December 2018.

5.2 Investment properties

	RM
Audited as at 31 August 2017, Pro forma I	-
Pro forma II	
- Reclassification from Property, plant and equipment	17,386,156
Pro forma III, Pro forma IV	17,386,156

5.3 Goodwill on consolidation

	RM
Audited as at 31 August 2017, Pro forma I	-
Proposed Acquisition of TK Tent:	
- Goodwill arising from business combination	32,169,828
Pro forma II	32,169,828
Proposed Acquisition of PKF Sarawak:	
- Goodwill arising from business combination	572,000
Pro forma III, Pro forma IV	32,741,828

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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5. NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

5.4 Trade receivable

	RM
Audited as at 31 August 2017, Pro forma I	20,475,065
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	2,782,995
Pro forma II	23,258,060
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	16,342,552
Pro forma III, Pro forma IV	39,600,612

5.5 Other receivables, deposits and prepayments

	RM
Audited as at 31 August 2017, Pro forma I	3,396,401
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	767,388
Pro forma II	4,163,789
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	380,987
Pro forma III, Pro forma IV	4,544,776

5.6 Tax recoverable

	RM
Audited as at 31 August 2017, Pro forma I	1,925,317
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	119,400
Pro forma II	2,044,717
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	228,569
Pro forma III, Pro forma IV	2,273,286

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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5. NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

5.7 Fixed deposits with financial institutions

	RM
Audited as at 31 August 2017, Pro forma I	9,085,364
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	582,095
Pro forma II, Pro forma III, Pro forma IV	9,667,459

5.8 Cash and bank balances

	RM
Audited as at 31 August 2017	3,044,118
- Proceed from Proposed Private Placement	19,055,000
- estimated expenses incurred for Proposed Private Placement	(350,000)
Pro forma I	21,749,118
- Cash consideration for the Proposed Acquisition of TK Tent	(15,000,000)
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	519,856
- estimated expenses incurred for Proposed Acquisition of TK Tent	(400,000)
Pro forma II	6,868,974
- Cash consideration for the Proposed Acquisition of PKF Sarawak	(3,454,811)
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	138,412
- estimated expenses incurred for Proposed Acquisition of PKF Sarawak	(250,000)
Pro forma III	3,302,575
- Full Exercise of Warrants	20,611,551
Pro forma IV	23,914,126

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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5. NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

5.9 Share capital

	RM
Audited as at 31 August 2017	52,129,101
Proposed Private Placement	
- Issuance of 103,000,000 new ordinary shares	19,055,000
Pro forma I, Proforma II	71,184,101
Proposed Acquisition of PKF Sarawak:	
- Issuance of 40,000,000 new ordinary shares	8,172,000
Pro forma III	79,356,101
Full Exercise of Warrants	20,611,551
Pro forma IV	99,967,652

5.10 Retained earnings

	RM
Audited as at 31 August 2017	36,582,923
- estimated expenses incurred for Proposed Private Placement	(350,000)
Pro forma I	36,232,923
- estimated expenses incurred for Proposed Acquisition of TK Tent	(400,000)
Pro forma II	35,832,923
- estimated expenses incurred for Proposed Acquisition of PKF Sarawak	(250,000)
Pro forma III, Pro forma IV	35,582,923

5.11 Non-controlling interest

	RM
Audited as at 31 August 2017, Pro forma I, Proforma II	-
Proposed Acquisition of PKF Sarawak:	
- Non-controlling interest arising from business combination	3,811,877
Pro forma III, Pro forma IV	3,811,877

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5. NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

5.12 Lease liabilities

	RM
Audited as at 31 August 2017, Pro forma I	477,813
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	224,467
Pro forma II	702,280
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	207,894
Pro forma III, Pro forma IV	910,174
Lease liabilities are repayable:	
- current	480,147
- non current	430,027
	910,174

5.13 Bank borrowings

	RM
Audited as at 31 August 2017, Proforma I	16,142,205
Proposed Acquisition of TK Tent:	
- Bank borrowings offered	35,000,000
Pro forma II	51,142,205
Proposed Acquisition of PKF Sarawak:	
- Bank borrowings offered	8,000,000
Pro forma III, Proforma IV	59,142,205
Bank borrowings are repayable:	
- current	17,551,534
- non current	41,590,671
	118,284,410

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PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

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5. NOTES TO THE EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2017 (CONT'D)

5.14 Deferred tax liabilities

	RM
Audited as at 31 August 2017, Pro forma I	108,143
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	3,391,000
Pro forma II	3,499,143
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	3,061,501
Pro forma III, Pro forma IV	6,560,644

5.15 Trade payable

	RM
Audited as at 31 August 2017, Pro forma I	1,950,165
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	107,146
Pro forma II	2,057,311
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017 [#3]	15,058,716
Pro forma III, Pro forma IV	17,116,027

[#3] The trade payable was reclassified from the amount owing to former immediate holding company, namely PK Fertilizers Sdn. Bhd.

5.16 Other payable and accruals

	RM
Audited as at 31 August 2017, Pro forma I	1,254,178
Proposed Acquisition of TK Tent:	
- Per audited SOFP of TK Tent as at 30 June 2017	775,728
Pro forma II	2,029,906
Proposed Acquisition of PKF Sarawak:	
- Per audited SOFP of PKF Sarawak as at 31 December 2017	617,816
Pro forma III, Pro forma IV	2,647,722

ECOVIS AHL PLT
(AF 001825)
Chartered Accountants
For identification purposes only

APPENDIX I

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF SCH GROUP AS AT 31 AUGUST 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

SCH Group Berhad (972700-P)

Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor, Malaysia.

Tel : (603) 9082 2481 I Fax: (603) 9082 9697 I Website: www.schgroup.com.my

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of SCH Group Berhad in accordance with a resolution dated 20 JUN 2018

.....

Khoo Chee Siang
Director

ECOVIS AHL PLT
(AF 0878)
Chartered Accountants
For identification purposes only

DIRECTORS' REPORT ON TK TENT

TK TENT & AIR-CONDITIONING RENTAL SDN. BHD. (884835-W)
Emergency Cooling Specialist, Rental of Air-Cond Tent, Gen-Set, Mist Fan, Electrical Works, Etc.
The largest air-conditioning rental company, management team since 1978 in this industry
No. 22, Jalan Industri Taming Mas, Pusat Industri Taming Mas, 43300 Seri Kembangan, Selangor.
Rental Direct line: 603-8961 1253, 8961 1254, 8961 1048, 012-210 7771 Fax. 603-8962 1862
General line: 603-8961 9988 (18 Lines) E-mail: rental@tktent.com Website: www.tktent.com

Date: 20 JUN 2018

The Shareholders of SCH Group Berhad

Dear Sir/Madam,

On behalf of the Board of Directors ("Board") of TK Tent & Air-Conditioning Rental Sdn Bhd ("TK Tent" or the "Company"), I report after due inquiry that during the period from 30 June 2017 (being the date to which the last audited financial statements of the Company has been made up) to the date hereof (being a date not earlier than fourteen (14) days before the issue of this Circular), that:-

(a) the business of the Company has, in the opinion of the Board, has been satisfactory maintained;

(b) in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Company which have adversely affected the trading or the value of the assets of the Company;

(c) the current assets of the Company that appear in the books are at values which are believed to be realisable in the ordinary course of business;

(d) no contingent liabilities have risen by reason of any guarantees or indemnities given by the Company;

(e) since the last audited financial statements of the Company, the Board is not aware of any default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings; and

(f) since the last audited financial statements of the Company, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company.

Yours faithfully,
For and on behalf of the Board of Directors of
TK TENT & AIR-CONDITIONING RENTAL SDN BHD

Teh Li King
Director

PROTEGE ASSOCIATES SDN BHD
SUITE C-06-06, PLAZA MONT' KIARA
2 JALAN KIARA, MONT' KIARA
50480 KUALA LUMPUR, MALAYSIA
GEN +603 6201 9301 FAX +603 6201 7302
www.protege.com.my

Protégé ASSOCIATES
BRAND | FINANCE | MARKET

The Board of Directors
SCH Group Berhad
Suite 10.03, Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

20 June 2018

Dear Sirs/Madams,

Independent Market Research Overview of the Event Equipment Supply Market and Fertiliser Industry in Malaysia

This Independent Market Research Overview of the Event Equipment Supply Market and the Fertiliser Industry in Malaysia is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the circular of SCH Group Berhad in relation to its proposed private placement, proposed acquisitions and proposed diversifications.

Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 18 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Electronics, Healthcare, Energy, IT, Oil and Gas, etcs. He has also provided his market research expertise to government agencies such as Malaysia Digital Economy Corporation Sdn Bhd ("MDec"), Malaysia Debt Ventures Berhad ("MDV") and Malaysia Technology Development Corporation Sdn Bhd ("MTDC").

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

SEOW CHEOW SENG
Managing Director

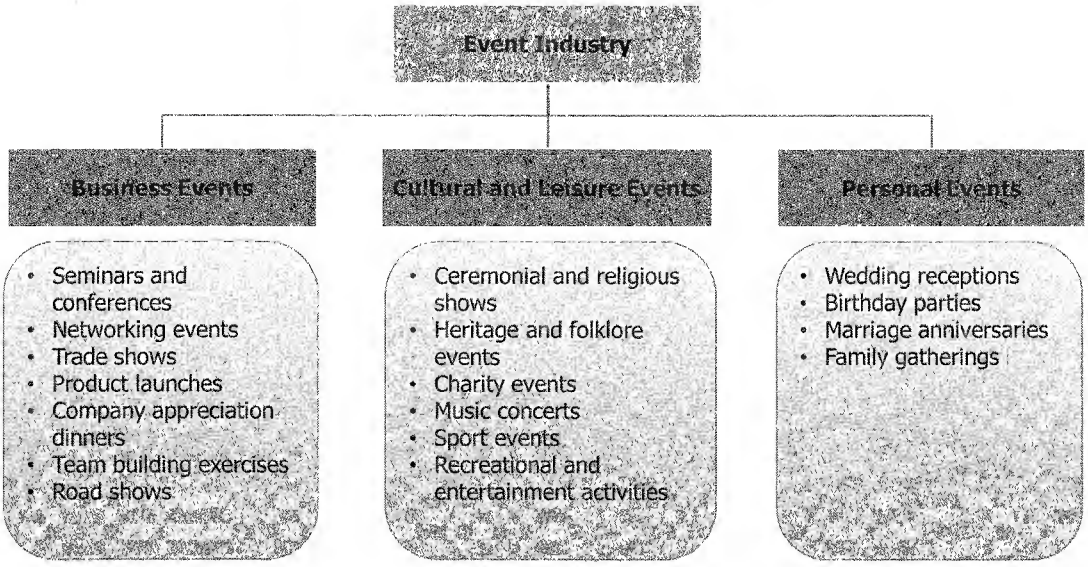
1.0 Overview of the Event Equipment Supply Market in Malaysia

1.1 The Event Industry 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 ("MyCEB") 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, as depicted in Figure 1 below.

Figure 1: Event Industry Landscape



Note: The examples given for each category of events are not exhaustive.

Source: Protégé Associates

Personal events are for individuals who book a venue for wedding receptions, birthday parties, marriage anniversaries and family gatherings. They involve a smaller group of guests or use a specific guest list to ensure the venue is not open to the public. Private events such as these are likely to generate smaller revenue for the event industry.

Business events are used by corporations and organisations to promote their corporate image and products. The types of business events are seminars and conferences, networking events, trade shows, product launch events, company appreciation dinners and team building exercises. Business events are commonly used as a marketing tool to support business

objectives such solicit new business, create a brand image as well as to retain and build loyalty with existing customers and suppliers.

The Malaysian Government indicated via the Economic Transformation Programme ("ETP") that there is potential for the Meetings, Incentives, Conferences, and Events ("MICE") sector, a segment of business tourism, to act as a catalyst for economic growth. The MICE is a segment of business tourism to encourage businesses to conduct any form of business events except for incentives tourism (a form of reward given by the company to their employees). According to the International Congress and Convention Association, Malaysia is ranked 35th in the world and 9th in the Asia Pacific region as a location to host business events. The Malaysian Government projected that, with the inclusion of the MICE sector, the business tourism sector is anticipated to contribute a Gross National Income ("GNI") RM3.9 billion by 2020.

Meanwhile, cultural and leisure events are organised for recreational and entertainment purposes. They are typically open for the public and attract large audiences. The examples of leisure events are sports events, music concerts and theatrical shows. Malaysia has hosted a variety of local and international sporting events over the past such as the 2010 Thomas & Uber Cup, 2014 Badminton World Federation World Junior Championships and 2017 Southeast Asian Games.

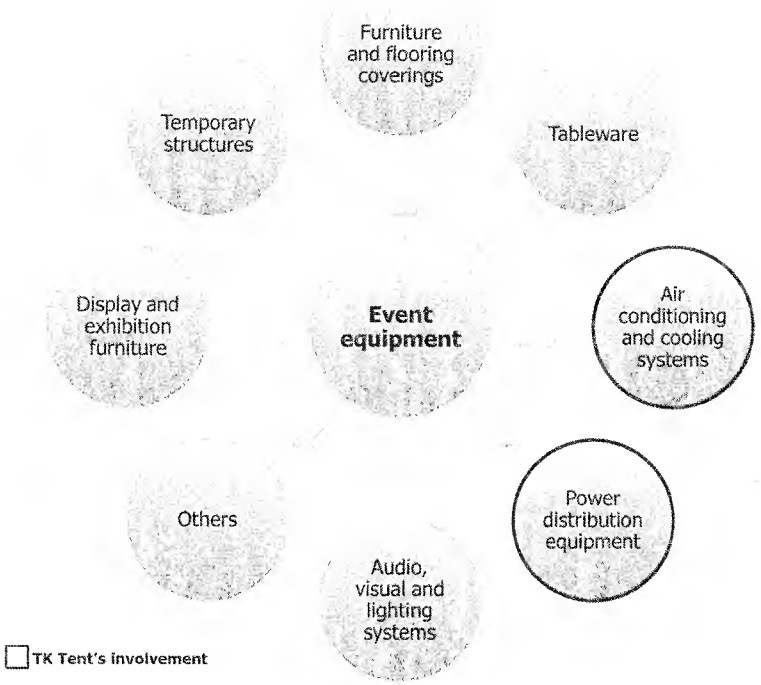
The event industry relies on the event equipment supply market to provide the relevant event equipment to set up an event. The following section provides a description of the types of event equipment that are typically used in an event setting.

1.1 Introduction to Event Equipment

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.

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Figure 2: Types of Event Equipment



Source: Protégé Associates

The following are some examples of major product segments for the event equipment:

- Furniture and floor coverings – tables, chairs, stools, lounges, ottomans, occasionals (i.e. bean bags and deck chairs), carpets, floor rugs and tiles.
- Tableware – table cloths and skirts, chair covers and sashes, crockery, cutlery, glassware and table accessories.
- Air conditioning and cooling systems – portable units such as heaters and fans, air conditioners and fully ducted systems that are professionally installed.
- Power distribution equipment – electric generators and power cables.
- Audio, visual and lighting systems – microphone and musical instruments, LED displays and projectors, lighting systems such as chandeliers, fluorescent lighting and pendant lights.
- Temporary structure – Canopy and marquee tent, modular chalets, temporary stages, portable toilets, landscaping.

- Display and exhibition furniture – signage and display panel and other décor accessories such service counters.

Events are generally organised and held over a short duration of time, thus events equipment are installed and dismantled over a short 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 event 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.

1.3 Historical Performance and Growth Forecast

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.

Figure 3: Historical Performance and Growth Forecast for the Event Equipment Supply Market in Malaysia, 2016-2022

Year	Revenue (RM million)	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

Compound annual growth rate ("CAGR") (2018-2022) (base year of 2017): 2.5 percent.

Notes:

1) *All figures are rounded*
2) ** denotes forecast*

Source: Protégé Associates

The event equipment supply market is largely dependent on the event industry. Any changes in the event industry in terms of demand and supply will be reflected as trends within the event equipment supply market. The outlook for the event equipment supply market in Malaysia is encouraging in light of favourable growth in the event industry moving forward.

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The event equipment supply market expanded by 2.0 percent 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. MyCEB supported 287 business events comprised of 192 corporate meetings and incentives, 68 association conferences and 27 exhibitions. In terms of cultural and leisure events, MyCEB supported 10 sports events and 13 arts, lifestyle and entertainment events.

From 2018 to 2022, sustained growth between 2.2 percent to 3.0 percent 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 a CAGR of 2.5 percent during the forecast period from 2018 to 2022. The market is expected to reach RM535.9 million in 2022.

