

A. EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134, *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2017.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in the preparation of the consolidated interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2017.

The following are accounting standards, Amendments and Interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not been adopted by the Group:

	<u>Effective dates</u>
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 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
MFRS 9 Financial Instruments	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15 Revenue from Contracts with Customers (the Amendments)	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018

A2. Changes in Accounting Policies – continued

IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2014 – 2016 Cycle”

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The abovementioned standards, Amendments and Interpretations will be adopted when they become effective, if applicable to the Group and that the adoption of these standards, Amendments and Interpretations will have no material impact on the financial statements of the Group in the period of initial application except for the following:

(i) MFRS 9 Financial Instruments

The complete version of MFRS 9 replaces most of the guidance in MFRS 139. MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139.

A2. Changes in Accounting Policies – continued

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value, through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentations is still required by is different to that currently prepared under MFRS 139.

This amendment is not expected to have any significant impact on the financial statements of the Group.

(ii) MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The standard replaces MFRS 118 Revenue and MFRS 111 Construction contracts and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of MFRS 15.

A2. Changes in Accounting Policies – continued

(iii) MFRS 16 Leases

MFRS 16 ‘Leases’ supersedes MFRS 117 ‘Leases’ and the related interpretations. Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 ‘Property, Plant and Equipment’ and the lease liability is accreted over time with interest expense recognised in the income statement. For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. MFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early application permitted provided MFRS 15 is also applied.

A3. Auditors’ Report on Preceding Annual Financial Statements

The auditors’ report on the financial statements for the financial year ended 30 June 2017 was not qualified.

A4. Comment about Seasonal or Cyclical Factors

The Group operates in the local and overseas agricultural sector which could be influenced by seasonal or cyclical factors.

A5. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows during the financial year ended 30 June 2017 except as disclosed in the notes.

A6. Changes in Estimates

There were no changes in estimates that have material effect in the current quarter and current financial year to-date results.

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A7. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter and current financial year to-date under review.

A8. Dividend Paid

No dividend was paid by the Company during the current quarter period under review.

A9. Operating Segments

Business Segments

The Company is principally an investment holding company. The principal businesses of the Group are manufacturing of pesticides and plant micronutrients, distribution and agency of pesticides and other agrochemicals and trading of pesticides, other agrochemicals, mosquito coils, disinfectants and household insecticides. The Group's business segments are presented as follows:

	3 Months Ended		6 Months Ended	
	31.12.2017 RM'000	31.12.2016 RM'000	31.12.2017 RM'000	31.12.2016 RM'000
Agrochemicals	26,800	21,294	42,133	35,483
Household insecticides	945	522	987	724
Total	<u>27,745</u>	<u>21,816</u>	<u>43,120</u>	<u>36,207</u>

Geographical Segments

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers and these are:

- (i) Malaysia
- (ii) Indonesia
- (iii) Japan
- (iv) Others: these consist of segments which cover mainly Australia, Holland, Lebanon, Pakistan, Singapore, Taiwan, and Vietnam but which individually fall below the 10% threshold of a reportable segment

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	Malaysia RM'000	Indonesia RM'000	Japan RM'000	Others RM'000	Elimina- tions RM'000	Total RM'000
Current Quarter Ended 31.12.2017						
Segment revenue						
Sales to external customers	17,327	6,485	1,907	2,026	-	27,745
Inter-segment sales	231	-	-	-	(231)	-
Total	<u>17,558</u>	<u>6,485</u>	<u>1,907</u>	<u>2,026</u>	<u>(231)</u>	<u>27,745</u>
Profit before tax						6,699
Income tax expense						(810)
Profit for the period						<u>5,889</u>

	Malaysia RM'000	Indonesia RM'000	Japan RM'000	Others RM'000	Elimina- tions RM'000	Total RM'000
Current Year To-Date Ended 31.12.2017						
Segment revenue						
Sales to external customers	27,565	9,688	2,855	3,012	-	43,120
Inter-segment sales	308	-	-	-	(308)	-
Total	<u>27,873</u>	<u>9,688</u>	<u>2,855</u>	<u>3,012</u>	<u>(308)</u>	<u>43,120</u>
Profit before tax						7,001
Income tax expense						(908)
Profit for the year						<u>6,093</u>

A10. Carrying Amount of Revalued Assets

There is no revaluation of the property, plant and equipment brought forward from the previous audited annual financial statements as the Group does not adopt a revaluation policy on its property, plant and equipment.

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A12. Changes in Contingent Liabilities and Contingent Assets

There were no changes in contingent liabilities or contingent assets since 30 June 2017.

A13. Capital Commitments

There was no capital commitments entered into and not provided for by the Group during the current quarter under review.

A14. Material Subsequent Events

In the opinion of the Directors, no material events have arisen between the end of the reporting period and 07 February 2018 which had affected substantially the results of the Group for the financial quarter ended 31 December 2017.

