



TG AGROSOLUTIONS LIMITED

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NSX RELEASE

22nd June 2017

National Stock Exchange of Australia

Attn: Mr. Ron Kaushik

Dear Mr. Ron Kauchik,

Re: Periodic Disclosure Query

With the reference to your letter dated 16th June 2017 whereby the company's consolidated statement of Profit or Loss and other comprehensive income the below impairments have been reported:

Impairment of Inventory - \$836,201.00

TG Agrosolutions Limited is a company operating in the agriculture industry providing planting materials to the plantation sector in Malaysia. The company's primary client is RISDA Sdn Bhd which is a Malaysian Government associated entity. TG Agrosolutions provides RISDA with rubber planting materials for the development and growth of the rural communities in Malaysia, due to the market slowdown and economic situation and the drought in Malaysia during the year ended 31 December 2016, the Malaysian Government reduced its funding significantly to this sector.

The inventory held by the company are products that are highly perishable and cannot be recovered if the inventory fails to be sold off after a certain period. These inventories are live rubber plants that has been planted on the ground and will cease to be able to replant upon reaching a certain age and must be disposed of. The quantum of the impairment write-down is also due to the clearance to certain blocks of inventories to make way to more suitable planting materials that can help the company generate a healthier stream of revenue in the future.

Impairment of Receivables - \$735,966.00

The impairment of receivables is allocated as follows:

- RISDA \$542,885
- Other receivables \$193,081

The company has ongoing receivables from RISDA Sdn Bhd. Material discrepancies were uncovered between the company's records and that of RISDA as at 31 December 2016. This material discrepancy of \$542,885 was noted by the Malaysian subsidiary auditor as a material adjustment in their audit findings. Management decided to correct the financial statements for the adjustment

based on the findings from the Malaysian subsidiary auditor and the Parent / Group auditor. Accordingly, the decision, was taken by management to impair the receivables balance as at 31 December 2016.

The other receivables impairment of \$193,08 is due to other receivables considered not recoverable, accordingly based on the findings from the Malaysian subsidiary auditor and the Parent / Group auditor, management had decided to impair these receivables as at 31 December 2016.

The amounts have been disclosed on the face of the statement of profit or loss and other comprehensive income for the year ended 31 December 2016 and we are of the view that the description of the amounts as impairment of inventory and impairment of receivables is appropriate.

Further to the above, details of the group's impairment accounting policies and impairment disclosures have been made in the following sections of the annual report:

- a) Page 30 of the financial report, Note 1(g) – Financial Instruments (Impairment) (paragraph 4 and 5)*
- b) Page 31 of the financial report, Note 1(l) – Trade and other receivables (second paragraph)*
- c) Page 37 and 38 of the financial report, Note 10b) Trade and other receivables – table indicates that an impairment write-down of \$542,885 was recognised during the year ended 31 December 2016*
- d) Page 49 of the financial report, Note 28 Economic Dependency discloses that the company is economically dependent upon RISDA and an impairment write-down of \$542,885 has been recorded for the year ended 31 December 2016.*

In relations to the above observation, NSX has also posted a few follow up questions in which the company's response is as below:

1. Can the company please provide information supporting the impairment of Inventory and Receivables?

Please find a separate attachment in regards to the information to support impairments.

2. Does the company consider this information to be price sensitive?

No

3. If yes, when did the company first become aware of the information?

N/A

- a. In its response, the Issuer should discuss when the Information was first disclosed to the Issuer.

N/A

- b. The Issuer should discuss if the information was disclosed to the Issuer before the announcement was released to the Exchange and whether any prior announcement has been made by the Issuer.

N/A

- c. If there was no earlier announcement the Issuer should discuss why the Information was not released earlier to the Exchange.

N/A

- d. The Issuer should discuss the policies and procedures it has in place to release price sensitive information promptly and without delay.

N/A

4. If the answer to question (2) is no please advise the basis on which the issuer does not consider information to be price sensitive.

The company's management does not consider this information to be price sensitive as the impairment of inventories is a common occurrence due to the nature of the industry of dealing with highly perishables materials.

The receivables impairment was an accumulation of 5 years of ongoing trade between the company and RISDA. We consider the receivables impairment to not be price sensitive as the write-down is considered to be in the ordinary course of business and the reasoning behind the write-down is correlated with the inventory write-down.

And finally, for the request of extension for the reply on the NSX query, the company has required additional time to consult with our external advisors in regards to this query.

Thank you.

Sincerely,

Waylon Yap

Director TG Agrosolutions Ltd