1.4 Competitive Analysis

The event equipment supply market is highly fragmented with no company dominating the domestic or international market. There are 3,000 event equipment and services suppliers estimated to be in Malaysia. The event equipment supply market has a low barrier to entry, with minimal to moderate capital requirements for start-up and no government regulations that prevent new companies from entering.

However, in order to respond to the evolving event industry and to further expand or enhance existing products and services, market players require large sums of investment to purchase and maintain equipment. Smaller market players typically service low capacity and local events, but the capital intensive nature of the market and a shortage of skilled labour can inhibit their ability to expand. The knowledge, expertise and product diversity required to service larger events is significant. Event equipment suppliers differentiate their offerings based on price, quality of service, quality of products, strength of relationship and reputation.

Comparable Market Players

TK Tent & Air Conditioning Rental Sdn Bhd ("TK Tent") is principally involved in the provision of event equipment rental services. The product segments that TK Tent primarily provides are temporary structures for tents, air-conditioning and coling systems and power generation

systems. For comparison purpose, Protégé Associates has selected market players that are involved in the same product segments that are comparable with TK Tent. The table below provides a comparison between TK Tent and selected market players.

Figure 4: Selected Market Players within the Event Equipment Supply Market

Company Name	Key Activities	Latest Financial Results
Asia Tents Arena Sdn Bhd	• Established on 4 April 2013. • A wholly-owned subsidiary of Arena Events Group plc listed on the AIM market on the London Stock Exchange plc. • The nature of its business is the provision of rental and services of structure tents and its related components. • Their product range includes temporary structures, interior structures and air conditioning and cooling systems. • Won awards including Asia Pacific MICE Award 2015 for Best Event Supplier Contractor, International Sports Event Management Awards and 50 Companies Shaping Sport in 2014.	• **Financial Year End:** 31 December 2016 • **Revenue:** RM30.1 million • **Profit before Tax:** RM5.9 million
TK Tent	• Established on 5 January 2010. • The principal activity of TK Tent is the provision of event related equipment rental and trading of temperature control systems, energy products/ equipment and other event equipment such as tents, furniture, stages, platforms, portable toilets and decorations. • 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.	• **Financial Year End:** 30 June 2017 • **Revenue:** RM11.9 million • **Profit before Tax:** RM0.9 million
KEB Modular Sdn Bhd	• Established on 11 November 1992. • The nature of its business is supplying and erecting of portable and modular buildings.	• **Financial Year End:** 31 December 2016 • **Revenue:** RM10.9 million • **Profit before Tax:** RM1.3 million
Keruilai Pacific Sdn Bhd	• Established on 7 April 2009. • The company provides air-conditioner rental services for events, functions, back-up purposes and emergency cooling. • The company is a manufacturer of industrial evaporative air cooling and ventilation system under Keruilai brand.	• **Financial Year End:** 31 March 2017 • **Revenue:** RM3.9 million • **Profit before Tax:** RM0.2 million

Company Name	Key Activities	Latest Financial Results
Sun - Tent Sdn Bhd	• Established 18 April 1990. • The company is deals in and hires out canvas coverings, furniture and equipment. • Their product range includes tents, canopies, stages, LED products, air conditioners and coolers, fans and lighting, electric generators and customised products.	• **Financial Year End:** 31 May 2017 • **Revenue:** RM4.8 million • **Profit before Tax:** RM0.6 million
ACS Cooling System Sdn Bhd	• Established on 12 August 2014. • The nature of its business is the provision of cooler air and chilled water for cooling purposes. • The company provides air-conditioner rental services for events.	• **Financial Year End:** 31 December 2016 • **Revenue:** RM2.2 million • **Loss before Tax:** RM97,017

Sources: Companies Commission of Malaysia and Protégé Associates

1.4.1 Market Share Analysis

For the financial year ended 30 June 2017, TK Tent generated total revenue of RM11.9 million. This is equivalent to 2.5 percent share of the event equipment supply market during the year. This based on TK Tent's revenue of RM11.9 million against the event equipment supply market revenue of RM473.7 million in 2017.

1.5 Demand and Supply Conditions (2018-2022)

1.5.1 Demand Conditions

Positive Consumer and Business Confidence in the Economy

Consumer and business confidence in the economy play a role in the demand for event equipment as they are dependent on the willingness of consumers and businesses to spend money to host events. According to the Malaysian Institute of Economic Research, the consumer sentiment index in the fourth quarter of 2017 ("Q4 2017") improved by 5.5 points from 77.1 in the third quarter of 2017 ("Q3 2017") to 82.6 points. Consumers are optimistic about their future income. Meanwhile, the business conditions index in the Q4 2017 improved by 3.2 points from 100.3 in Q3 2017 to 103.5. Businesses remained optimistic as the index is above the 100-point threshold of optimism.

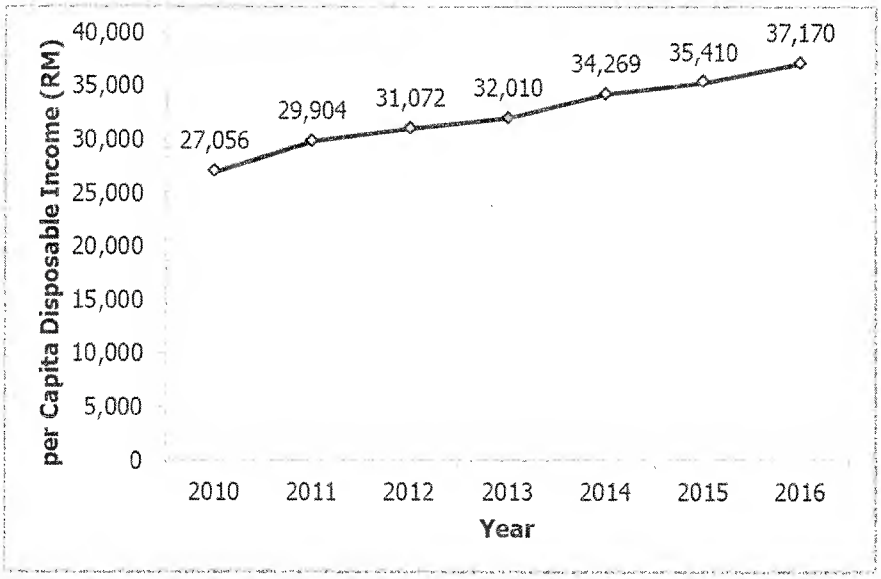
The increasing consumer confidence level indicates that consumers are more optimistic about the future, thus being more likely to spend more on goods and services, including on leisure and entertainment. Similarly, positive business confidence indicates that companies are likely to spend more, such as hosting business events. Improving consumer and business

confidences levels will boost demand for events, and are likely to result in an increase in the demand for event equipment.

Increase in Disposable Income Encourages Consumer Spending

Malaysians are experiencing an improved standard of living as seen in the increase in the per capita disposable income over the years. The gross disposable income measures the total incomes Malaysian residents received, not only domestically but also net income flows from overseas. Effectively, the per capita disposable income represents the monetary resources that each Malaysian has at his disposable for consumption and saving.

Figure 5: Malaysia per Capita Disposable Income, 2010-2016



Note: Based on current prices.

Source: Department of Statistics, Malaysia

The Malaysia per capita disposable income has doubled over the past seven years from RM27,056 in 2010 to RM37,170 in 2016. In addition, Malaysia's per capita disposable income is anticipated to continue on a growth trend over the forecast period between 2018 to 2022. The increase in disposable income within a nation 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.

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Government's Support to Grow the Business Tourism Sector

The business tourism sector was identified as growth area of the tourism industry under the ETP to enhance the tourism industry's contribution to Malaysia's economy. There were an estimated 1.5 million business travellers that travelled to Malaysia in 2016. Business tourists generally spend more as compared to leisure tourists. Hence, business events are a key enabler to attract business travellers.

The Malaysia Convention and Exhibition Bureau ("MyCEB") was established to promote Malaysia as a MICE destination. MyCEB is identifies potential business events, facilitates in the bidding processes, promotes government and industry collaboration as well as provides event support and marketing services. In 2017, a total of 287 business events, comprising corporate meetings, incentive travels, conventions and exhibitions were held in Malaysia.

In addition, the Malaysian Government has also implemented key measures to facilitate the tourism arrivals including business travellers. These key measures include the introduction of the tourist refund scheme that allows foreign tourists to claim a refund of GST paid for certain goods purchased in Malaysia from tax free shops and the commissioning of the e-visa facility that can help to ease visa applications to enter the country.

Business travellers to Malaysia are projected to reach 1.69 million travellers in 2018. Business events are a major source of revenue for the event equipment supply market, and therefore with the government's continuous support to grow the business tourism sector, demand for event equipment is expected to increase during the forecast period.

Availability of Event Facilities to Host More Events

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. Malaysia is set to build on its status as a preferred destination to host events with new facilities currently under construction. These include the expansion of the Kuala Lumpur Convention Centre, which is scheduled for completion in 2018. When operational, this extension will provide an additional 10,000 square metres of flexible and multipurpose floor space to its existing 22,659 square meters, allowing it to accommodate not only larger international meetings but also concurrent events. Sabah is also expected to see the completion of the Kota Kinabalu Convention Centre which will be able to accommodate 5,000 guests by mid-2018. The availability of venues means that there will be necessary

manpower assigned to ensure that these venues are marketed to event organisers. This will likely lead to a greater number of events being held, and hence increasing the demand for event equipment.

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 in Malaysia, which is likely to also indirectly increase the demand for event equipment in Malaysia.

1.5.2 Supply Conditions

Technological Advancement Changes Consumer Behaviour

Technological advancement impacts the event equipment supply market in two ways. Firstly, the market player's marketing and advertising methods will evolve with technology, while secondly, market players will also buy and utilise more efficient event equipment.

The Internet has changed customers' information consumption pattern whereby customers are able to find relevant information of event equipment such as service offerings, reviews and ratings before deciding on which suppliers to engage. Event equipment suppliers are now changing their business methods such as providing informative and appealing website, managing their social media platforms and setting up web-based communications to ensure constant engagement with their customers.

Technological advancement has also lead to the availability of higher efficiency and lower cost event equipment. Improvement in technology now allows companies to purchase the right event equipment and get a faster return on investment from their purchases of equipment. In addition, improvements in software applications such as live videos to monitor the installation of event equipment can improve the productivity and efficiency of the event equipment supply companies. Therefore, this supply condition is expected to result in an increase in the supply for the event equipment supply market in the forecast period.

Growing Need for Low Total Cost of Ownership

The total cost of ownership comprises the upfront costs for the purchase of event equipment, installation and maintenance expenses. Traditionally, event management service providers

required large amounts of capital investment to set up an event, as funds were needed for the purchase, installation and maintenance of the event equipment.

Presently, the majority of event equipment suppliers offer rental or pay-per-use options for event equipment. In addition, event equipment suppliers are responsible for the installation and maintenance of event equipment which reduces the need for internal installation teams. The service also eliminates the need to incur capital expenditure as it is based on the rental model, where customers only rent the event equipment. The rental or pay-per-use business model creates an opportunity for customers to save money and lower their total cost of ownership.

The growing need for low total cost of ownership from the event organisers creates demand for the event equipment rental services, which will benefit the event equipment supply market.

1.6 Prospects and Outlook

The event equipment supply market in Malaysia was valued at 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

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 MyCEB to spur the business tourism sector. MyCEB 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 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.

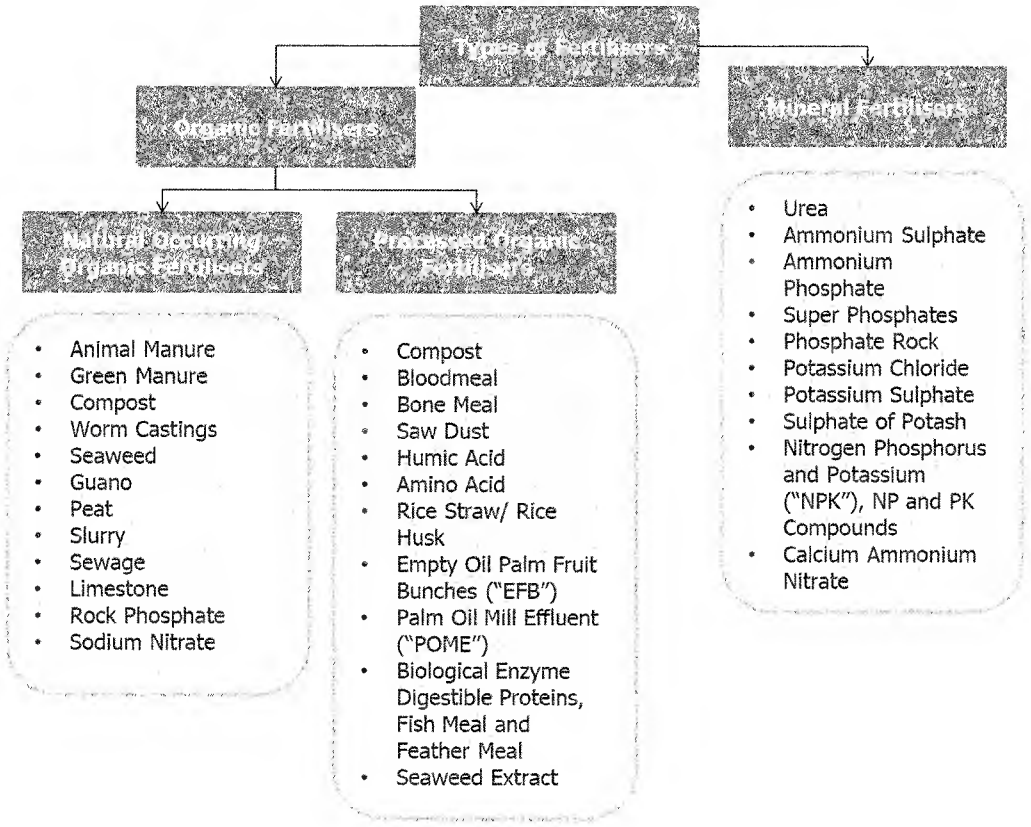
Moving forward, the market for event equipment in Malaysia is projected to expand from RM473.7 million in 2017 to RM535.9 million in 2022. The forecast CAGR for the event equipment supply market is 2.5 percent for the 2018 to 2022 forecast period.

2.0 Overview of the Fertiliser Industry in Malaysia

2.1 Introduction to Fertilisers

A fertiliser is a compound that enhances or boosts the growth of plants by providing essential nutrients to it. There are two main types of fertilisers which are organic fertilisers and mineral fertilisers. Organic fertilisers are fertilisers composed of plant or animal wastes and minerals occurring in nature. Mineral fertilisers are fertilisers composed of synthetic minerals or chemicals. Figure 1 illustrates the breakdown of the types of fertilisers and relevant examples.

Figure 6: Types of Fertilisers



Source: Protégé Associates

Fertiliser production and use in Malaysia is currently dominated by mineral fertilisers, representing more than 90 percent of all local fertiliser production and use. Mineral fertilisers are preferred as they increase yields at a faster rate and are able to more accurately prescribe and fix nutrient deficiency in plants. Measurable amounts of the macro and micro nutrients in mineral fertilisers also allow planters to monitor their plant needs more accurately.

Mineral fertilisers are manufactured and made available in various forms, ranging from straight fertilisers to complex compound fertilisers, as shown in Figure 7.

Figure 7: Forms of Mineral Fertilisers Manufactured/ Used in Malaysia

Types of Mineral Fertiliser	Characteristics
Straight Fertilisers	• Single nutrient fertilisers. • Mostly imported; urea is the most commonly locally-produced straight fertiliser.
Blended Fertilisers	• Locally produced/ mixed using mostly imported straight fertilisers to create fertilisers with complete nutrients.
Granulated Compound Fertilisers	• Primarily locally manufactured using mostly local and imported straight fertilisers.
Complex Compound Fertilisers	• Mostly imported. • Most homogenous and consistent in quality. • Most expensive.

Source: Fertilizer Industry Association of Malaysia

Most fertiliser companies in Malaysia produce blended fertilisers using straight, single nutrient fertilisers, many of which are not available locally. The straight fertiliser most commonly produced in Malaysia is urea. However, locally produced urea is usually exported in prilled form and it's not used locally. This is because its premium quality allows it to command a higher price internationally. Therefore, imported urea is used for local fertiliser production and consumption.

