

TG AGROSOLUTIONS LIMITED AND CONTROLLED ENTITIES

A.C.N 603108925

PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

1. Reporting Period

Reporting Period: 1 January 2017 - 31 December 2017

Previous Corresponding Period: 1 January 2016 – 31 December 2016

2. Key Information

| | Year ended 31 Dec 2017 \$ | Year ended 31 Dec 2016 \$ | % Change |
|--|---------------------------------|---------------------------------|----------|
| Revenue from ordinary activities | 833,461 | 1,615,292 | -48.4 |
| Loss after tax from ordinary activities attributable to members | 1,350,600 | 1,887,932 | +28.5 |
| Net loss attributable to members | 1,348,605 | 1,886,695 | +28.6 |

3. Financial Result

The Group's revenue for the year ended 31 December 2017 was \$833,461 which was a decline of \$781,830, or 48.4% lower than the same period last year.

TG AgroSeedlings Sdn Bhd being the sole operational subsidiary reported lower revenue due to adverse operational environment in 2017 and at the same time suffered from the effects of management transitioning during the year. Sales were down prior to the transitioning taking place. TG AgroSeedlings reported a full year loss after tax of \$1,001,708, after written off \$1,106,596 in inventories due to seedlings that were overgrown. Included in the results is debt waiver of \$671,227 from a former director.

During the same period, TG Agrosolutions Limited being the ultimate investment holding companies incurred total expenses of \$348,992 due to ongoing company expenses. This resulted in group net loss of \$1,350,600 for the year ended 31 December 2017.

4. Comments on Results

Sales for rubber seedlings was slower in 2017 due to an adverse operating environment and further compounded by slower marketing and promotion activities at TG AgroSeedlings Sdn Bhd due to capital constraints experienced especially in the first half of the year as well as the effect of the management transition that took place in the second half of the year. Sales were down prior to the transitioning. The performance at the Group level was also partly affected by the initial expenses incurred for the pineapple pilot project in Miri. The progress on the pineapple pilot project has been quite encouraging. Barring unforeseen circumstances, supplying of pineapple seedlings and fruits is expected to contribute significantly to the Group's performance in 2018. Due to the longer cycle of pineapple planting of between 12-15 months, there was a negligible contribution from pineapple sales.

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A.C.N 603108925

5. Net Tangible Assets Per share

| | Year Ended 31 December 2017 cents/Share | Year ended 31 December 2016 cents/Share |
|------------------------------|---|---|
| Net Tangible Asset Per share | (0.52) | (0.45) |

6. Dividend

There was no dividend paid or proposed during the period.

7. Dividend reinvestment Plan

The Group does not have any dividend reinvestment plan.

8. Attachments

The statement of profit and loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flow of TG Agrosolutions Limited and its controlled entities are attached.

9. Details of entities over which control has been gained or lost

On 26 September 2017, TG Agromanis Sdn Bhd was incorporated as a wholly owned subsidiary of TG Agrosolutions Sdn Bhd. The share capital of TG Agromanis Sdn Bhd is 100 shares of RM1.00 each. TG Agromanis Sdn Bhd was incorporated for the purpose of undertaking the pineapple planting project in Tanjung Manis, Mukah, Sarawak, Malaysia.

10. Audit Status

The preliminary financial report is based on the financial statements which are in the process of being audited.

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 DECEMBER 2017**

| | Note | Consolidated Group | |
|---|------|-------------------------|-------------------------|
| | | Year ended 31-Dec-17 | Year ended 31-Dec-16 |
| | | \$ | \$ |
| Revenue | | 833,461 | 1,615,292 |
| Interest Income | | 38,804 | 9,691 |
| Waiver of debts | | 671,227 | - |
| Cost of Goods Sold | | (538,308) | (878,337) |
| Employee and contractor expense | | (73,201) | (125,728) |
| Director's other emoluments | | (63,521) | (145,362) |
| Professional fees | | (23,201) | (22,815) |
| NSX Listing fees | | - | (28,721) |
| NSX annual fees | | (65,014) | (26,954) |
| Depreciation and amortisation expense | | (118,597) | (122,861) |
| Entertainment | | (2,124) | (7,358) |
| Petrol, parking and tolls | | (44,472) | (288,516) |
| Accommodation | | (1,022) | (7,715) |
| Upkeep of machinery | | (21,140) | (4,497) |
| Upkeep of motor vehicles | | (16,507) | (16,498) |
| Upkeep of buildings | | (41,910) | (4,771) |
| Bad debts written off | | (733) | (23,048) |
| Impairment of inventories | | (1,106,596) | (836,201) |
| Impairment of receivables | | - | (735,966) |
| Impairment of investment | | (164,430) | - |
| PPE Written off | | (51,788) | - |
| Secretarial fees | | (19,203) | (26,881) |
| Finance costs | | (240,547) | (168,103) |
| Other expenses | | (258,441) | (14,380) |
| (Loss)/ Profit before income tax | | (1,307,263) | (1,859,729) |
| Income tax expense | | (43,337) | (28,203) |
| (Loss)/ Profit from continuing operations | | (1,350,600) | (1,887,932) |
| (Loss)/ Profit for the period | | (1,348,605) | (1,886,695) |
| Other comprehensive income | | | |
| Items that will be reclassified subsequently to profit or loss, when specific conditions are met | | | |
| Exchange differences on transactions of foreign operations, net of tax | | 103,949 | 40,478 |
| Other comprehensive income for the period | | 103,949 | 40,478 |
| Total comprehensive (loss)/income for the period | | (1,246,651) | (1,847,454) |

