

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 2018. 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 2018.

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 2018, except for the adoption of the following new/revised MFRSs and amendments to MFRSs:

		<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

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.

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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 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 References to the Conceptual Framework in MFRS Standards	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	To be announced by the MASB Board

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 2018 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.

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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 2018 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.

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	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	RM'000	RM'000	RM'000	RM'000
Agrochemicals	20,775	26,800	34,431	42,133
Household insecticides	69	945	645	987
Total	20,844	27,745	35,076	43,120

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 2018.

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 29 January 2019 which had affected substantially the results of the Group for the financial quarter ended 31 December 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			6 Months Ended		
	31.12.2018	31.12.2017	Variance	31.12.2018	31.12.2017	Variance
	RM'000	RM'000	%	RM'000	RM'000	%
Revenue	20,844	27,745	(24.9)	35,076	43,120	(18.7)
Profit before tax	1,091	6,699		2,091	7,001	
Income tax expense	(396)	(810)		(630)	(908)	
Profit for the period	695	5,889	(88.2)	1,461	6,093	(76.0)

For the current quarter under review, the Group registered revenue of RM20.844 million as compared to the preceding year corresponding quarter of RM27.745 million, a decrease of RM6.901 million or (24.9%). This decrease is due to lower demand in the local segment as compared to the preceding year corresponding quarter.

Profit for the period had decreased by 88.2% to RM0.695 million in the current quarter under review as compared to the preceding year corresponding quarter profit of RM5.889 million. The decrease in the profit for the period was mainly contributed by lower revenue and lower margins generated.

B2. Variation of Results Against Preceding Quarter

	3 Months Ended		Variance
	31.12.2018	30.09.2018	
	RM'000	RM'000	
Revenue	20,844	14,232	46.5
Profit before tax	1,091	1,000	9.1

For the current quarter under review, the Group's profit before tax was RM1.091 million as compared to the Group's profit before tax of RM1.000 million in the immediate preceding quarter. This 9.1% increase in profit before tax in comparison with the immediate preceding quarter was mainly due to higher revenue generated.

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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 31.12.2018 RM'000	Current Year To-Date Ended 31.12.2018 RM'000
Current tax:		
- Malaysian income tax	<u>(396)</u>	<u>(630)</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 29 January 2019.

B7. Borrowings

	As at 31.12.2018 RM'000	As at 30.06.2018 RM'000
RM denominated borrowings		
Short Term Borrowings		
Secured:		
Term Loan	<u>695</u>	<u>690</u>
Long Term Borrowings		
Secured:		
Term Loan	<u>3,645</u>	<u>4,027</u>

There are no borrowings denominated in foreign currency.

B8. Changes in Material Litigation

There were no material litigations involving the Group as at 29 January 2019.

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 2018.

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 2018 and paid on 16 January 2019.

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 RM0.688 million and current year to-date of RM1.461 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 31.12.2018 RM'000	Current Year To-Date Ended 31.12.2018 RM'000
Profit before tax is stated after (charging)/crediting:		
Rental income	13	26
Interest income	201	373
Gain on disposal of property, plant and equipment	12	14
Foreign exchange gain - realised	72	162
Foreign exchange loss - unrealised	(221)	(158)
Reversal of allowance for impairment of trade receivables	16	33
Interest expenses	(72)	(146)
Depreciation and amortisation	(691)	(1,383)
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 29 January 2019.