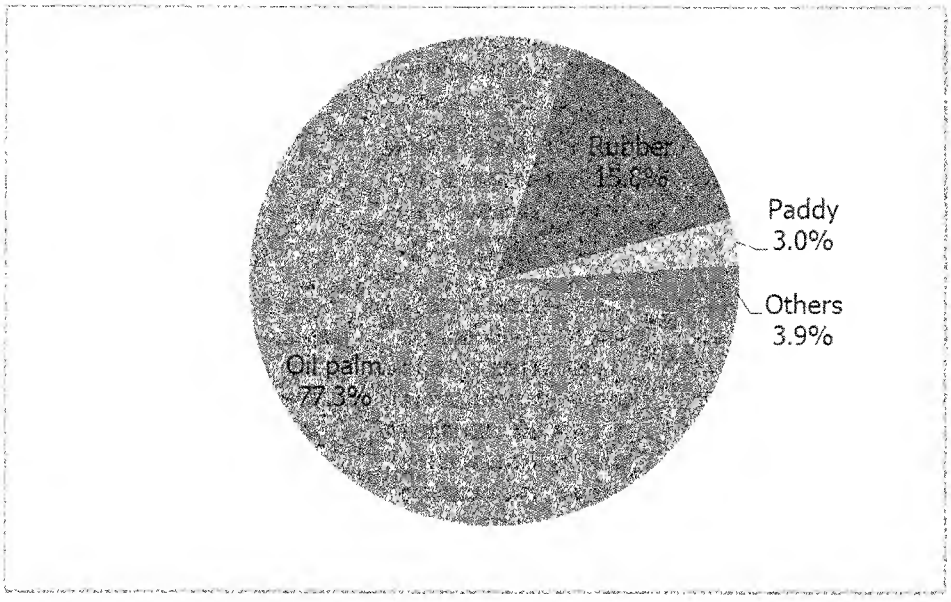
Organic fertilisers, while able to improve the soil structure and fertility in the long run, is harder to control in terms of efficacy due to the slow release of nutrients. A bigger amount and a longer time span is required for organic fertilisers to release their nutrients to the same effect as that of mineral fertilisers, which is not ideal in terms of cost and time considerations. Organic fertilisers, if not manufactured correctly may also contain naturally occurring pathogens or microbes which are damaging to plants. These organic materials are however finding new favour among certain quarters of users due to the environmental friendliness of organic fertiliser, the benefit that it brings in the long run and its safety to human exposure.

2.2 Overview of Fertiliser Industry

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.

Figure 8: Fertiliser Consumption by Major Crops, 2016



Note: Others indicate other crops such as cocoa, coconuts, bananas, durians, rambutans, pineapples, cempedak (jackfruits), pepper and chillies

Source: Protégé Associates

Industrial crops, particularly 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.

Other than agriculture, fertilisers are also used for landscaping applications. The local landscaping industry is gradually growing in Malaysia, spurred by the Malaysian Government's initiative to go green. Fertilisers are used in the management and maintenance of softscape, which is the use of living elements such as flora and fauna and natural elements like landforms and terrain shape to be incorporated into the landscape. In tandem with trends to re-inject softscape into urban settings, many property developers are consciously and increasingly injecting greeneries into their projects. The Malaysian Government also encourages the allocations of parks and greeneries in city areas, along highways and in public areas as the need to balance the natural versus man-made ecosystem grows.

2.3 Historical Performance and Growth Forecast

Protégé Associates estimates that the fertiliser industry in Malaysia was worth RM7.03 billion in 2017. The revenue growth for this industry reflects the stable demand for fertilisers in Malaysia.

Figure 9: Historical Performance and Growth Forecast for the Fertiliser Industry in Malaysia, 2016-2022

Year	Revenue (RM billion)	Growth Rate (%)
2016	7.43	-
2017	7.03	-5.4
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

Compound annual growth rate ("CAGR") (2018-2022) (base year of 2017): 7.6 percent.
Notes:

3) *Includes sales from local manufactured and imported fertilisers*
4) *All figures are rounded; and*
5) ** denotes forecast*

Source: Protégé Associates

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. Any drastic changes in the

market for these commodities in terms of price, demand and supply will be reflected as trends within the fertiliser industry.

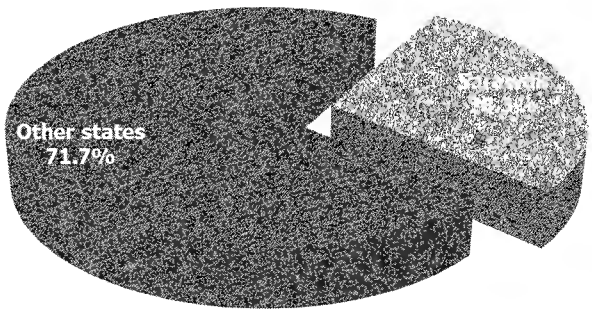
The fertiliser industry saw a decline in 2017. Volatile fluctuation of commodity prices (including palm oil and rubber prices) has reduced plantation activities as well as the demand for fertilisers. In addition, unfavourable weather conditions during the year have also disrupted crops cultivation activities. As demand reduced, fertiliser prices reduced too. Even though the price of fertilisers remained low, palm oil 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 year was therefore marked by a decline of 5.4 percent.

From 2018 to 2022, sustained moderate growth is expected for the fertiliser industry, with a spike peaking in 2020 due to the Government's initiatives towards replanting of low-yield oil palm crop of over 25 years old. An average of 125,610 hectares is expected to be replanted annually according to the ETP. Apart from that, the price of fertilisers is likely to remain high due to the higher fuel prices in the years to come as well as depleting mineral resources. However, as alternative cropping methods and more efficient fertilizing methods are practiced at Malaysian plantations, the growth in demand for fertilisers is expected to normalise between 2021 and 2022.

Protégé Associates estimates that Malaysia's fertiliser industry was valued at RM7.03 billion in 2017. Of this, 28.3 percent or RM1.99 billion was contributed by Sarawak as illustrated in Figure 10 below. Moving forward, the fertiliser industry in Malaysia is projected to grow at a CAGR of 7.6 percent during the forecast period to RM10.14 billion in 2022.

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Figure 10: Sarawak's Share in the Fertiliser Industry in Malaysia, 2017

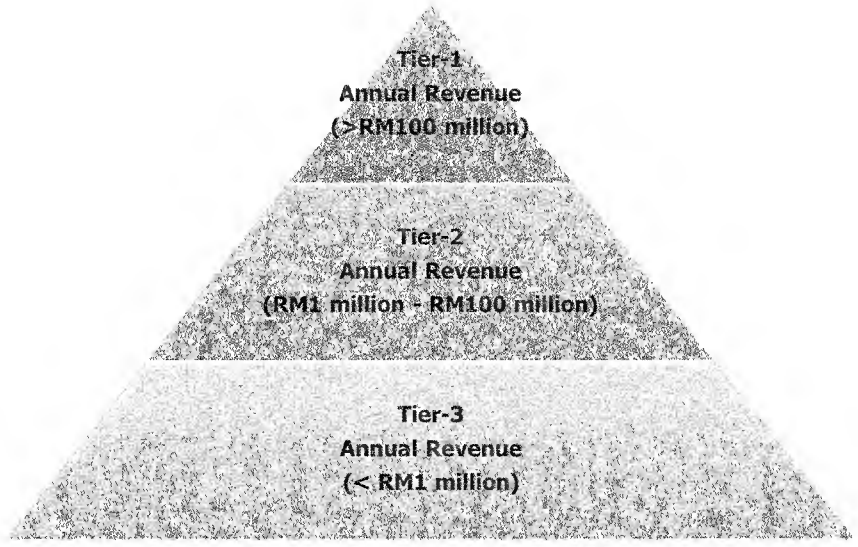


Source: Protégé Associates

2.4 Competitive Analysis

The market players in the fertiliser industry can be divided into three tiers: namely Tier-1, Tier-2 and Tier-3. Market players are generally differentiated by the size of their operations and revenue, as well as the industries they cater to:

Figure 11: Categories of the Market Players in the Fertiliser Industry



Source: Protégé Associates

Tier-1

Tier-1 consists of large market players with an annual revenue of above RM100 million. The market players that belong to this group are typically well capitalised, possess their own fertilisers processing plant or warehouses providing bagging, bulk blending and/or granulation

or compaction services, and have technical knowledge and competencies that are higher than their counterparts. Tier-1 is dominated by 20 to 25 manufacturers which produce fertilisers mainly for large-scale industrial agriculture companies/ plantations. Examples of Tier-1 market players are Agromate Holdings Sdn Bhd, Agrifert Malaysia Sdn Bhd, Hapseng Fertilizer Sdn Bhd, FPM Sdn Bhd, Union Harvest (M) Sdn Bhd.

Tier-2

Tier-2 consists of market players with an annual revenue of RM1 million to RM100 million. Compared to Tier-1 market players, Tier-2 market players generally have a different target audience, supplying fertilisers for household use, smaller scale agriculture and commercial landscaping purposes. Some of their products are available in the supermarket, hardware stores, speciality stores and other retail outlets. These market players commonly sell their products in smaller quantities to meet the demand of the household target market. Players from this category also cater their fertilisers for the agriculture industry, which includes some industrial crops users and the majority of fruit and vegetable crops cultivators. Players in Tier-2 also supply fertilisers for commercial scale landscaping and golf courses. There are approximately 30 to 50 players classified in Tier-2.

Tier-3

Tier-3 consists of backyard industries, nurseries and small-time producers of gardening supplies. This tier is highly fragmented comprising many small-sized manufacturers with annual revenue below RM1 million. Tier-3 players are usually very small in size – and for many, manufacturing fertilisers may not be their core business. Tier-3 players may include those who manufacture fertilisers as a supplementary business or as an extension of their core business. They may include nurseries, livestock farmers, slaughter houses and chemical traders/ manufacturers which make use of wastes or resources produced as by-products of their core business. Some of these players may produce compost for sale as generic products.

Comparable Market Players

PK Fertilizers (Sarawak) Sdn Bhd ("PKF Sarawak") was established primarily as a provider of fertilisers. It operates a warehouse and processing plant at Bintulu, Sarawak with production capacity of up to produce 148,000 tonnes of fertilisers per annum. For comparison purpose, Protégé Associates has selected market players that possess their own fertilisers processing plant or warehouses providing bagging, bulk blending and/or granulation or compaction

services that are comparable with the PKF Sarawak. The table below provides a comparison between PKF Sarawak and selected market players.

Figure 12: Selected Market Players within the Malaysian Fertiliser Industry

Company Name	Key Activities	Latest Financial Results
Tier-1 Market Players		
Agromate Holdings Sdn Bhd	• Established on 29 September 1988. • Imports and exports fertilisers • Manufacturer of NPK compound fertilisers via its subsidiary, Agro-Teck NPK (M) Sdn Bhd. • Operates warehouses in Prai, Kuantan, Port Klang and Pasir Gudang in Peninsular Malaysia; Lahad Datu in Sabah; and Bintulu in Sarawak. The warehouses are equipped with bulk blending, mixing and storage facilities • Supplies a range of nitrogenous, phosphoric, potassic, and mineral fertilisers to large plantations (including oil palm, rubber, cocoa) as well as orchards and vegetable farms in both public and private sectors	• **Financial Year End:** 31 December 2016 • **Revenue:** RM1,602.0 million • **Profit before Tax:** RM88.7 million
Agrifert Malaysia Sdn Bhd	• Established on 20 December 1979. • NPK compound fertiliser manufacturer and straight fertiliser supplier. • Has five NPK compound plants in Malaysia and two in Palembang, Indonesia. • Manufactures NPK compound fertiliser under Hikay-Plus, Peat-Kay Plus, and Hi-Kay Bio Brands. • Fertilisers are primarily for oil palm.	• **Financial Year End:** 31 December 2016 • **Revenue:** RM1,477.7 million • **Profit before Tax:** RM56.3 million
Hap Seng Fertilizers Sdn Bhd	• Established on 30 December 1969. • A wholly-owned subsidiary of Hap Seng Consolidated Berhad. • Principal activities include trading and distribution of fertilisers and agri-chemicals for the plantation industry in Malaysia. • Has a NPK granulation plant in Lahad Datu, Sabah with production capacity of 50,000 metric tonnes per annum. • Market their NPK fertilisers under the brand NAGA.	• **Financial Year End:** 31 December 2016 • **Revenue:** RM1,011.7 million • **Profit before Tax:** • RM30.7 million
FPM Sdn Bhd	• Established on 31 December 1975. • Fully owned by Felda Holdings Bhd. • Has two NPK compound plants in Malaysia with the production capacity of up to 450,000 tonnes of NPK compound	• **Financial Year End:** 31 December 2014 • **Revenue:** RM593.2 million • **Profit before Tax:**

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Company Name	Key Activities	Latest Financial Results
	fertiliser per annum. • Felda Group of Companies, Risda Baja Sdn Bhd, Far East Holdings Bhd, LKPP Corporation Sdn Bhd, TH Plantations Bhd and Sime Darby Plantation Sdn Bhd are among its clients. • Also manufactures medicines and remedies for fruit agriculture; and vegetable cultivation.	RM34.5 million
Union Harvest (M) Sdn BHd	• Established on 5 August 2014. • Has a NPK compound plant in Kuantan with production capacity of 150,000 tonnes of fertilisers per annum. • Has two warehouses in Port Klang, and Kuantan in Peninsular Malaysia and one warehouse in Lahad Datu, Sabah	• **Financial Year End:** 31 December 2015 • **Revenue:** RM179.9 million • **Profit before Tax:** • RM9.6 million
Tier-2 Market Players		
Twin Arrow Fertilizer Sdn Bhd	• Established on 11 June 1990. • Principal activities include manufacturing and trading of NPK fertilisers and related agricultural products. • Won awards including Golden Bull Award, Superbrand Award, SMI Recognition Award, SME Enterprise 50 Award and QMS ISO 9001:2008 certified. • Has two production plants that are able to produce 250,000 metric tonnes of fertilisers per annum. • Produce organic, compound and granular blend fertilisers that are suitable for most crops on top of NPK compound fertilisers.	• **Financial Year End:** 31 October 2016 • **Revenue:** RM94.0 million • **Profit before Tax:** RM6.1 million
PKF Sarawak	• Established on 6 July 2004. • Principal activities include warehousing and distribution of organic, compound, granular blend and straight fertilisers. • Provides planting advisory services. • Operates a warehouse and processing plant at Bintulu, Sarawak with production capacity up to produce 148,000 tonnes of fertilisers per annum.	• **Financial Year End:** 31 December 2017 • **Revenue:** RM43.7 million • **Loss before Tax:** RM411,681
Kean Beng Lee Industries (M) Sdn Bhd	• Established on 22 August 1996. • Principal activities include manufacturing flower pots, gardening accessories, fertilisers and planting soil under the brand Baba and Tenen. • Popular with its indoor and outdoor non-toxic organic fertilisers	• **Financial Year End:** 31 October 2016 • **Revenue:** RM20.2 million • **Profit before Tax:** RM3.3 million

Company Name	Key Activities	Latest Financial Results
	• Products are exported to more than 30 countries worldwide. • Its Baba brand has claimed a few awards including the Superbrands Malaysia award, Golden Bull Award and 3rd Asia Pacific/ Malaysia e-Entrepreneur Excellence Award. • Household brand.	

Sources: Companies Commission of Malaysia and Protégé Associates

2.4.1 Market Share Analysis

For the Financial Year Ended 31 December 2017, PKF Sarawak generated total revenue of RM43.7 million. This is equivalent to a 2.2 percent share of the fertiliser industry in Sarawak during the year. This based on PKF Sarawak's revenue of RM43.7 million against Sarawak's fertiliser industry revenue of RM1.99 billion in 2017.

2.5 Demand and Supply Conditions (2018-2022)

2.5.1 Demand Conditions

Government's Continuous Interest in Industrial Crops

The Malaysian Government indicated via the ETP on the potential of palm oil to be the country's second GNI generator by year 2020. The palm oil industry is targeted to contribute a GNI of RM178.0 billion in 2020 from RM64.9 billion in 2016. 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.

The demand is also spurred by competition from Indonesia that took over the lead from Malaysia as the world's largest crude palm oil producer, contributing 55 percent to the global supply in 2016 with Malaysia trailing at 30 percent. The insufficient land bank to compete with Indonesia increases the need to generate higher oil palm yield through more efficacious fertilizing. This is likely to increase fertiliser demand moving forward.