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**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 DECEMBER 2017**

| | Consolidated Group | |
|---|---------------------------------|---------------------------------|
| | Year ended 31-Dec-17 | Year ended 31-Dec-16 |
| | \$ | \$ |
| Net (loss)/ profit attributable to: | | |
| - members of the parent entity | (1,348,605) | (1,886,695) |
| - outside equity interests | (1,995) | (1,237) |
| | <u>(1,350,600)</u> | <u>(1,887,932)</u> |
| Total comprehensive (loss)/ income attributable to: | | |
| - members of the parent entity | (1,244,656) | (1,846,217) |
| - outside equity interests | (1,995) | (1,237) |
| | <u>(1,246,611)</u> | <u>(1,847,454)</u> |
| Earnings per share | | |
| From continuing and discontinued operations: | | |
| - Basic earnings per share (cents) | (0.46) | (0.70) |
| - Diluted earnings per share (cents) | (0.46) | (0.70) |

TG AGROSOLUTIONS LIMITED AND CONTROLLED ENTITIES
A.C.N 603108925

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

| | Note | Consolidated Group | |
|--------------------------------------|------|-------------------------------|-------------------------------|
| | | As at 31-Dec 2017 \$ | As at 31-Dec 2016 \$ |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | | 276,232 | 17,274 |
| Trade and other receivables | 1 | (38,673) | 428,630 |
| Financial Assets | | - | 319,778 |
| Inventories | | 25,847 | 830,502 |
| Biological assets | | 60,528 | - |
| Other Assets | | - | 14,062 |
| TOTAL CURRENT ASSETS | | 323,934 | 1,610,246 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 308,267 | 386,045 |
| TOTAL NON-CURRENT ASSETS | | 308,267 | 386,045 |
| TOTAL ASSETS | | 632,201 | 1,996,291 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | | 1,148,344 | 904,425 |
| Borrowings | | 87,097 | 1,557,637 |
| Current tax liabilities | | 877,973 | 673,897 |
| TOTAL CURRENT LIABILITIES | | 2,113,414 | 3,135,959 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | | 31,839 | 86,763 |
| TOTAL NON-CURRENT LIABILITIES | | 31,839 | 86,763 |
| TOTAL LIABILITIES | | 2,115,435 | 3,222,722 |
| NET LIABILITIES | | (1,513,052) | (1,226,431) |
| EQUITY | | | |
| Issued capital | | 1,451,796 | 491,766 |
| Accumulated losses | | (3,093,845) | (1,745,240) |
| Minority interest | | (3,220) | (1,225) |
| Foreign currency translation reserve | | 132,217 | 28,268 |
| TOTAL EQUITY | | (1,513,052) | (1,226,431) |

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

| Consolidated Group | Ordinary Share Capital \$ | Retained Earnings (Accumulated losses) \$ | Foreign Currency Translation Reserve \$ | Minority Interest \$ | Total \$ |
|---|------------------------------------|---|---|----------------------------|--------------------|
| Balance at 1 January 2016 | 162,904 | 141,455 | (12,210) | - | 292,149 |
| Comprehensive income | | | | | |
| Profit for the period | - | (1,886,695) | - | (1,237) | (1,887,932) |
| Foreign currency translation | - | - | 40,478 | | 40,478 |
| Total comprehensive income for the period | - | (1,886,695) | 40,478 | (1,237) | (1,847,454) |
| Issue of capital | 328,862 | - | - | - | 328,862 |
| Minority interest | - | - | - | 12 | 12 |
| Balance at 31 December 2016 | 491,766 | 1,745,240 | 28,268 | (1,225) | (1,226,431) |
| Balance at 1 January 2017 | 491,766 | (1,745,240) | 28,268 | (1,225) | (1,226,431) |
| Comprehensive income | | | | | |
| Loss for the period | - | (1,348,605) | - | (1,995) | (1,350,600) |
| Foreign currency translation | - | - | 103,949 | - | 103,949 |
| Total comprehensive income (loss) for the period | - | (1,348,605) | 103,949 | (1,995) | (1,246,651) |
| Issue of capital | 960,030 | - | - | - | 960,030 |
| Minority interest | - | - | - | - | - |
| Balance at 31 December 2017 | 1,451,796 | (3,093,845) | 132,217 | (3,220) | (1,503,052) |

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A.C.N 603108925

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

| Consolidated Group | Notes | Year Ended 31 Dec 2017 | Year Ended 31 Dec 2016 |
|---|-------|------------------------------|------------------------------|
| | | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from operating activities | | 1,375,537 | 2,466,871 |
| Payments to suppliers and employees | | (1,632,521) | (2,527,463) |
| Interest received | | 17,370 | 9,529 |
| Interest paid | | (235,588) | (26,833) |
| Income tax paid | | 142,698 | (31,808) |
| Net cash used in operating activities | | (332,504) | (109,704) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Deposit on investments | | 331,335 | (9,366) |
| Payments for property, plant and equipment | | 35,307 | (83,157) |
| Net cash used in investing activities | | 366,642 | (92,523) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Equity | | 953,755 | 32 |
| Proceeds from related parties loan | | 83,215 | 311,221 |
| Proceeds/(Repayment) from borrowings | | (812,317) | (28,641) |
| Net cash provided by financing activities | | 224,653 | 282,612 |
| NET DECREASE IN CASH HELD | | | |
| Cash and cash equivalents at beginning of period | | 258,791 | 80,385 |
| Effects of changes in exchange rates | | 17,578 | (469,237) |
| Cash and cash equivalents at end of period | | 276,369 | (377,622) |

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NOTES TO THE PRELIMINARY FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Note 1: Trade and Other Receivables

Included in the trade and other receivables is a provision of RM1,760,902 (\$557,674) made in the last financial year in relation to the receivables from RISDA. The gross trade and other receivables balance for the period ended 31 December 2017 is RM1,638,779 (\$519,001).