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B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**B1. Performance Review**

	3 Months Ended			6 Months Ended		
	31.12.2017	31.12.2016	Variance	31.12.2017	31.12.2016	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	27,745	21,816	27.2	43,120	36,207	19.1
Profit before tax	6,699	3,035		7,001	5,076	
Income tax expense	(810)	(585)		(908)	(965)	
Profit for the period	5,889	2,450	140.4	6,093	4,111	48.2

For the current quarter under review, the Group registered revenue of RM27.745 million as compared to the preceding year corresponding quarter of RM21.816 million, an increase of RM5,929 million or 27.2%. This increase is due to higher demand in local segment for palm-based insecticides as compared to the preceding year corresponding quarter.

Profit for the period had increased by 140.4% to RM5.889 million in the current quarter under review as compared to the preceding year corresponding quarter of RM2.450 million. The increase in the profit for the period was mainly contributed by higher revenue generated from palm-based insecticides segment.

B2. Variation of Results Against Preceding Quarter

	3 Months Ended		
	31.12.2017	30.09.2017	Variance
	RM'000	RM'000	%
Revenue	27,745	15,375	80.5
Profit before tax	6,699	302	2118.2

For the current quarter under review, the Group's profit before tax was RM6.699 million compared to the Group's profit before tax of RM0.302 million in the immediate preceding quarter. This 2118.2% increase in profit before tax in comparison with the immediate preceding quarter was due to higher revenue and higher profit margin generated this quarter.

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B3. Prospects

The Group will continue to focus on its core activities and market expansion, cost control to ensure sustainability of its financial performance.

B4. Profit Forecast or Profit Guarantee

The disclosure requirements for explanatory notes for the variance of actual profit and non-controlling interests and forecast profit and non-controlling interests and for the shortfall in profit guarantee are not applicable.

B5. Income Tax Expense

	Current Quarter Ended 31.12.2017 RM'000	Current Year To-Date Ended 31.12.2017 RM'000
Current tax:		
- Malaysian income tax	<u>(810)</u>	<u>(908)</u>

The effective tax rate of the Group for the current year to-date is slightly lower than the statutory tax rate of 24% due to sufficient capital allowances industrial building allowances and reinvestment allowances allowable for offset.

B6. Corporate Proposals

There were no corporate proposals announced but not completed as at 07 February 2018.

B7. Borrowings

	As at 31.12.2017 RM'000	As at 30.06.2017 RM'000
RM denominated borrowings		
Short Term Borrowings		
Secured:		
Term Loan	<u>678</u>	<u>665</u>
Long Term Borrowings		
Secured:		
Term Loan	<u>4,380</u>	<u>4,719</u>

There are no borrowings denominated in foreign currency.

B8. Changes in Material Litigation

There were no material litigations involving the Group as at 07 February 2018.

B9. Dividend

The Board of Directors has recommended a first and final single tier dividend of 3.5 sen per share, in respect of the financial year ended 30 June 2017.

The dividend payable amounting to RM2,800,000 has been approved by the shareholders of the Company at the Annual General Meeting of the Company held on 22 November 2017 and paid on 16 January 2018.

B10. Earnings Per Share

(a) Basic

The computation of basic earnings per share for the current quarter and current year to-date is based on the Group unaudited profit for the period attributable to owners of the Company for the current quarter of RM5.889 million and current year to-date of RM6.093 million divided by the number of ordinary shares in issue during the period of 80,000,000.

(b) Diluted

Not applicable.

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B11. Profit Before Tax

	Current Quarter Ended 31.12.2017 RM'000	Current Year To-Date Ended 31.12.2017 RM'000
Profit before tax is stated after (charging)/crediting:		
Rental income	13	26
Interest income	192	377
Gain on disposal of property, plant and equipment	1	4
Foreign exchange loss - realised	(193)	(173)
Foreign exchange gain/(loss) - unrealised	22	(81)
Reversal of allowance for impairment of trade receivables	41	70
Interest expenses	(81)	(158)
Depreciation and amortisation	(421)	(856)
Impairment loss on trade receivables	(60)	(120)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

B12. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 07 February 2018.

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C. DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES

Total unappropriated profit as at 31 December 2017 and 30 June 2017 are analysed as follows:

	As at 31.12.2017 (Unaudited) RM'000	As at 30.06.2017 (Audited) RM'000
Total unappropriated profit of the Company and its subsidiaries		
- Realised	108,615	101,465
- Unrealised	(1,058)	(976)
	<u>107,557</u>	<u>100,489</u>
Consolidation adjustments	(17,384)	(16,409)
Total Group unappropriated profit as per consolidated accounts	<u><u>90,173</u></u>	<u><u>84,080</u></u>