Government's Effort to Accelerate the Replanting of Oil Palm Trees

In 2016, 5.7 million hectares of oil palm trees were planted, which accounted for 72.1 percent of the agricultural land available in Malaysia including Sarawak. The oil palm industry in Sarawak recorded 1.5 million hectares of planted area. Palm oil is seen as one of Malaysia's most important commodities. Therefore, the demand for fertilisers is highly dependent on the state of the palm oil industry. In the ETP, the Malaysian Government has underlined an Entry

Point Project ("EPP") 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. This is important in order to garner better harvest and faster growth. The mentioned EPP 1 that covers more than 365,000 hectares of land will be fully replanted within three years in conjunction with the plans to increase the average yield of 26 tonnes per hectare per year by 2020 from the current 18 tonnes per hectare per year. Therefore, there will be a steep increase of demand for fertilisers within the next two to five years to accommodate the need from the EPP 1's execution. This is due to the fact that the usage of fertilisers is especially high between the first and third year after the tree has been planted.

Rising Commodity Prices

The demand for fertilisers is likely to be spurred by the increase in price of major agriculture commodities. For example, the price for crude palm oil is expected to rise in the long term, thus increasing the demand for fertilisers as planters seek to increase the crude palm oil production to capture the resulting profit. However, if the commodity price goes down, it will bring down the demand for fertilisers. A big portion of the agriculture industry's cost comes from fertilisers. When the crops do not fetch much profit, the planters will not have enough funds to purchase fertilisers. They will hold back on fertilizing to reduce expenses, which leads to lower demand.

Nevertheless, food commodity prices are still likely to increase in the long run due to food's crucial role to human sustenance, which will create a stable demand for fertilisers from fruit and vegetable crop cultivators. In addition, demand for Malaysia's major agriculture products such as palm oil and rubber are also expected to continue, providing demand for fertiliser demand in the long run.

Growing Food Security Imperative

In the light of rising food commodity prices, Malaysia is currently striving to become self-sufficient in important food commodities such as rice. In order to mitigate the dependence of food imports from overseas, Malaysia is increasing its agriculture crop production by increasing its land area for food agriculture, which in turn is likely to increase the demand for fertilisers from paddy and other food crop agriculture.

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2.5.2 Supply Conditions

The Fertiliser Manufacturer's Reliance and Vulnerability to Imports

Currently mineral fertilisers cover more than 90 percent of the fertilisers used in Malaysia. Most of the fertiliser manufacturers in Malaysia import straight fertilisers as raw materials from foreign sources. Malaysia does not extensively mine or manufacture these straight fertilisers and have to rely on imported supply. In 2017, nitrogenous fertilisers were imported from China (47.7 percent), Indonesia (9.4 percent), Pakistan (7.7%), Taiwan (7.5%) and other countries (27.7%). Phosphatic fertilisers were imported from Australia (29.0 percent), Belarus (15.2 percent), Egypt (12.3 percent), Singapore (9.2 percent), Russia (7.2 percent), United States (6.6 percent), China (6.1 percent) and other countries (14.3 percent). Lastly, Potassic fertilisers were imported from Canada (38.8 percent), Russia (18.7 pecent), Lithuania (10.5 percent), Jordan (8.1 percent), Belarus (6.6 percent), Germany (5.2 percent) and other countries (12.1 percent). This is also why local fertiliser prices are vulnerable and dependent on international fertiliser price movements.

In order to mitigate the reliance and vulnerability to imports, the government is actively promoting the recycling and use of agriculture wastes and other biomass into compost as substitutes to mineral fertilisers. Malaysia has ample resources of compost materials such as animal manure from livestock, blood meal which is made of animal blood from slaughter houses, sawdust, POME and EFB from oil palm plantations. The proliferation of organic fertiliser products can reduce local dependency on mineral fertilisers from abroad, while also promoting the recycling and reduction of the country's carbon footprint through waste reduction. These factors encourage the use and production of organic fertilisers, and will continue to reduce our reliance and vulnerability to imported raw materials for fertiliser production.

Increasing Awareness on the Benefits of Organic and Alternative Cropping Practices

With the increased use of biomass and other agriculture wastes as organic fertiliser material, mineral fertilisers will be facing some challenges in the next five to ten years. POME from palm trees is abundant and does more benefit to the soil on top of increasing the agriculture yield per hectare compared to mineral fertilisers. Prolonged mineral fertiliser use causes the soil to lose its fertility because the high concentration of mineral salts fed to the soil will eventually kill the soil organisms responsible for decomposition and soil formation. Such trends are expected to gradually alter the demand composition of fertilisers between organic and mineral variants.

There is also a growing support and practice for newer, more efficient agriculture methods. The practice of intercropping, double cropping, integrated farming systems and agroforestry may reduce the need for fertiliser over the long run, thus negatively affecting demand growth in the future.

2.6 Prospects and Outlook

The fertiliser industry in Malaysia was valued at RM7.03 billion in 2017. Of this, 28.3 percent or RM1.99 billion was contributed by Sarawak.

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 BNM 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 fertilizing, the industry is likely move away from mineral fertilisers towards organic fertilisers.

Moving forward, the fertiliser industry in Malaysia is projected to grow at a CAGR of 7.6 percent during the forecast period 2018 to 2022. The industry is forecast to reach RM10.14 billion in 2022.

INDEPENDENT FAIRNESS OPINION REPORT

Strategic Capital Advisory Sdn Bhd (478153 - U)
Investment Advisers – Corporate Finance (CMSL/A0124/2007)
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Our Tel : 603 9171 9600 Our Fax : 603 9173 7600

Date: 20 JUN 2018

The Board of Directors
SCH GROUP BERHAD
No. 3, Jalan Teras 3,
Kawasan Industri Teras Balakong
Taman Industri Selesa Jaya
43300 Balakong
Selangor

Strictly Private & Confidential

Dear Sirs,

FAIRNESS OPINION ON THE PURCHASE CONSIDERATION OF

- **THE PROPOSED ACQUISITION OF THE ENTIRE EQUITY INTEREST IN TK TENT & AIR-CONDITIONING RENTAL SDN BHD; AND**
- **THE PROPOSED ACQUISITION OF 83.33% EQUITY INTEREST IN PK FERTILIZERS (SARAWAK) SDN BHD.**

("EVALUATION")

1.0 INTRODUCTION

Strategic Capital Advisory Sdn. Bhd. ("**SCA**") has been appointed by the Board of Directors of SCH Group Berhad ("**SCH**") on 5 March 2018 as an Independent Financial Adviser to opine on the fairness of:

- the purchase consideration of RM50.0 million to be satisfied entirely by cash ("**Purchase Consideration of TK Tent**") for the proposed acquisition of the entire equity interest in TK Tent & Air-Conditioning Rental Sdn Bhd ("**TK Tent**") ("**Proposed Acquisition of TK Tent**"); and

- the purchase consideration of RM19,054,811 to be satisfied in part by RM11,454,811 in cash and the balance amount of RM7,600,000 via the issuance of 40,000,000 new ordinary shares in SCH ("**SCH Shares**") at an issue price of RM0.19 per SCH Share ("**Consideration Shares**") ("**Purchase Consideration of PKF Sarawak**") for the proposed acquisition of 83.33% equity interest in PK Fertilizers (Sarawak) Sdn Bhd ("**PKF Sarawak**") ("**Proposed Acquisition of PKF Sarawak**").

(The Proposed Acquisition of TK Tent and Proposed Acquisition of PKF Sarawak are collectively referred to as the "**Proposed Acquisitions**").

This letter, which sets out our opinion on the fairness of the purchase consideration for the Proposed Acquisitions ("**Letter**"), is prepared for the inclusion in the Circular to shareholders for purpose of approving the Proposed Acquisitions and should be read in conjunction with the same. All definitions used in this letter shall have the same meaning as the words and expressions provided in the definition section of the Circular, except where the context otherwise requires or where otherwise defined herein.



2.0 TERMS OF REFERENCE

The basis of our opinion is the fair market value which is defined as the arms' length price at which such asset would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, in an open and unrestricted market and both having reasonable knowledge of relevant facts. The concept of market value means the cash equivalent price of an asset being valued assuming the transaction took place under conditions existing at the date of valuation of the assets. The amount would not be considered market value if it was influenced by special motivations or characteristic of a typical buyer or seller.

Sources of Information

The sources of information which we have used in our Evaluation are as follows:-

(i) SCH's announcements dated 2 February 2018 and 7 March 2018;

(ii) Audited financial statements of TK Tent for the financial year ended ("**FYE**") 30 June 2015, 2016 and 2017;

(iii) Management accounts of TK Tent for the 6 months financial period ended ("**FPE**") 31 December 2017;

(iv) Audited financial statements of PKF Sarawak for the FYE 31 December 2015, 2016 and 2017;

(v) Proforma consolidated statement of financial position of SCH as at 31 August 2017 together with the Reporting Accountant's letter prepared by Ecovis AHL PLT;

(vi) Legal due diligence report on TK Tent and PKF Sarawak prepared by Messrs. Teh & Lee ("**Legal DD Report**");

(vii) Independent market research report on the "Overview of the Event Equipment Supply Market and Fertilizer Industry in Malaysia" dated March 2018 prepared by Protégé Associates Sdn Bhd ("**IMR Report**");

(viii) Conditional share sale agreement between SCH and the vendors of TK Tent dated 2 February 2018 ("**TK Tent SSA**");

(ix) Conditional share sale agreement between SCH and the vendors of PKF Sarawak dated 7 March 2018 ("**PKF Sarawak SSA**");

(x) Representation and explanation by the directors and management of SCH, TK Tent and PKF Sarawak; and

(xi) Other publicly available information in respect of the industry that SCH, TK Tent and PKF Sarawak are principally involved in.

We have made all reasonable enquiries and conducted our own reviews, where possible, with regards to the information provided to us. We have also relied on the directors and management of SCH, TK Tent and PKF Sarawak respectively, to exercise due care to ensure that all information and documents as mentioned above and that all relevant facts, information and representations necessary for our Evaluation have been disclosed to us and that such information is accurate, valid and there is no omission of material facts, which would make any information provided to us incomplete, misleading or inaccurate.

In performing this Evaluation, we have performed, among others, the following procedures:

- Obtaining an understanding on TK Tent's and PKF Sarawak's business activities and reviewing its historical audited financial statements;
- Obtaining a general understanding on the industry outlook of which TK Tent and PKF Sarawak is involved in; and
- Consider, adopt and apply an appropriate valuation methodology for TK Tent and PKF Sarawak.

Strategic Capital

The Board of SCH, TK Tent and PKF Sarawak have, individually and collectively, accepted full responsibility that all material facts, financial and other information in this Letter, including the accuracy of the information in respect of the Proposed Acquisitions (save for those in relation to our Evaluation and opinion pertaining to the same) as prepared herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein incomplete, false and/or misleading.

We have not undertaken an independent investigation into the businesses of TK Tent and PKF Sarawak. We have also assumed that the Proposed Acquisitions will be implemented based on the terms as set out in the TK Tent SSA and the PKF Sarawak SSA without material waiver or modification.

Based on the above and from our review of the relevant documents provided by the directors and management of SCH, TK Tent and PKF Sarawak, we are satisfied that the information and documents provided by the directors and management of SCH, TK Tent and PKF Sarawak to us are sufficient and have no reason to believe that any such information provided to us are untrue, inaccurate or misleading or the disclosure of which might reasonably affect our Evaluation as set out in this Letter.

It should be noted that the valuation in itself is highly dependent on, amongst others, the achievability of the total profit guarantee of RM15.5 million for the FYE 30 June 2018, 2019 and 2020 by TK Tent (**"Profit Guarantee"**), the prevailing economic, market and other conditions that may change significantly over a relatively short period of time. It should also be highlighted that the valuation may be materially or adversely affected should the actual results or event differ from any of the bases and assumptions upon which relevant reports were based. As such, the adoption of such assumptions and projections does not imply that we warrant their validity or achievability.

Date of Opinion

The date of our opinion is 6 March 2018 (herein also referred to as the **"Date of Opinion"**)

Scope and Limitation of Review

SCA was not involved in the formation of the Proposed Acquisitions or any deliberation and negotiation on the terms and conditions of the Proposed Acquisitions. Our role as the Independent Financial Adviser does not extend to expressing an option on the commercial merits of the Proposed Acquisitions. The assessment of the commercial merits of the Proposed Acquisitions is solely the responsibility of the Board of SCH, although we may draw upon their views arriving at our opinion. As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, account and taxation issues relating to the Proposed Acquisitions.

The directors and management of SCH, TK Tent and PKF Sarawak are responsible to make available to us all relevant information pertaining to our Evaluation, including informing us of any material changes in the subject matters which may have an impact on our opinion. Our work includes holding discussion and making enquiries from the directors and management of SCH, TK Tent and PKF Sarawak regarding representations made on TK Tent and PKF Sarawak. We rely on the directors and management's oral and written representations and in no event shall we, our principals, directors, shareholders, agents or employees be liable for any misrepresentations by the directors and management of SCH, TK Tent and PKF Sarawak.

We have not undertaken an independent investigation into the businesses of TK Tent and PKF Sarawak. Our procedures and inquiries did not include any verification work that constitutes an audit on the information that we have relied upon in preparing this Letter.

Strategic Capital

Further, certain information relied upon are only representations of the directors and management of SCH, TK Tent and PKF Sarawak, as well as reliance on third party experts as explained in the relevant sections of this Letter. Accordingly, we make no representations as to the accuracy or completeness of the information provided.

The preparation of this Letter is based upon market, economic, industry and other conditions prevailing as at the Date of Opinion, as well as publicly available information and information provided to us by the management of SCH, TK Tent and PKF Sarawak. Such conditions may change significantly over a relatively short period of time. No representation or warranty, whether expressed or implied, is given by SCA that the information and documents provided will remain unaltered subsequent to the issuance of the Letter. However, should SCA become aware of any significant change affecting the information contained in this Letter; being informed of any material changes in the subject matters which may have an impact on SCA's opinion or have reasonable grounds to believe that any statement in this Letter is misleading deceptive or that there is material omission in this Letter, we will immediately notify the Board of SCH. If circumstances require, a supplementary Letter will be issued to the Board of SCH.

We have obtained a responsibility statement from the directors and management of SCH, TK Tent and PKF Sarawak that all material facts, financial and other information essential to our Evaluation have been disclosed to us and that they have seen this Letter and they, individually and collectively, accept full responsibility for the accuracy of such information contained in this Letter and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein false or misleading.

3.0 BACKGROUND INFORMATION

3.1 TK Tent

TK Tent was incorporated in Malaysia on 5 January 2010 as a private limited company under the Companies Act, 1965. TK Tent is principally involved in the provision of event related equipment rental and trading services.

The directors and shareholders and their respective shareholdings in TK Tent are as follows:

Name	Designation	No. of ordinary shares	%
Ong Soon Hooi	Director	-	-
Teh Li King	Director	-	-
Hextar Holdings Sdn Bhd ("**HHSB**")	Shareholder	11,800,000	100.0
		11,800,000	100.0

(Source: Legal DD Report)

Historical financial information

A summary of audited financial information of TK Tent based on its audited financial statements for the past three (3) FYE 30 June 2015 to FYE 30 June 2017 as well as the unaudited FPE 31 December 2017 are as follows:

	FYE 30 June			Unaudited FPE 31 December	
	2015	2016	2017	2016	2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	15,642	21,825	11,955	6,781	9,786
Gross profit	9,611	13,250	7,205	4,841	7,138
Profit before tax	5,232	8,511	2,128	1,817	4,200
Profit after tax ("**PAT**")	3,879	6,465	980	1,261	3,066

INDEPENDENT FAIRNESS OPINION REPORT *(cont'd)*



	FYE 30 June			Unaudited FPE 31 December	
	2015	2016	2017	2016	2017
	RM'000	RM'000	RM'000	RM'000	RM'000
Net profit attributable to shareholders	3,879	6,465	980	1,261	3,066
Net Asset attributable to equity owner ("NA")	18,047	23,155	17,830	19,611	19,546
NA per share (RM)	1.53	1.96	1.51	1.66	1.66
Earnings per share ("EPS") (sen)	0.33	0.55	0.08	0.11	0.26
Current ratio (times)	1.83	3.33	4.31	2.77	3.79
Gearing ratio (times)	0.10	0.04	0.01	0.04	~
Total borrowings	1,752	1,015	224	689	92

Note:-
~ Less than 0.01%

There were no exceptional and/or extraordinary items reported in the audited financial statements of TK Tent for the financial years under review. There have been no peculiar accounting policies adopted by TK Tent and there have been no audit qualifications reported in the audited financial statements of TK Tent during the financial years under review.

