

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*, International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, provision of the Companies Act 2016 in Malaysia 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. Accounting Policies

(i) 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, except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

		<u>Effective dates</u>
Amendments to MFRS 12	Annual Improvements to MFRS Standards 2014 - 2016 Cycle	1 January 2017
Amendments to MFRS 107	Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The adoption of the above amendments to MFRSs did not have any significant financial impact on the results and the financial position of the Group for the current quarter.

A2. Accounting Policies – continued

(ii) Standards issued but not yet effective

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 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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2014 – 2016 Cycle”		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 MFRSs contained in the document entitled “Annual Improvements to MFRS Standards 2015 – 2017 Cycle”		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

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A2. Accounting Policies – continued

		<u>Effective dates</u>
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

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

MFRS 9 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 July 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in MFRS 9 are based on an expected credit loss model and replace the MFRS 139 incurred loss model.

A2. Accounting Policies – continued

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting MFRS 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts MFRS 9 in 2018.

- **Impairment**

MFRS 9 requires the Group to record expected credit losses on all of its debt securities, loans, trade receivables, financial guarantees and contract assets under MFRS 15 Revenue from Contracts from Customers, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables and contract assets.

(ii) **MFRS 15 Revenue from Contracts with Customers**

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. The standard establishes a new five-step model that will apply to revenue arising from contracts with customers. Under MFRS15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

The presentation and disclosure requirements in MFRS 15 are more detailed than the current standard. Many of the disclosure requirements in MFRS 15 are new. The Group has performed a preliminary impact assessment of adopting MFRS 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 15 in 2018.

The Directors do not expect the impact to be material on its financial statements.

A2. Accounting Policies – continued

(iii) MFRS 16 Leases

MFRS 16 will result in almost all leases being recognised on the Statement of Financial Position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly. The new leases standard is effective for annual periods beginning on or after 1 July 2019.

Some of the commitments of the Group may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under MFRS 16.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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.

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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.

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		12 Months Ended	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	RM'000	RM'000	RM'000	RM'000
Agrochemicals	18,553	13,228	78,829	64,884
Household insecticides	721	218	2,358	1,132
Total	19,274	13,446	81,187	66,016

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 27 August 2018 which had affected substantially the results of the Group for the financial quarter ended 30 June 2018.

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

B1. Performance Review

	3 Months Ended			12 Months Ended		
	30.06.2018 RM'000	30.06.2017 RM'000	Variance %	30.06.2018 RM'000	30.06.2017 RM'000	Variance %
Revenue	19,274	13,446	43.3	81,187	66,016	23.0
Profit before tax	286	978		7,073	8,098	
Income tax expense	(385)	(898)		(1,339)	(2,336)	
(Loss)/profit for the period	(99)	80	(223.8)	5,734	5,762	(0.5)

For the current quarter under review, the Group registered revenue of RM19.274 million as compared to the preceding year corresponding quarter of RM13.446 million, an increase of RM5.828 million or 43.3%. This increase is due to higher demand in the export segment as compared to the preceding year corresponding quarter.

However, profit for the period had decreased by 223.8% to a loss of RM0.099 million in the current quarter under review as compared to the preceding year corresponding quarter profit of RM0.080 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 price increase cannot be fully transferred to the customer immediately
- (2) Lower selling price for herbicide marked to the market selling price as raw material price for glyphosate has been decreasing

B2. Variation of Results Against Preceding Quarter

	3 Months Ended		Variance
	30.06.2018	31.03.2018	
	RM'000	RM'000	%
Revenue	19,274	18,793	2.6
Profit/(loss) before tax	286	(214)	233.6

For the current quarter under review, the Group's profit before tax was RM0.286 million as compared to the Group's loss before tax of RM0.214 million in the immediate preceding quarter. This 233.6% increase in profit before tax in comparison with the immediate preceding quarter was mainly due to unrealised gain on foreign exchange 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	Current Year
	Quarter Ended	To-Date Ended
	30.06.2018	30.06.2018
	RM'000	RM'000
Current tax:		
- Malaysian income tax	(385)	(1,339)

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 27 August 2018.

B7. Borrowings

	As at 30.06.2018 RM'000	As at 30.06.2017 RM'000
RM denominated borrowings		
Short Term Borrowings		
Secured:		
Term Loan	690	665
Long Term Borrowings		
Secured:		
Term Loan	4,027	4,719

There are no borrowings denominated in foreign currency.

B8. Changes in Material Litigation

There were no material litigations involving the Group as at 27 August 2018.

B9. Dividend

The Board of Directors is recommending a first and final dividend single tier dividend of 3.5 sen per share in respect of the financial year ended 30 June 2018. The dividend payable amounting to RM2.8million if approved by the shareholders of the company at the forthcoming Annual General Meeting of the company will be paid on a date to be announced.

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 RM0.099 million and current year to-date profit of RM5.734 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.

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B11. Profit Before Tax

	Current Quarter Ended 30.06.2018 RM'000	Current Year To-Date Ended 30.06.2018 RM'000
Profit before tax is stated after (charging)/crediting:		
Rental income	(17)	22
Interest income	184	736
Gain on disposal of property, plant and equipment	4	20
Foreign exchange gain - realised	450	60
Foreign exchange gain - unrealised	570	451
Reversal of allowance for impairment of trade receivables	16	153
Interest expenses	(45)	(274)
Depreciation and amortisation	(399)	(1,665)
Impairment loss on trade receivables	176	(6)

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 27 August 2018.