

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

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A2. Changes in Accounting Policies – continued

IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	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
Amendments to MFRS 2	Share-Based Payment	1 January 2020
Amendments to MFRS 3	Business Combinations	1 January 2020
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendments to MFRS 14	Regulatory Deferral Accounts	1 January 2020
Amendments to MFRS 101	Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134	Interim Financial Reporting	1 January 2020
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138	Intangible Assets	1 January 2020
Amendment to IC Interpretation 12	Service Concession Arrangements	1 January 2020
Amendment to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
Amendment to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
Amendment to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
Amendment to IC Interpretation 132	Intangible Assets—Web Site Costs	1 January 2020
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

A2. Changes in Accounting Policies – continued

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

Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2015 – 2017 Cycle”

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.

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.

A2. Changes in Accounting Policies – continued

(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.

The Group is currently assessing the impact to the financial statements upon adopting the above standards on the effective dates.

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

A first and final single-tier dividend of 3.5 sen per share, in respect of the financial year ended 30 June 2017 amounting to RM2,800,000 was paid on 16 January 2018.

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		9 Months Ended	
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
Agrochemicals	18,143	16,173	60,276	51,656
Household insecticides	650	190	1,637	914
Total	18,793	16,363	61,913	52,570

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

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A9. Operating Segments – continued

	Malaysia RM'000	Holland RM'000	Indonesia RM'000	Japan RM'000	Vietnam RM'000	Other RM'000	Elimina- tions RM'000	Total RM'000
Current Quarter Ended 31.03.2018								
Segment revenue:								
Sales to external customers	9,137	1,235	1,479	2,572	4,093	277	-	18,793
Inter-segment sales	423	-	-	-	-	-	(423)	-
Total	<u>9,560</u>	<u>1,235</u>	<u>1,479</u>	<u>2,572</u>	<u>4,093</u>	<u>277</u>	<u>(423)</u>	<u>18,793</u>
Loss before tax								(214)
Income tax expense								(46)
Loss for the period								<u>(260)</u>

	Malaysia RM'000	Holland RM'000	Indonesia RM'000	Japan RM'000	Vietnam RM'000	Other RM'000	Elimina- tions RM'000	Total RM'000
Current Year To-Date Ended 31.03.2018								
Segment revenue:								
Sales to external customers	36,702	2,532	11,167	5,427	4,223	1,862	-	61,913
Inter-segment sales	731	-	-	-	-	-	(731)	-
Total	<u>37,433</u>	<u>2,532</u>	<u>11,167</u>	<u>5,427</u>	<u>4,223</u>	<u>1,862</u>	<u>(731)</u>	<u>61,913</u>
Profit before tax								6,787
Income tax expense								(954)
Profit for the year								<u>5,833</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 23 May 2018 which had affected substantially the results of the Group for the financial quarter ended 31 March 2018.

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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			9 Months Ended		
	31.03.2018	31.03.2017	Variance	31.03.2018	31.03.2017	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	18,793	16,363	14.9	61,913	52,570	17.8
(Loss)/profit before tax	(214)	2,044		6,787	7,120	
Income tax expense	(46)	(473)		(954)	(1,438)	
(Loss)/profit for the period	(260)	1,571	(116.6)	5,833	5,682	(2.7)

For the current quarter under review, the Group registered revenue of RM18.793 million as compared to the preceding year corresponding quarter of RM16.363 million, an increase of RM2.430 million or 14.9%. This increase is due to higher demand in export segment as compared to the preceding year corresponding quarter.

However profit for the period had decreased by 116.6% to loss of RM0.260 million in the current quarter under review as compared to the preceding year corresponding quarter profit of RM1.571 million. The decrease in the profit for the period was mainly contributed by lower margins generated due to the following reasons:

- (1) Raw material price increase for insecticide and the cost increased cannot fully be transferred to the customer immediately
- (2) Lower selling price for herbicide to mark to the market selling price as raw material price for glyphosate has been decreasing
- (3) Share of loss for associate company as third quarter was a low sales month due to the festive season in Vietnam

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B2. Variation of Results Against Preceding Quarter

	3 Months Ended		Variance %
	31.03.2018 RM'000	31.12.2017 RM'000	
Revenue	18,793	27,745	(32.3)
(Loss)/profit before tax	(214)	6,699	(103.2)

For the current quarter under review, the Group's loss before tax was RM0.214 million compared to the Group's profit before tax of RM6.699 million in the immediate preceding quarter. This 103.2% decrease in profit before tax in comparison with the immediate preceding quarter was due to lower revenue and lower profit margins generated this quarter.

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 31.03.2018 RM'000	Current Year To-Date Ended 31.03.2018 RM'000
	Current tax: - Malaysian income tax	(46)

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.

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B6. Corporate Proposals

There were no corporate proposals announced but not completed as at 23 May 2018.

B7. Borrowings

	As at 31.03.2018 RM'000	As at 30.06.2017 RM'000
RM denominated borrowings		
Short Term Borrowings		
Secured:		
Term Loan	<u>682</u>	<u>665</u>
Long Term Borrowings		
Secured:		
Term Loan	<u>4,210</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 23 May 2018.

B9. Dividend

No ordinary dividend has been declared for the quarter ended 31 March 2018.

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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 loss/profit for the period attributable to owners of the Company for the current quarter loss of RM0.260 million and current year to-date profit of RM5.833 million divided by the number of ordinary shares in issue during the period of 80,000,000.

(b) Diluted

The Group has no dilution in its earnings per ordinary share in the current and the preceding financial period as there are no dilutive potential ordinary shares.

B11. Profit Before Tax

	Current Quarter Ended 31.03.2018 RM'000	Current Year To-Date Ended 31.03.2018 RM'000
(Loss)/profit before tax is stated after (charging)/crediting:		
Rental income	13	39
Interest income	175	552
Gain on disposal of property, plant and equipment	12	16
Foreign exchange loss - realised	(217)	(390)
Foreign exchange loss - unrealised	(38)	(119)
Reversal of allowance for impairment of trade receivables	67	137
Interest expenses	(71)	(229)
Depreciation and amortisation	(410)	(1,266)
Impairment loss on trade receivables	(60)	(180)

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 23 May 2018.