Commentary on the financial performance

FYE 30 June 2016 vs FYE 30 June 2015

TK Tent achieved a revenue of RM21.83 million in the FYE 30 June 2016 as compared to RM15.64 million in the FYE 30 June 2015. This represents an increase of RM6.19 million or 39.6%, which was mainly due to the supply of rental equipment (generators and chillers) to several office buildings in Putrajaya for a period of 12 months from June 2015 to May 2016.

TK Tent recorded a profit before tax of RM8.51 million in the FYE 30 June 2016 as compared to RM5.23 million in the FYE 30 June 2015, which represents an increase of RM3.28 million or 62.7%. This increase is in line with the improved gross profits resulting from an increase in revenue as detailed above.

In FYE 30 June 2016, TK Tent pared down its borrowings from RM1.75 million to RM1.02 million via internally generated funds.

FYE 30 June 2017 vs FYE 30 June 2016

TK Tent achieved a revenue of RM11.96 million in the FYE 30 June 2017 as compared to RM21.83 million in the FYE 30 June 2016. This represents a decrease of RM9.87 million or 45.2%, which was mainly due to the completion of the rental contract to office buildings in Putrajaya in the FYE 30 June 2016.

TK Tent recorded a profit before tax of RM2.13 million in the FYE 30 June 2017 as compared to RM8.51 million in the FYE 30 June 2016, which represents a sharp decrease of RM6.38 million or 75.0%. The decrease is in line with the decline in revenue as detailed above.

In the FYE 30 June 2017, TK Tent further pared down its debt to RM0.22 million via internally generated funds, from RM1.02 million in the previous financial year.

FPE 31 December 2017 vs FPE 31 December 2016 (6 months)

TK Tent achieved a revenue of RM9.79 million in the 6 months FPE 30 June 2017 as compared to RM6.78 million in the FPE 30 June 2016. This represents an increase of RM3.01 million or 44.4%. The increase was mainly due to the increase in overall business activities whereas TK Tent was able to secure equipment rental contracts for several major sporting events and exhibitions held in Malaysia and Asia during the FPE 31 December 2017.



TK Tent recorded a profit before tax of RM4.2 million in the FPE 31 December 2017 as compared to RM1.82 million in the FPE 31 December 2016, which represents an increase of RM2.38 million or 130.7%. This increase is in line with the improved gross profits resulting from an increase in revenue as detailed above.

In FPE 30 December 2017, TK Tent pared down its borrowings to less than RM0.1 million via internally generated funds.

3.2 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. PKF Sarawak is principally involved in warehousing and distribution of fertilisers as well as the provision of planting advisory services.

The directors and shareholders and their respective shareholdings in PKF Sarawak are as follows:

Name	Designation	No. of ordinary shares	%
Dato' Gan Kong Hiok	Director	-	(a)
Leong Hin Kieat	Director	-	-
Gan Hing Hian	Director	-	-
Wu Xiaosheng	Director	-	(b)
PK Fertilisers Sdn Bhd ("**PKFSB**")	Shareholder	15,000,000	83.3
Golden Barley International Pte Ltd	Shareholder	3,000,000	16.7
		18,000,000	100.0

(Source: Legal DD Report)

Notes:
(a) Deemed interested by virtue of his interest in PKFSB via Pristine Acres Sdn Bhd.
(b) Deemed interested by virtue of his interest in Golden Barley International Pte Ltd.

Historical financial information

A summary of audited financial information of PKF Sarawak based on its audited financial statements for the past three (3) FYEs 31 December 2015 to 2017 are as follows:

	FYE 30 June		
	2015	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**
Revenue	55,510	64,449	43,702
Gross profit	2,447	1,920	1,258
Profit/(loss) before tax	1,361	555	(412)
Profit/(loss) after tax	1,740	(91)	(655)
Net profit attributable to shareholders	1,740	(91)	(655)
NA attributable to equity owner	24,243	23,521	22,867
NA per share (RM)	1.35	1.31	1.27
EPS/(loss per share) (sen)	9.67	(0.51)	(3.64)
Current ratio (times)	1.02	1.01	1.08
Gearing ratio (times)	0.03	0.01	0.01
Total borrowings	790	302	208



There were no exceptional and/or extraordinary items reported in the audited financial statements of PKF Sarawak for the financial years under review. There have been no peculiar accounting policies adopted by PKF Sarawak and there have been no audit qualifications reported in the audited financial statements of PKF Sarawak during the financial years under review.

Commentary on the financial performance

FYE 31 December 2016 vs FYE 31 December 2015

PKF Sarawak achieved a revenue of RM64.4 million in the FYE 31 December 2016 as compared to RM55.5 million in the FYE 31 December 2015. This represents an increase of RM8.9 million or 16.0%, which was mainly due to the increase in volume of fertilisers sold. The increase in volume is partly attributable to the introduction of new product line, the Kal-Mag series.

PKF Sarawak recorded a profit before tax of RM0.56 million in the FYE 31 December 2016 as compared to RM1.36 million in the FYE 31 December 2016, which represents a decrease of RM0.8 million or 58.8%. The decrease was due to gross profit margin compression as a result from the continuous weakening of the Ringgit against other major currencies (USD, Euro and RMB) that has resulted in higher cost of raw materials.

For FYE 31 December 2016, PKF Sarawak recognised a deferred tax expenses of RM0.65 million, resulting in a loss after tax or RM0.09 million. In contrast, PKF Sarawak had a tax credit of approximately RM0.38 million recognised in FYE 31 December 2015. In FYE 31 December 2016, PKF Sarawak pared down its borrowings from RM0.79 million to RM0.30 million via internally generated funds.

FYE 31 December 2017 vs FYE 31 December 2016

PKF Sarawak achieved a revenue of RM43.7 million for the FYE 31 December 2017 as compared to RM64.4 million in the FYE 31 December 2016. This represents a decrease of RM20.75 million or 32.2%. The decline was due to decline in overall sales volume arising from:

(a) PKF Sarawak's management decision to adopt a conservative approach for the business in view of the weaker Ringgit (which affects the cost of imported raw materials) and the volatility in CPO prices (which affects the selling prices of fertilisers); and

(b) Unfavourable weather conditions which has disrupted cultivation activities at oil palm plantations, timber and rubber estates.

As a result of the above, PKF Sarawak recorded a loss before tax of RM0.41 million in the FYE 31 December 2017 as compared to a profit before tax of RM0.55 million in the FYE 31 December 2016.

There was a recognition of income tax expense for FYE 31 December 2017 of approximately RM0.24 million which has resulted in further loss after tax in the said financial year.

4.0 OUTLOOK OF THE INDUSTRY

Overview of the Malaysian economy

For the fourth quarter of 2017, the Malaysian economy registered a growth of 5.9% (3Q 2017: 6.2%) as private sector spending continued to be the primary driver of growth (7.4%; 3Q 2017: 7.3%). The external sector performance improved further (5.4%; 3Q 2017: 1.7%), as real import growth moderated faster than real export growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy registered a robust growth of 5.9%.

(Source: Quarterly Bulletin, 4th Quarter of 2017, Bank Negara Malaysia)

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The Malaysian economy will remain resilient in 2018, with real GDP expanding between 5% and 5.5%, led by domestic demand. Private sector expenditure continues to be the primary driver of growth with private investment and consumption growing 8.9% and 6.8%, respectively. Meanwhile, public sector expenditure is forecast to decline, in line with lower capital outlays by public corporations.

On the supply side, growth is expected to be broad-based, with all sectors registering positive growth. Malaysia's external position is forecast to remain favourable supported by global growth and trade. Against this back drop, the nominal GNI per capita is expected to increase 5.1%. With investment growing at a faster pace, the savings-investment gap will narrow to 2.3% of GNI. The economy will continue to operate under conditions of full employment with an unemployment rate of below 4%, while inflation remains benign.

In line with fiscal consolidation efforts, the fiscal deficit will further decline to 2.8% of GDP in 2018 (2017: 3%). Accordingly, the Federal Government debt remains sustainable within the prudent limit of 55% of GDP. These developments will further strengthen the nation's economic fundamentals and resilience to further propel the country towards the milestones of an advanced and high-income nation by 2020, doubling the size of the economy to RM2 trillion in 2025 and joining the ranks of top 20 countries by 2050.

(Source: Economic Report 2017/2018, Ministry of Finance Malaysia)

Overview of the event equipment industry in Malaysia

Protégé Associates estimates that the event equipment supply market in Malaysia was worth approximately 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.

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.

On the supply side, the advancement in technology is expected to boost the development and product range in the event equipment supply market.

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)

Overview of the fertilizers industry in Malaysia

Protégé Associates estimates that the fertilizer industry in Malaysia was worth approximately RM7.43 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 fertilizers in Malaysia.

The future prospects for Malaysia's fertilizer industry look bright as the demand for and production of crude palm oil is projected to double within the next few decades. Also, the BNM continues to forecast growth for Malaysia's agriculture sector, boding well for fertilizer 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.

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Fertilizer 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.

Moving forward, the fertilizer 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)

5.0 ISSUE PRICE OF THE CONSIDERATIONS SHARES

SCH will be implementing a Proposed Private Placement and Proposed Diversifications together with the Proposed Acquisitions, details of which are as set out in its Circular to its shareholders in relation to the Proposals.

In assessing the fairness and reasonableness of the issue price of RM0.19 per SCH Share to be issued pursuant to the Proposed Acquisition of PKF Sarawak, we have compared the issue price against:

i) Closing market price of SCH Share on 6 March 2018 ("**LTD**") of RM0.20, being the last full trading day immediately preceding the date of the PKF Sarawak SSA;

ii) the 5-day volume weighted average market price ("**VWAP**") of SCH Shares up to and including LTD, being the last market day before the date of the PKF Sarawak SSA of RM0.2043; and

iii) The respective VWAP as set out in the table below:-

Basis of comparison base on	VWAP/ Closing Price	Premium/(discount) over VWAP/Closing Price	
	RM	RM	%
Closing market price on LTD, being the last full trading day immediately preceding the date of the PKF Sarawak SSA	0.2000	(0.0100)	(5.00)
5D-VWAP up to LTD	0.2043	(0.0143)	(7.00)
VWAP for the one (1)-month up to LTD	0.2125	(0.0225)	(10.59)
VWAP for the three (3)-month up to LTD	0.2090	(0.0190)	(9.09)
VWAP for the six (6)-month up to LTD	0.2131	(0.0231)	(10.84)
VWAP for the ten (10)-month up to LTD	0.2187	(0.0287)	(13.12)

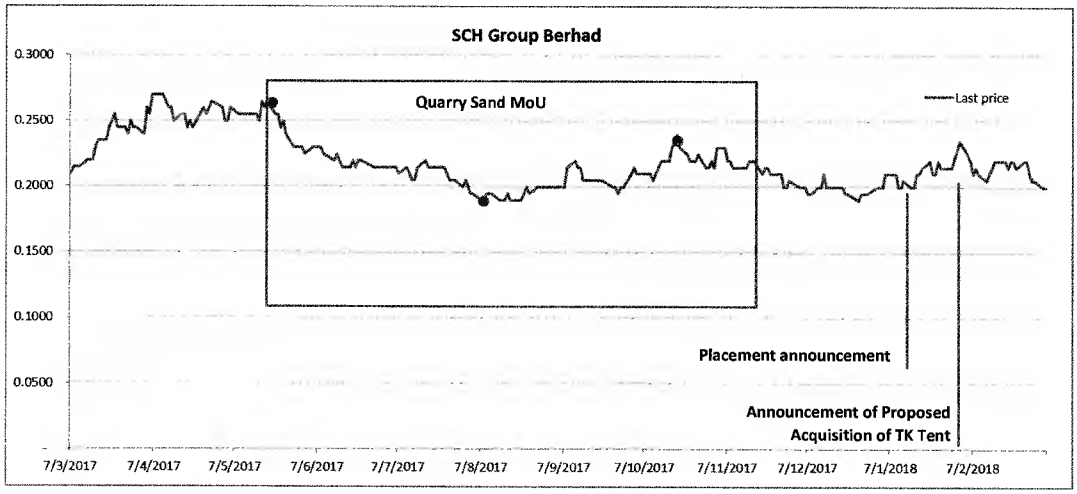
(Source: Bloomberg)

Based on the table above, we noted that the issue price of RM0.19 per SCH Share to be issued pursuant to the Proposed Acquisition of PKF Sarawak, represents a discount of 5.0% over the closing market price on LTD, being the last full trading day immediately preceding the date of the PKF Sarawak SSA, a discount of 7.00% over the 5D-VWAP up to LTD and is at a range of discount of 9.09% to 13.12% over the VWAP for one (1)-month, three (3)-month, six (6)-month and ten (10)-month up to LTD.

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The movement of the daily closing market prices of SCH Shares on Bursa Malaysia Securities Berhad ("**Bursa Securities**") for the past one (1) year up to LTD, being the last full trading day immediately preceding the date of the PKF Sarawak SSA is shown below:-



We note that the past prices of SCH Shares may have been influenced by corporate proposals announced in the past. Based on the above and the historical announcements made by SCH in the past 10 months up to LTD, we noted the following:-

(i) The share price of SCH may have been influenced by the announcements of memorandum of understandings in relation to the collaboration on the excavation, removal, distribution and sale of quarry sand and other related deposits from flood migration ponds located in Kuala Lumpur, which had been signed on 17 May 2017, and ultimately terminated on 9 November 2017. Based on the price chart, we note that share price of SCH have declined from RM0.27 in May 2017 to RM0.18 in August 2017, and improved to RM0.24 in October 2017, with some volatility in share prices which we believe could possibly be due to market expectation as to the outcome of the negotiations for the definitive terms of the collaboration. We have reviewed all public announcements made by SCH during this period, we found out other than this corporate exercise and financial performance of SCH, there are no other known factor that affected the movement of share price of SCH;

(ii) There was an announcement of a proposed private placement of up to 103.0 million shares in SCH on 8 January 2018; and

(iii) On 2 February 2018, the Proposed Acquisition of TK Tent was announced.

We also note that the lowest price traded for SCH Shares is RM0.18 per SCH Share in mid-August 2017 whilst the highest price traded for SCH Shares is RM0.275 per SCH Share in mid-April 2017.

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Commentary

In assessing the reasonableness of the issue price of the Consideration Shares, we have considered and benchmark the issue price, and its implied price-to-earnings ("**PE**") and price-to-book ("**PB**") multiples, as summarised below:

Benchmarks	Parameter	Our comments
Historical share price		
5D-VWAP up to LTD	RM0.2043	The issue price represents a discount of RM0.0143 or 7.0% over the 5D-VWAP up to and including 6 March 2018.
Price range for the past 12 months	A low of RM0.18 (mid-August) and a high of RM0.275 (mid-April 2017)	The issue price is within the historical share price range of SCH Shares. However, we are of the view that the historical share price range may not be a meaningful comparison as the prices may have been affected by the past announcements of corporate proposals by SCH.
Implied trading multiple		
PE multiple of SCH	43.2 times Based on the audited EPS of SCH of RM0.0044 for FYE 31 August 2017	We note that the implied PE multiple for the Consideration Shares is 43.2 times, which is higher than: (a) the average PE multiple of Bursa Securities' trading/services sector of 20.3 times and the PE multiple of the comparable company of SCH, namely UMS Holdings Berhad of 19.4 times *(Source: Bloomberg, 6 March 2018)* times as at the Date of Opinion, representing premiums of approximately 112.8% and 122.7% respectively; and (b) the implied PE multiple for the Proposed Acquisition of 9.7 times based on the average Profit Guarantee amount. As such, the Proposed Acquisition will be EPS accretive to existing shareholders of SCH.
PB multiple of SCH	1.19 times Based on the unaudited NA per share of RM0.1603 of SCH as at 30 November 2017, being the latest available quarterly results of SCH as at the Date of Opinion	SCH is issuing the Consideration Shares at a premium of 18% over its NA per share. As a result, the issuance of Consideration Shares will not result in any dilution to NA per share of SCH. Furthermore, compared to the pricing of the Proposed Acquisition of PKF Sarawak, which is priced based on the NA of PKF Sarawak (i.e. a PB multiple of 1 time), the issuance of the Consideration Shares at a premium to NA per share will result in incremental NA per share in SCH.

Based on the above analysis, we are of the opinion that the issue price of the Consideration Shares is FAIR.

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6.0 VALUATION METHOD

Basis and Method Used to Form an Opinion on Valuation

In establishing our opinion on the valuation of the equity interest in TK Tent and PKF Sarawak, which are the subject of the Proposed Acquisitions, SCA has considered various methodologies, which are commonly used for valuation, to arrive at its opinion on the fairness of the purchase considerations for the Proposed Acquisitions, taking into consideration future earnings generating capabilities, sustainability as well as various business considerations and risk factors of TK Tent and PKF Sarawak.

6.1 Purchase Consideration of TK Tent

In making our selection of valuation methodology to assess the fairness of the Purchase Consideration of TK Tent, we have taken into consideration the following:

(a) TK Tent is a going concern;

(b) TK Tent's business is not secured by long term contracts and is mainly project based;

(c) Under the terms of the TK Tent SSA, the vendor HHSB, has agreed to provide the Profit Guarantee. We also noted that the guaranteed sum is arrived at 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.

(d) the unaudited PAT of TK Tent for the 6-month FPE 31 December 2017 of approximately RM3.07 million;

(e) The audited PAT of TK Tent for FYE 30 June 2017 of approximately RM0.98 million; and

(f) The unaudited net assets of TK Tent as at 31 December 2017 is approximately RM19.6 million.

The primary valuation methodology considered and selected by SCA to assess the fairness of the Purchase Consideration of TK Tent is comparing the PE multiple based on the Profit Guarantee against the multiples of relevant major indices of Bursa Securities. We were not able to identify any companies listed on Bursa Securities with similar business activities as TK Tent. Therefore, we have expanded our scope to search for comparable companies listed in overseas markets but are of the view that they are not comparable to TK Tent due to the size (market capitalisation) and different markets / countries that they serve. Please refer to the table below for further information:

Comparable Companies	Country / Stock exchange	Principal activities	Market cap (billion)	PE multiple (times)
United Rentals Inc	United States of American / New York Stock Exchange ("**NYSE**")	United Rentals, Inc., through its subsidiary, is an equipment rental company operating a network of locations in the United States and Canada. The company serves the construction industry, industrial and commercial concerns, homeowners, and other individuals.	USD 15.5	19.7
Totech Corporation	Japan / Tokyo Stock Exchange	Totech Corporation is a trading company handling primarily air conditioning systems and related equipment. The company's products include energy-saving machinery, control equipment and components, and instrumented equipment. Totech Corporation also operates building maintenance and engineering works.	JPY 33.2	11.3

Comparable Companies	Country / Stock exchange	Principal activities	Market cap (billion)	PE multiple (times)
Watsco Inc	United State of America/ NYSE	Watsco, Inc. distributes air conditioning, heating, and refrigeration equipment, as well as related parts and supplies. The company operates various locations in the United States, with primary markets in the Sunbelt.	USD5.5	31.1

While we note that the PE multiples of the companies listed above ranged from 11.3 times to 31.1 times, with an average of 20.7 times, it is not meaningful to compare them with the PE multiple of the Proposed Acquisition of TK Tent due to the differential in size and markets.

SCA has considered the other valuation methodologies and found that the following methodologies are not suitable in the assessment of the fairness of the Purchase Consideration of TK Tent based on the following factors:

Valuation Methodologies	Discussion
Discounted Free Cash Flow to Equity ("**FCFE**")	Discounted FCFE methodology is an investment appraisal technique which considers both the time value of money and the projected net cash flow generated discounted at a specified discount rate to derive at the valuation of the subject matter. In view that TK Tent is not be able to accurately project its future cash flows which can be materially affected by economic and other circumstances and the actual results may vary considerably. Whilst the Profit Guarantee provided by the vendor may provide some element of predictability in the earnings or cashflow to SCH, the Profit Guarantee only covers a 3-year period. Hence, SCA has concluded that this methodology is not suitable in the determination of the fairness of the Purchase Consideration.
Revalued Net Asset Valuation ("**RNAV**")	RNAV methodology seeks to adjust the NA value of a company to take into consideration the valuation of assets of a company to determine the adjusted value of the firm's financial value. It should be noted that TK Tent is involved in the leasing and trading of event equipment business and have relatively limited asset base, the RNAV method may not accurately reflect the value of TK Tent. RNAV method seeks to adjust the NA value of a company to take into consideration the valuation of assets of a company to determine the adjusted value do the firm's financial value. Hence, SCA concluded that this methodology is not suitable in determination of the fairness of the Purchase Consideration of TK Tent.
Relative Valuation Analysis ("**RVA**")	RVA methodology seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. In view that lack of comparable companies of similar industry, size and financial condition, SCA concluded that this methodology is not suitable in determination of the fairness of the Purchase Consideration of TK Tent.



We have also considered the PB multiple and has concluded that this valuation multiple is not suitable in the determination of the fairness of the Purchase Consideration of TK Tent as the price to book ratio values a company based on the value of its assets, net of all liabilities at a specific point in time and does not take into consideration the future income stream of a company, which is more suitable for valuation of property development, property investment and heavy asset based companies.

PE multiple approach

SCA considers the PE multiple as a suitable valuation statistic to assess the fairness of the Purchase Consideration of TK Tent as it illustrates the ratio of the market value of a company's shares relative to its historical and forecast earnings per share. Instead of benchmarking the implied PE multiple to those of comparable companies (due to lack of comparable companies with business, market capitalisation and markets similar to those of TK Tent's) in a typical RVA assessment, we compared the PE multiple of the Proposed Acquisition of TK Tent, to the relevant market indices of Bursa Securities.

The implied PE multiple based on the average Profit Guarantee is as follows:

	Parameters
Purchase Consideration	RM 50.00 million
Average Profit Guarantee	RM 5.17 million[(1)]
Implied PE multiple	9.7 times

Note:

(1) Based on the profit guarantee totalling RM15.5 million over 3 financial years up to FYE 30 June 2020, averaging approximately RM5.17 million per financial year (RM15.5 million / 3 years).

We have benchmarked the implied PE Multiple of TK Tent against major / common indices of Bursa Securities as follows:

Index name	Description	PE multiple [(1)] (times)
FTSE Bursa Malaysia Small Cap ("**FBM Small Cap Index**")	The FBM Small Cap Index comprises the companies within the top 98% of Bursa Securities by full market capitalisation, excluding the constituents of the FBM KLCI and FTSE Bursa Malaysia Mid 70 Index. The index is a free float adjusted market-capitalisation weighted index representing the performance of the small-capitalised companies trading on the Main Market of Bursa Securities, which pass the size, free float and liquidity screens.	11.3
Bursa Malaysia Trading/Services Index ("**Trading/Services Index**")	The Trading/Services Index is a capitalisation weighted index of all stocks involved in the services sector, developed with a base value of 100 as at 16 October 1991	20.3
	Range	**11.3 - 20.3**

(Source: Bloomberg)

Note:

(1) Based on 12-month trailing adjusted PE multiple as at 6 March 2018.

Generally, given the higher risk of any subject company being evaluated as opposed to a diversified portfolio a represented by the indices, the PE multiple of the subject company should be lower. The PE multiple of a subject company should only be higher in the instance where its growth potential exceeds the average growth potential of the diversified portfolio.

In the case of TK Tent, we note that the earnings potential is backed by the Profit Guarantee and we do not consider TK Tent's industry as one of those that could generate extraordinary growth rate. Therefore, the fair PE multiple should be below those of the common benchmark indices.

We note that the PE Multiple based on the average Profit Guarantee of 9.7 times is below the range of PE multiples of the selected indices listed above.

6.2 Purchase Consideration of PKF Sarawak

In making our selection of valuation methodology to assess the fairness of the Purchase Consideration of PKF Sarawak, we have taken into consideration the following:

(a) The Purchase Consideration of PKF Sarawak is based on the audited NA of PKF Sarawak as at 31 December 2017 and the percentage equity proposed to be acquired by SCH;

(b) That notwithstanding the completion of the PKF Sarawak SSA, under the terms of the PKF Sarawak SSA, SCH shall be entitled to conduct an audit on the management account of PKF Sarawak. Such audit shall be commenced within 60 days from the completion date of the Proposed Acquisition of PKF Sarawak.

In the event the audit shows a shortfall of more than 2% variance on the minimum NA of RM22,866,801, then PKFSB shall make good of the shortfall within 30 days from SCH's written demand for the said shortfall; and

(c) PKF Sarawak has registered losses after tax in the past 2 financial years ending FYE 31 December 2016 and FYE 31 December 2017.

The primary valuation methodology considered and selected by SCA to assess the fairness of the Purchase Consideration of PKF Sarawak is based on RNAV after taking into consideration the factors above, in particular, that the basis of the Purchase Consideration of PKF Sarawak is based on the audited NA of PKF Sarawak, and under the terms of the PKF Sarawak SSA, a minimum NA is guaranteed by the PKFSB, and that PKF Sarawak is currently in a loss making position.

Further, SCA has also taken into consideration the RVA as the secondary methodology to assess the fairness of the Purchase Consideration of PKF Sarawak as it is much more likely to reflect the current sentiment of the market.

We have also considered the Discounted FCFE method to assess the fairness of the Purchase Consideration of PKF Sarawak. However, due to the lack of long-term contracts and profit guarantee to provide us the certainty of cash flows, we are of the view that this valuation methodology is not suitable in assessing the fairness of the Purchase Consideration of PKF Sarawak.

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RNAV

For the purpose of evaluating the fairness of the Purchase Consideration of PKF Sarawak, we have adopted the RNAV methodology.

The RNAV methodology is based on the book value of the subject company but takes into consideration any surplus and/or deficit (net of tax) arising from the revaluation of the material assets of the subject company to reflect their market values based on the presumption that the assets are realisable on a willing-buyer willing-seller basis in the open market.

We have analysed the balance sheet of PKF Sarawak as at 31 December 2017 as follows:

	FYE 31 December 2017 Audited RM	Notes
Non-current assets		
Property, plant and equipment	24,722,095	Note 1
Current assets		
Trade receivables	16,342,552	Note 2
Other receivables	380,987	
Tax recoverable	228,569	
Cash and bank balances	138,412	
	17,090,520	
Current liabilities		
Other payables	617,816	
Amount due to immediate holding company	15,058,716	Note 3
Borrowings	94,282	
	15,770,814	
Net current assets	1,319,706	
	26,041,801	
Equity attributable to equity holder of the Company		
Share capital	19,500,000	
Share premium	-	
Revaluation reserves	4,045,958	
Accumulated losses	(679,270)	
	22,866,688	
Non-current liabilities		
Borrowings	113,612	
Deferred tax liabilities	3,061,501	
	3,175,501	
	26,041,801	

Notes:

(1) Comprises the following:

	RM	
Long term leasehold land	8,048,952	*
Buildings	9,337,204	*
Plant, machinery and equipment	7,094,340	**
Others	241,599	
	24,722,095	

* On 15 October 2015, the Company revalued all its leasehold land and buildings based on the valuation conducted by Messrs. CH Williams Talhar & Wong Sdn Bhd. Valuations were made on the basis of open market values on existing use bases

** Representing the cost of the plant, machinery and equipment of RM12.1 million less accumulated depreciation of RM RM5.0 million



(2) Being trade receivables from third parties after providing for allowance for doubtful debts. We treat that this amount is realisable in full; and

(3) Based on the disclosure in the audited accounts of PKF Sarawak for FYE 31 December 2017, the amount is trade in nature.

From our analysis of the balance sheet of PKF Sarawak and the terms of the PKF Sarawak SSA, we noted the following:

(a) RM24.7 million or 59.1% of the total assets of PKF Sarawak is represented by 'property, plant and equipment', of which long-term leasehold land and buildings (RM17.4 million) makes up 70.3% of it. The leasehold land and buildings have been revalued by Messrs. CH Williams Talhar & Wong Sdn Bhd back in 15 October 2015 ("**Previous Valuation**").

We note that Messrs. CH Williams Talhar & Wong Sdn Bhd had on 30 April 2018 issued a valuation report, ascribing a value of RM19.2 million for the leasehold land and buildings of PKF Sarawak ("**Current Valuation**"), giving shareholders of SCH an upside adjustment of RM1.4 million (net of deferred taxation provision at 24%);

(b) RM16.3 million or 39.1% of the total assets of PKF Sarawak is represented by 'trade receivables'.

For purposes of our analysis, we assume that the trade receivables can be fully recovered.

Post completion of the Proposed Acquisition of PKF Sarawak, SCH being the holding company of PKF Sarawak, shall have the rights to review the trade receivable balance and determine the level of bad debt allowance to be charged in the financial statements of PKF Sarawak. In the event any of the trade receivables must be written off because of it being long overdue, the NA of PKF Sarawak will be reduced accordingly.

Any shortfall of more than 2% from the minimum NA will be compensated by PKFSB.

(c) For purposes of our analysis, we assume that there are no off-balance or contingent liabilities not accounted for in the financial statements of PKF Sarawak.

Based on the above analysis, we are of the opinion that the NA of PKF Sarawak is realisable and our RNAV assessment of PKF Sarawak is set out below:

	RM	Comments
NA as at 31 December 2017	22,866,688	
Add: Adjustment for revaluation of land and property	1,368,000	Based on Current Valuation *less* Previous Valuation for the leasehold land and buildings of PKF Sarawak and net of deferred tax provision of 24%
RNAV	**24,234,688**	(A)
Equity stake proposed to be acquired by SCH pursuant to the Proposed Acquisition of PKF Sarawak	83.33%	(B)
Share of RNAV	**20,194,766**	(A) x (B)
Purchase Consideration of PKF Sarawak	19,054,811	The purchase consideration represents a discount of approximately 5.64% from the RNAV

Strategic Capital

RVA

RVA seeks to compare a company's implied trading multiple to that of comparable companies to determine the firm's financial worth. Under the RVA, reference was made to the valuation statistics of companies listed on Bursa Securities with principal activities we consider broadly comparable to PKF Sarawak (**"Comparable Companies"**) to get an indication of the current market expectation with regards to the implied value of the equity interest in PKF Sarawak and compared to the implied trading multiples of the Comparable Companies to determine the firms' financial worth.

It is important to note that the Comparable Companies tabulated herein are by no means exhaustive and may differ from PKF Sarawak in terms of, inter alia, composition of business activities, scale of operations, geographical location of operations, profit track record, financial profile, risk profile, future prospects, capital structure, marketability of their securities and other criteria. One should also note that any comparisons made with respect to the Comparable Companies are merely to provide a comparison between the implied valuation of PKF Sarawak and the selection of Comparable Companies.

For the selection of the Comparable Companies, we have considered profitable publicly listed companies in Malaysia with market capitalisation of less than RM200 million and are generally manufacturers of agricultural chemicals and products.

The details of the Comparable Companies that were selected based on the above parameters that were selected are set out as follows:

Company	Principal Activities	PB multiple[1] (times)
Halex Holdings Bhd (**"Halex"**)	Halex manufactures agricultural chemicals. The Company produces herbicides, insecticides, fungicides, fertilizers and related products.	1.47
Greenyield Berhad (**"Greenyield"**)	Greenyield, through its subsidiaries, manufactures, markets and distributed agricultural related systems and products.	1.04
Imaspro Corporation Bhd (**"Imaspro"**)	Imaspro manufactures agricultural chemicals. The Company produces pesticides and plant micronutrients and distributes other agrochemicals.	1.09
	Average	**1.2**
	Range	**1.04 - 1.47**
Proposed Acquisition of PKF Sarawak - **Based on Audited NA as at 31 December 2017** - **Based on RNAV (Please refer to our assessment of RNAV above)**		**1.00** **0.94**

Note:
(1) As at LTD. Source: Bloomberg

We note that the PB multiple of the Proposed Acquisition of PKF Sarawak is 1 time (based on audited NA of PKF Sarawak) and 0.94 time (based on RNAV), are below the average and the range of PB multiples of Comparable Companies.

Strategic Capital

7.0 LIMITATIONS

Proposed Acquisition of TK Tent

It should be noted that the valuation is highly dependent on, amongst others, the achievability of the Profit Guarantee for the Proposed Acquisition of TK Tent.

Proposed Acquisition of PKF Sarawak

It should be noted that the valuation is, to a certain extent, depend on the ability of SCH to claim for the shortfall from the minimum NA for the Proposed Acquisition of PKF Sarawak.

One should note that the post completion audit can only be carried out after the completion of the Proposed Acquisition of PKF Sarawak. Upon completion of the Proposed Acquisition of PKF Sarawak, the vendor, PKFSB will emerge as a substantial shareholder of SCH.

One should also recognise that there is no publicly listed company which may be identical to PKF Sarawak in terms of, inter-alia, composition of business activities, scale of business operations, risk profile, accounting and tax policies, tract record, future prospects, competitive environment, financial positions and that such business may have fundamentally different profitability objectives. One should also note that any comparisons made with respect to the Comparable Companies are merely to provide a comparison to the implied valuation of PKF Sarawak. The selection of Comparable Companies is highly subjective, judgmental and may not be entirely comparable due to various factors.

8.0 CONCLUSION

It should be recognised that the valuation of any entity is always subject to a great deal of uncertainty and involves a high degree of subjectivity and element of judgement. Because of the susceptibility of valuations to inputs of the model applied, valuations can change quite quickly in response to market changes or changes in the surrounding circumstances, including the market outlook (whether in general or relating to the industry itself).

In establishing our opinion on the Evaluation of the equity interest in TK Tent and PKF Sarawak which is the subject of the Proposed Acquisitions, SCA has considered various valuation methodologies, which are commonly used for valuation, to arrive at its opinion on the fairness of the Purchase Consideration of TK Tent and Purchase Consideration of PKF Sarawak, taking into consideration the future earnings generating capabilities, sustainability as well as various business considerations and risk factors of TK Tent and PKF Sarawak.

For the assessment of the fairness of the Purchase Consideration of TK Tent, SCA had compared the PE multiple based on the average Profit Guarantee against the PE multiples of relevant major indices of Bursa Securities. The PE multiple based on the average Profit Guarantee of 9.7 times is lower than the PE multiples of key indices of Bursa Securities (i.e. FBM Small Cap Index and Trading/Services Index) that ranged between 11.3 times and 20.3 times.

Premised on the above, SCA is of the opinion that the Purchase Consideration of TK Tent is FAIR.

Strategic Capital

As for the assessment of the fairness of the Purchase Consideration of PKF Sarawak, SCA had used the RNAV and the RVA methodologies, and have taken into consideration the following:

(i) Under the RNAV methodology, we have considered:

(a) the Purchase Consideration of PKF Sarawak was derived based on the audited NA of PKF Sarawak as at 31 December 2017;

(b) 59.1% of its total assets as at 31 December 2017 is represented by 'property, plant and equipment', the bulk of which has been re-valued by Messrs. CH Williams Talhar & Wong Sdn Bhd in October 2015;

(c) 39% of the total assets as at 31 December 2017 is represented by trade receivables;

(d) assumption that there are no off-balance or contingent liabilities not accounted for in the financial statements of PKF Sarawak; and

(e) 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 if the shortfall is more than 2%.

(ii) Under the RVA methodology, we noted that the implied PB multiple for the Proposed Acquisition of PKF Sarawak is lower than the average and the range of PB multiples of Comparable Companies.

Premised on the above, SCA is of the opinion that the Purchase Consideration for PKF Sarawak is FAIR.

9.0 RESTRICTIONS

Save for the purpose stated herein, this Letter cannot be relied upon by any party other than SCH. Accordingly, we are not responsible or liable for any form of losses however occasioned to any their party as a result of the circulation, publication, reproduction or use of, or reliance on this Letter, in whole or in part. We are not required to give testimony or to be in attendance in court with reference to the opinion herein provided.

Neither SCA nor any of its members or employees undertakes responsibilities in any way whatsoever to any person in respect of this Letter, including any error or omission therein, however caused, as a result of the unauthorised circulation, publication or use of this Letter, or any part hereof.

Should SCA become aware of any significant change affecting the information contained in this Letter or have reasonable grounds to believe that any statement in this Letter is misleading or deceptive or have reasonable grounds to believe that there is material omission in this Letter, we will immediately notify the Board of SCH. If circumstances require, a supplementary Letter will be issued to the Board of SCH.

Yours faithfully,
For and on behalf of
STRATEGIC CAPITAL ADVISORY SDN. BHD.

GOH CHIN CHAI
Associate Director
Investment Representative
CMSRL/B0131/2009

TAN HOCK SOON
Director
Investment Representative
CMSRL/A3126/2007

VALUATION CERTIFICATE

C H Williams Talhar Wong & Yeo

WTW INTERNATIONAL

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/3)

Jurukur Berkanun
Chartered Surveyors

Perunding Harta Antarabangsa
International Property Consultants

Sublot 54 (Lot 4229), 1st Floor,
Parkcity Commerce Square Ph. 6
Jalan Tun Ahmad Zaidi
P. O. Box 363, 97008
Bintulu, Sarawak.
Tel : 086-335531
Fax : 086-335964
URL : www.wtwy.com
E-mail : bintulu@wtwy.com

CONFIDENTIAL

Our Ref.: V/BTU/13008/2018/TKS/WPA/wpa

Date : 30th April 2018

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

Dear Sir

VALUATION CERTIFICATE
SINGLE-STOREY DETACHED INDUSTRIAL WAREHOUSE
HELD UNDER LOT 4061 BLOCK 26 KEMENA LAND DISTRICT
BINTULU, SARAWAK

We were instructed by SCH Group Berhad of Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur to determine the Market Value of the parcel of land described as Lot 4061 Block 26 Kemena Land District, for the purpose of submission to Bursa Malaysia Securities Berhad in conjunction with the proposed acquisition of 15,000,000 Ordinary Shares in PK Fertilizers (Sarawak) Sdn Bhd, representing 83.33% equity interest in PK Fertilizers (Sarawak) Sdn Bhd.

We have prepared and provided this Valuation Certificate which outlines key factors that have been considered in arriving at our opinion of Market Value and reflects all information known by us and based on present market conditions for the inclusion in the circular to shareholders and abridged prospectus in conjunction with the proposed acquisition.

The material date of valuation is taken as at 13th April 2018.

This valuation has been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents, Malaysia.

The basis of the valuation is Market Value which is defined by the International Valuation Standards (IVS) and the Malaysian Valuation Standards (MVS) to be "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion".

VALUATION CERTIFICATE *(cont'd)*

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/3)

INTEREST TO BE VALUED

Lot 4061 Block 26 Kemena Land District (hereinafter referred to as the subject land) is held under a Lease of State Land, with the leasehold term expiring on 7th July 2058.

The subject land has a single-storey detached industrial warehouse and other site works standing thereon. The subject land and the building/improvement thereon are hereinafter referred to as the subject property.

The interest to be valued by us in this Report and Valuation is the leasehold interest of whole share in the Subject Property, with an unexpired term of about 40 and 2/12 years.

Details of title and physical features of the Subject Property are described herein below in this Report and Valuation.

PROPERTY IDENTIFICATION

The Property	:	Single-storey detached industrial warehouse
Title No	:	Lot 4061 Block 26 Kemena Land District
Property Address	:	Lot 4061, Kidurong Light Industrial Estate (KLIE), Jalan Kidurong, 97000 Bintulu, Sarawak
Land Area	:	1.63020 hectares, more or less
Tenure	:	To expire on 07.07.2058
Registered Proprietor as at 24.04.2018	:	Pk Fertilizers (Sarawak) Sdn. Bhd.
Registered Encumbrances as at 24.04.2018	:	i) Charged to Bank Perusahaan Kecil & Sederhana Malaysia Berhad for RM2,940,000/- with 1 other title vide L.3137/2007 of 4.7.2007 (includes caveat). ii) Charged to Bank Perusahaan Kecil & Sederhana Malaysia Berhad for RM4,500,000/- with 1 other title vide L.5790/2008 of 17.11.2008 (includes caveat) (subject to Charge L.3137/2007).

GENERAL DESCRIPTION

The subject property is situated within the Kidurong Light Industrial Estate, Bintulu. It is about 10.90 kilometres in straight line from the Bintulu Town Centre.

Lands within the Kidurong Light Industrial Estate are generally flat in nature and are raised through earth-filling works.

Properties within the Kidurong Light Industrial Estate are predominantly light industrial in nature. The Industrial Estate was developed by Bintulu Development Authority for alienation to the public (complete with infrastructure works).

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/3)

GENERAL DESCRIPTION *(cont'd)*

Directly to the North and North-West of the subject Industrial Estate is the Kidurong Industrial Area (Phase I) while Kidurong Industrial Area (Phase II) is located North-East, across Jalan Kidurong of the subject Industrial Estate.

Immediately to the South of the Industrial Estate is the Sekolah Menengah Teknik Bintulu. The residential quarters for Malaysian Liquified Natural Gas, Bintulu Port Authority, Bintulu Development Authority, Asean Bintulu Fertilizer and Shell and Columbia Asia Hospital are located along Jalan Kidurong – to the South-West of the subject Industrial Estate.

Prominent landmark located within Tanjong Kidurong are Bintulu Port Authority, Sarawak Shell Berhad's Crude Oil Terminal, Asean Bintulu Fertilizer, Malaysian Liquified Natural Gas, Shell MDS and SESCO's combined cycle power plant.

The shape of the subject land is rectangular in shape, flat in terrain, serviced by reinforced concrete drains and tar-sealed roads. It has direct road frontage onto the internal access road within Kidurong Light Industrial Estate along its western boundary. There is a single-storey detached industrial warehouse and other site works standing thereon.

The buildings are all sited on Lot 4061 Block 26 Kemena Land District as briefly described below:-

Table 1 List of Buildings

No.	Description	Age	Main Floor Area
1	Single-storey detached industrial warehouse (existing)	25 years	7,033.02 Square metres
2	Approved warehouse extension	9 years	5,097.58 Square metres
3	MSB room	25 years	13.32 Square metres
4	Office & store block	9 years	340.00 Square metres
5	Guard house 1	9 years	5.10 Square metres
3	Warehouse extension 1*	-	-
4	Warehouse extension 2*	-	-
8	Store*	-	-
9	Control room*	-	-
10	Guard house 2*	-	-
11	Pump house*	-	-
12	Canteen and water closets*	-	-
13	Temporary double-storey worker quarters*	-	-
Remark: * = Unapproved Extension (Excluded in our valuation exercise)			

The building plans for the subject property had been approved by Bintulu Development Authority with Occupation Permit issued on 8th September 2009.

PLANNING AND RELATED MATTERS

The subject property is located within the jurisdiction of Bintulu Development Authority and municipal services are provided by the Bintulu Development Authority.

The Subject Property are designated for industrial use as per the Special Conditions in the document of title.

VALUATION CERTIFICATE *(cont'd)*

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/3)

MARKET VALUE

Approach to Valuation

In arriving at the Market Value of the Subject Property, we have adopted the Cost Approach as the primary method.

The Cost Approach entails separate valuations of the land and buildings to arrive at the Market Value. The land is valued by reference to transactions of similar lands in the surrounding with adjustments made for differences in location, terrain, size and shape of land, tenure, title restrictions, if any and other relevant characteristics.

The buildings are valued by reference to their depreciated replacement costs, i.e. the replacement cost new less an appropriate adjustment for depreciation or obsolescence to reflect the existing condition of the buildings at the date of valuation.

The land and building values are then summated to arrive at the Market Value.

We have also counter-checked with Comparison Approach, whereby we have gathered the comparable sales evidences and make adjustment for differences such as time factor, location/visibility, size, tenure, public amenities and other relevant characteristics to arrive of the out the Market Value.

Value Consideration

Cost Approach

(I) Unimproved Land Value

In the determination of the Market Value of the land, comparable sales quoted are summarised and analysed below:-

Comparables	Comparable 1	Comparable 2	Comparable 3
Lot No	Lot 9713 Block 32 Kemena Land District	Lot 983 Block 26 Kemena Land District	Lot 2656 Block 20 Kemena Land District
Address / Location	Lot 9713 Paling Industrial Estate, Bintulu sarawak	Lot 983 Kidurong Light Industrial Estate, Bintulu Sarawak	Lot 2656 Kidurong Industrial Area, Bintulu Sarawak
Type	Vacant Industrial land	Vacant Industrial land	Vacant Industrial land
Land Area (Hectare)	1,302 square metres	4,789 square metres	7,220 square metres
Share	1	1	1
Date	6-Jan-15	2-Mar-15	29-Aug-14
Tenure (leasehold expiring)	60 years upon issuance of new title	13/3/2052	31/10/2071
Vendor	Paling Construction Sdn Bhd	Aikinmas Sdn Bhd	Sarawak Edible Oils Sdn Bhd
Purchaser	Chiong Chung Hock & Wong Hee Yuk	Kong Sieng Fung +3	BW Yee Seng (Sarawak) Sdn Bhd
Consideration	RM965,100	RM3,150,000	RM4,272,796
Analysis (per square metre)	**RM 741**	**RM 658**	**RM 592**
Adjustment	Time, No Individual title, Location, Tenure, Land Size	Time, Land Size	Time, Land Size
Adjusted Land Value (per square metres)	**RM 640**	**RM 640**	**RM 520**
Source :- Jabatan Penilaian & Perkhidmatan Harta (JPPH) and Sale and Purchase Agreement			

The adjusted values range from RM520 per square metre to RM640 per square metre. Having regards to the foregoing, we have adopted Comparable 2 as the best comparable considering its

date of sale and location. We have adopted the unit rate of **RM640.00 per square metre** for the land value of the subject property.

(II) Building Cost & Site Improvements

Based on JUBM and Langdon Seah Construction Cost Handbook – 2017, the building cost for industrial properties in Kuching is as follows:-

Industrial Building	Rate (RM/m²)
Light duty flatted factories	1,400 – 1,635
Heavy duty flatted factories and warehouses	1,535 – 1,765
Single-storey conventional factory of structural steelwork	1,225 – 1,455
Owner operated factories, low rise	1,570 – 1,795
Source : JUBM and Langdon Seah Construction Cost Handbook - 2017	

The quoted construction cost ranges between RM1,225 to RM1,795 per square metre. However, based on several contract cost provided to us on factories in the area by our clients in other exercises, the actual cost is in the range of RM1,000 to RM1,500 depending on the specifications.

The construction cost adopted in our current valuation is as follows:-

Description	Rate (RM/m²)
Office	1,100
Warehouse	1,250
Other Ancillary Building (Main Switch Board Room & Guard house)	1,100

The above cost is deemed fair and reflective of market norms after taking into consideration of the building specifications.

(III) Depreciation

We have adopted the building depreciation rates range from 23% to 71% based on the building's age, repair and maintenance. The building economic life is 40 years for except for the single storey existing warehouse house at 35 years based on the nature of business conducted within the subject property.

We have made necessary rectifications on the building costs which include the cost of dismantling unapproved extension areas, removal costs of debris and cost to reinstate to its original form. We have adopted an estimated figure of RM200,000.00 as the rectification cost. We are of the opinion that the adopted cost is fair and reasonable and reflects the current industrial building costs

Hence, the market value using Cost Approach is **RM19,200,000.00.**

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C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/3)

MARKET VALUE *(cont'd)*

Comparison Approach

In the determination of the Market Value of the Subject Property, comparable sales quoted are summarised and analysed below:-

Comparable	Comparable A	Comparable B	Comparable C	Letter offer dated 2nd March 2018 (Accepted)
Lot	Lot 3154 Block 26 Kemena Land District	Lot 1751 Block 26 Kemena Land District	Lot 1913 Block 20 Kemena Land District	Lot 2655 Block 20 Kemena Land District
Locality	Kidurong Light Industrial Estate	Kidurong Light Industrial Estate	Kidurong Industrial Area	Kidurong Industrial Area
Tenure (leasehold expiring)	13 October, 2053	5 June, 2055	11 October, 2066	60 years upon issuance of title
Type	Single storey detached factory	Detached warehouse with office	Detached warehouse with office	Detached warehouse
Land Area (m2)	10,050.00	14,139.00	8,098.00	5,678.00
Gross Floor Area (m2)	903.92	1,800.00	2,326.47	2,100.00
Estimated OP date	9-Sep-13	18-Jul-14	7-Jun-06	16-Aug-16
Building Age	5	4	12	2
Share transacted	1	1	1	2
Date of Transaction	10 March 2017	14 December 2015	8 August 2014	2 March 2018
Consideration	RM7,420,000	RM8,000,000	RM4,300,000	RM7,000,000
Vendor	Synerlitz Malaysia Sdn Bhd	Delite Home Development Sdn Bhd	Pengangkutan Lean Soon Hung	Sarawak Edible Oil Sdn Bhd
Purchaser	Serba Mahir Engineering Sdn Bhd	Rich Green Capital Sdn Bhd	Khoo Kok Wah, Tan Saan Saan, Tan Yew Saan & Khoo Lee Kian	Casmore Sdn Bhd
Adjustment	Time	Time	Time, Tenure	Time, Tenure
Value After Adjustment	RM7,642,600	RM8,480,000	RM4,452,650	RM 6,650,000
Add on of Land Value	**50%**	**15%**	**110%**	**95%**
Add on of Building Value	**95%**	**80%**	**135%**	**90%**
Value after reconciliation	**RM18,724,370**	**RM16,536,000**	**RM15,361,643**	**RM18,952,500**
Say	**RM18,700,000**	**RM16,500,000**	**RM15,300,000**	**RM18,900,000**
Comparable A	**RM18,700,000**			
Less Rectification Work	**RM200,000**			

Add on of the land and building value is analysed based on the difference is land and building size. The adjustment is derived from the shortfall of amount due to the smaller land size and smaller building size of the comparables.

Hence, the market value using Comparison Approach is **RM18,500,000.00.**

Reconciliation of Values

The Market Values derived from Cost Approach and Comparison Approach are as follows:-

Legal Description	Approach	Amount (RM)	Reconciliation (RM)
Lot 4061 Block 26 Kemena Land District	Cost	19,200,000	**19,200,000**
	Comparison	18,500,000	

The subject property is a detached warehouse with individual design and construction, has a specialised use and having an over-size warehouse space (built-up area of 12,489 square metres). There is no similar comparable sale within Bintulu in view of the nature and large warehouse space size of the subject property. Therefore, we had adopted Cost Approach as the primary method.

VALUATION CERTIFICATE *(cont'd)*

C H Williams Talhar Wong & Yeo

C H Williams Talhar Wong & Yeo Sdn Bhd (24706-T) (VE(1)0082/3)

MARKET VALUE *(cont'd)*

Reconciliation of Values

We had relied on Cost Approach as the preferred Approach of Valuation to arrive at our value of the legal interest of the Subject Property. The subject property has unique characteristics and design. Therefore, the Cost Approach is deemed appropriate to derive the land value from surrounding transactions and the building value is derived specifically based on the subject property's characteristic. The land and building values are then summated to arrive at the market value of the subject property. We had relied upon the value derived from Comparison as a rough guide only.

Valuation

Having inspected the subject property and having considered the location, accessibility, size and shape of land, nature of property, the general character of its neighbourhood, term and conditions of title, improvements thereon, age and condition of building, physical features thereon, prevailing market values, current market conditions and market trend, we are of the opinion that the Market Value of the Subject Property, with about 40 and 2/12 years unexpired terms and on the ***BASIS*** that:-

(I) IT IS FREE FROM ALL ENCUMBRANCES; AND
(II) EXCLUDING ALL EXTENSION AREAS STATED HEREIN,

would be in the region of :-

RINGGIT MALAYSIA : NINETEEN MILLION AND TWO HUNDRED THOUSAND ONLY (RM19,200,000.00)

Yours faithfully
for and on behalf of
C H Williams Talhar Wong & Yeo Sdn Bhd

Sr TING KANG SUNG
B. Bus (Valuation and Land Economy)
MRISM, MPEPS, MIPPM, MRICS
Registered Valuer (V-0566)

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively individually accept full responsibility for the accuracy of the information contained in this Circular and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement misleading.

The information relating to TK Tent and PKF Sarawak was obtained from SCH and the responsibility of the Board is limited to ensuring that the information is accurately reproduced in this Circular.

2. CONSENTS AND DECLARATION OF CONFLICT OF INTERESTS

Consents

(a) M&A Securities has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references in the form and context in which they appear in this Circular.

(b) Protégé Associates has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and the IMR Report and all references in the form and context in which they appear in this Circular.

(c) Ecovis has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and the pro forma consolidated statement of financial position of SCH as at 31 August 2017 together with the Reporting Accountant's letter therein and all references in the form and context in which they appear in this Circular.

(d) SCA has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and the Independent Fairness Opinion Report and all references in the form and context in which they appear in this Circular.

(e) C H Williams Talhar Wong & Yeo Sdn Bhd has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, valuation certificate and all references thereto in the form and context in which it appears in this Circular.

Declaration of conflict of interests

M&A Securities, Protégé Associates, Ecovis, SCA and C H Williams Talhar Wong & Yeo Sdn Bhd are not aware of any conflict of interest which exists or is likely to exist in relation to their respective roles in the Circular.

3. MATERIAL CONTRACTS

Save as disclosed below, the SCH Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this Circular:-

(a) sale and purchase agreement dated 5 June 2018 between Sin Chee Heng Sdn Bhd, a wholly-owned subsidiary of SCH and Top Good Properties Holdings Sdn Bhd for the 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;

(b) TK Tent SSA, TK Tent Supplemental SSA and PKF Sarawak SSA; and

(c) memorandum of Understanding ("MOU") dated 17 May 2017 with Sewara Engineering Sdn Bhd, Stigma Impiana Sdn Bhd and Dataran 888 Sdn Bhd in respect of the exclusive collaboration on the excavation and removal and subsequent distribution and sale of the deposits from the Bohol Retention Pond, Wahyu Retention Ponds and Permaisuri Retention Pond, respectively. The MOU with Sewara Engineering Sdn Bhd and Stigma Impiana Sdn Bhd were terminated on 16 November 2017 whereas the MOU with Dataran 888 Sdn Bhd was terminated on 9 November 2017.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the SCH Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board is not aware and does not have any knowledge of any proceedings pending or threatened against the SCH Group, or of any facts likely to give rise to any proceedings which may materially and adversely affect the financial position or business of the SCH Group.

5. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the SCH Group, which may have a material impact on the financial results/position of the SCH Group.

6. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred by the SCH Group, which upon becoming enforceable, may have a material impact in the ability of the Company to meet the obligations as and when they fall due:-

Details	Amount (RM'million)
Foreign exchange forward contract	1.21
Corporate guarantees for banking facilities secured	55.13

FURTHER INFORMATION *(cont'd)*

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at Suite 10.03, Level 10, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays), from the date of this Circular up to the date of the EGM:-

(a) memorandum and articles of association of SCH;

(b) memorandum and articles of associations of TK Tent and PKF Sarawak, respectively;

(c) audited consolidated financial statements of SCH for the past two (2) FYE 31 August 2016 and FYE 31 August 2017 and the latest six (6) months unaudited consolidated financial statements of SCH for the FPE 28 February 2018;

(d) audited financial statements of TK Tent for the past two (2) FYE 30 June 2016 and FYE 30 June 2017 and the latest 6 months unaudited financial statements of TK Tent for the FPE 31 December 2017;

(e) audited financial statements of PKF Sarawak for the past 2 FYE 31 December 2016 and FYE 31 December 2017;

(f) the letters of consent and declaration of conflict of interests referred to in Section 2 above;

(g) the material contracts referred to in Section 3 above;

(h) the pro forma consolidated statement of financial position of SCH as at 31 August 2017 together with the Reporting Accountant's letter thereon as prepared by Ecovis;

(i) the Directors' Report on TK Tent as referred to in **Appendix VI** of this Circular;

(j) the Valuation Certificate as referred to in **Appendix IX** of this Circular and the Valuation Report dated 30 April 2018;

(k) the IMR Report; and

(l) the Independent Fairness Opinion Report.

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of SCH Group Berhad ("SCH" or the "Company") will be convened and 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. for the purpose of considering and, if thought fit, to pass the following resolutions:-

ORDINARY RESOLUTION 1

PROPOSED PRIVATE PLACEMENT OF UP TO 103,000,000 NEW ORDINARY SHARES IN SCH ("PLACEMENT SHARES") ("PROPOSED PRIVATE PLACEMENT")

"**THAT** approval be and is hereby given for the Company to issue by way of placement of up to 103,000,000 Placement Shares;

THAT the Board be and is hereby authorised to fix the initial placement price of the Placement Shares at RM0.185 per Placement Share and issue up to 60,000,000 Placement Shares to Hextar Holdings SDn Bhd or its related parties;

THAT the Board be and is hereby authorised to fix the issue price of the other tranches of Placement Shares at a later date after obtaining the relevant approvals for the Proposed Private Placement;

THAT the proceeds of the Proposed Private Placement be utilised for the purposes as set out in the Circular to shareholders of the Company dated 20 June 2018, and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient, subject (where required) to the approval of the relevant authorities;

THAT the Board be and is hereby authorised to give effect to the Proposed Private Placement with full power to assent to or make any conditions, modifications, variations and/or amendments in any manner as may be imposed by the relevant authorities or as the Board may deem necessary or expedient in the best interest of the Company and to take all steps as it may deem necessary or expedient in order to implement, finalise and give full effect to the Proposed Private Placement;

THAT such Placement Shares to be issued herein shall rank *pari passu* in all respects with the existing ordinary shares in issue, save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of allotment of the said shares;

AND THAT Board be and is hereby authorised to do all such acts and things that are necessary to give full effect to the Proposed Private Placement with full powers to assent to any conditions, modifications, variations and/or amendments deemed necessary or expedient in the interest of the Company and/or as may be required by the relevant authorities and to take all steps and actions it considers necessary or as may be required to give full effect to and complete the Proposed Private Placement."

ORDINARY RESOLUTION 2

PROPOSED ACQUISITION OF 100% EQUITY INTEREST IN TK TENT & AIR-CONDITIONING RENTAL SDN BHD ("TK TENT"), COMPRISING 11,800,000 ORDINARY SHARES IN TK TENT FROM HEXTAR HOLDINGS SDN BHD ("HHSB"), FOR A CASH CONSIDERATION OF RM50.0 MILLION ("PROPOSED ACQUISITION OF TK TENT")

"**THAT** subject to the passing of Ordinary Resolution 3 and the approvals of all relevant authorities being obtained where necessary, approval be and is hereby given for SCH to acquire 11,800,000 ordinary shares in TK Tent, representing the entire equity interest in TK Tent from HHSB, for a cash consideration of RM50,000,000 subject to and upon such terms and conditions as set out in the conditional share sale agreement dated 2 February 2018 entered into between the Company and HHSB for the Proposed Acquisition of TK Tent;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Acquisition of TK Tent with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Acquisition of TK Tent."

ORDINARY RESOLUTION 3

PROPOSED DIVERSIFICATION INTO THE EVENT EQUIPMENT SUPPLY BUSINESS SEGMENT ("PROPOSED DIVERSIFICATION – EVENT EQUIPMENT")

"THAT subject to the passing of Ordinary Resolution 2 and subject further to the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of all relevant authorities, (whether in its original form or with or subject to any condition, modification, variation and/or amendment imposed by such relevant authorities), approval be and is hereby given for the Company to diversify its existing business to include the event equipment supply business segment, which might reasonably be expected to result in:-

(a) the diversion of 25.0% or more of the net assets of the Company to an operation which differs widely from those operations previously carried on by the Company; or

(b) the contribution from such an operation of 25.0% or more of the net profits of the Company,

pursuant to Rule 10.13(1) of the ACE Market Listing Requirements of Bursa Securities;

THAT the Board be and is hereby authorised and empowered to carry out, do all such acts, deeds and things and take all such steps it may consider necessary, and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company's common seal, where necessary) as the Board may consider necessary or required to give effect to the Proposed Diversification – Event Equipment;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Diversification – Event Equipment with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Diversification – Event Equipment."

ORDINARY RESOLUTION 4

PROPOSED ACQUISITION OF 83.33% EQUITY INTEREST IN PK FERTILIZERS (SARAWAK) SDN BHD ("PKF SARAWAK"), COMPRISING 15,000,000 ORDINARY SHARES IN PKF SARAWAK FROM PK FERTILIZERS SDN BHD ("PKFSB") FOR A PURCHASE CONSIDERATION OF RM19,054,811 TO BE SATISFIED VIA A COMBINATION OF CASH AND ORDINARY SHARES IN SCH ("CONSIDERATION SHARES") AT AN ISSUE PRICE OF RM0.19 PER CONSIDERATION SHARE ("PROPOSED ACQUISITION OF PKF SARAWAK")

"**THAT** subject to the passing of Ordinary Resolution 5 and the approvals of all relevant authorities being obtained where necessary, approval be and is hereby given for SCH to acquire 15,000,000 ordinary shares in PKF Sarawak, representing 83.33% equity interest in PKF Sarawak from PKFSB, for a purchase consideration of RM19,054,811 ("Purchase Consideration of PKF Sarawak"), subject to and upon such terms and conditions as set out in the conditional share sale agreement dated 7 March 2018 entered into between the Company and PKFSB for the Proposed Acquisition of PKF Sarawak;

THAT the Purchase Consideration of PKF Sarawak be satisfied by the following:-

(a) cash payment of RM11,454,811; and

(b) the issuance of RM7,600,000 in value of Consideration Shares to PKFSB comprising 40,000,000 Consideration Shares at an issue price of RM0.19 per Consideration Share;

THAT such Consideration Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing SCH Shares, except that the Consideration Shares shall not be entitled to any dividends, rights, allotment and/or any other forms of distributions, which may be declared, made or paid, for which the entitlement date is prior to the date of allotment and issuance of the Consideration Shares;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Acquisition of PKF Sarawak with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Acquisition of PKF Sarawak."

ORDINARY RESOLUTION 5

PROPOSED DIVERSIFICATION INTO THE FERTILISER BUSINESS SEGMENT ("PROPOSED DIVERSIFICATION – FERTILISERS")

"THAT, subject to the passing of Ordinary Resolution 4 and subject further to the ACE Market Listing Requirements of Bursa Securities and the approvals of all relevant authorities, (whether in its original form or with or subject to any condition, modification, variation and/or amendment imposed by such relevant authorities), approval be and is hereby given for the Company to diversify its existing business to include the fertiliser business segment, which might reasonably be expected to result in:-

(a) the diversion of 25.0% or more of the net assets of the Company to an operation which differs widely from those operations previously carried on by the Company; or

(b) the contribution from such an operation of 25.0% or more of the net profits of the Company,

pursuant to Rule 10.13(1) of the ACE Market Listing Requirements of Bursa Securities;

THAT, the Board be and is hereby authorised and empowered to carry out, do all such acts, deeds and things and take all such steps it may consider necessary, and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or agreements (including, without limitation, the affixing of the Company's common seal, where necessary) as the Board may consider necessary or required to give effect to the Proposed Diversification – Fertilisers;

AND THAT the Directors of the Company be and are authorised to do all acts, deeds and things and execute all documents as they may deem fit or expedient in order to carry out, finalise and give effect to the Proposed Diversification – Fertilisers with full powers to assent to any conditions, modifications, variations and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise and give full effect to the Proposed Diversification – Fertilisers."

BY ORDER OF THE BOARD

TAN TONG LANG (MAICSA 7045482)
CHONG VOON WAH (MAICSA 7055003)
Company Secretaries

Kuala Lumpur
20 June 2018

Notes:-

(1) For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors ("ROD") as at 29 June 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

(2) A member entitled to attend and vote at the above meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.

(3) A member may appoint up to 2 proxies to attend at the same meeting. Where a member appoints 2 proxies, the proxies shall not be valid unless the member specifies the proportions of his shareholdings to be represented by each proxy.

(4) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares to the credit of the said securities account.

(5) Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

(6) The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his attorney and in the case of a corporation, the instrument appointing a proxy or proxies must be under seal or under the hand of an officer or attorney duly authorised.

(7) The instrument appointing a proxy must be deposited 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 not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof as Rule 8.31A(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad requires the resolutions set out in the Notice of General Meeting to be put to vote by poll.

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

CDS Account No.	No. of Shares held

PROXY FORM

I/We,.....
(Full name in block letters)
NRIC/Company No .....of.....

.....
(Full address)
being a member(s) of SCH GROUP BERHAD hereby appoint .....

.....NRIC No.....
(Full name in block letters)
of.....
(Full address)

or failing him/her, the Chairman of the Meeting as *my/our proxy to attend and vote for *me/us on *my/our behalf at the Extraordinary General Meeting of the Company to 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.

*My/Our proxy is to vote as indicated below:-

	FOR	**AGAINST**
Ordinary Resolutions		
Proposed Private Placement		
Proposed Acquisition of TK Tent		
Proposed Diversification – Event Equipment		
Proposed Acquisition of PKF Sarawak		
Proposed Diversification – Fertilisers		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.)

The proportion of my holdings to be represented by my *proxy/proxies are as follows:-

First name Proxy %
Second name Proxy %

100%

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf.

As witness my hand _____ day of _____ 2018.
*Strike out whichever is not desired.

Signature: _____

Notes:-

(1) For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors ("ROD") as at 29 June 2018 and only a Depositor whose name appears on such ROD shall be entitled to attend, speak and vote at this meeting or appoint proxy to attend and/or speak and/or vote in his/her behalf.

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(4) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("Central Depositories Act"), it may appoint at least one proxy in respect of each securities account it holds with ordinary shares to the credit of the said securities account.

(5) Where a member of the Company is an exempt authorised nominee as defined under the Central Depositories Act which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.

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Fold this flap for sealing

Then fold here

AFFIX
STAMP

The SHARE REGISTRAR OF
SCH Group Berhad (972700-P)
Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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