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 adopted by the Group and the Company are consistent with those adopted in the previous financial year, except in current financial year, the Group and the Company adopted all the new and revised standards which are effective for financial year beginning on or after 1 July 2018.

<u>Effective for financial year beginning on or after 1 July 2018</u>

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments to MFRS 128	Investment in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)
IC Interpretation 22	Foreign Currency Transaction and Advance Consideration

The principal changes in accounting policies and their effects are set out below:

<u>MFRS 9 Financial instruments</u>

On 1 July 2018, the Group adopted MFRS 9 Financial Instruments, which is effective for annual periods beginning on or after 1 July 2018.

The changes arising from the adoption of MFRS 9 have been applied retrospectively. The Group has elected to apply the exemption and has not restated comparative information in the year of initial application. The impact arising from MFRS 9 adoption was included in the opening retained earnings at the date of initial application, 1 July 2018. The comparative information was prepared in accordance with the requirements of MFRS 139.

A2. Accounting Policies – continued

Classification and measurement

MFRS 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

The assessment of the business model and whether the financial assets meet the SPPI requirements was made as of 1 July 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 July 2018.

The Group's and the Company's debt instruments have contractual cash flows that are solely payments of principal and interest. The Group and the Company has a mixed business model.

Impairment

MFRS 9 requires the Group and the Company to record expected credit losses on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group and the Company previously recorded impairment based on incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of MFRS 9, the Group recognised additional impairment on the Group's trade receivables and amount due from an associated company of RM1.172 million and RM0.524 million respectively.

The additional impairment recognised arising from adoption of MFRS 9 above resulted in a corresponding decrease in retained earnings of RM1.696 million as at 1 July 2018.

A2. Accounting Policies – continued

Tax adjustments and other adjustments

The corresponding tax impact to the Group arising from the adoption of MFRS 9 resulted in a decrease in deferred tax liabilities and a corresponding increase in retained earnings of RM0.266 million and RM0.266 million respectively.

Effect of adoption of MRFS 9 is set out below:

The Group has applied MFRS 9 retrospectively on the initial application date of 1 July 2018 and elected not to restate comparatives.

	As previously reported RM'000	Adjustments for MFRS 9 RM'000	After Adjustments RM'000
Group			
Financial assets			
Trade receivables	28,434	(1,172)	27,262
Amount due from an associated company	1,162	(524)	638
Deferred tax liabilities	1,002	(266)	736

The reconciliation for loss allowances for the Group is as follows:-

	Receivables RM'000	Amount due from an associated company RM'000
Opening loss allowance as at 1 July 2018	483	-
Amount restated through opening retained earnings	1,172	524
Adjusted loss allowance	1,655	524

MFRS 15 Revenue from Contracts with Customers

MFRS 15 Revenue from Contracts with Customers replaces MFRS 118 Revenue and MFRS 111 Construction Contracts and related interpretations.

A2. Accounting Policies – continued

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 MFRS 15, 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 standard also specified the accounting for incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In accordance with the transitional provision in MFRS 15, the Group has adopted the standard using the modified retrospective approach without any restatement to the comparative information. As the Group has been recognising revenue in a manner consistent with the principles of MFRS 15, no adjustment has been made to the amounts recognised in the financial statements, hence no modification to the existing accounting policy on revenue recognition as disclosed in Note 3(s) to the Financial Statements.

The Group has assessed that there is no significant impact on MFRS 15 on interest income and dividend income.

(ii) Standards issued but not yet effective

As at the date of authorisation of these financial statements, the following new and revised standards have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group and the Company.

<u>Effective for financial year beginning on or after 1 July 2019</u>

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements to 2015 – 2018 Cycle)
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements (Annual Improvements 2015 – 2018 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements 2015 – 2018 Cycle)
Amendments to MFRS 119	Employee Benefits - Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs (Annual Improvements 2015 – 2018 Cycle)
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

A2. Accounting Policies – continued

Effective for financial year beginning on or after 1 July 2020

Amendments to MFRS 3	Business Combinations (Definitions of a Business)
Amendments to MFRS 101	Presentation of Financial Statements (Definition of Material)
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors (Definition of Material)

Effective for financial year beginning on or after 1 July 2021

MFRS 17	Insurance Contracts

Effective for financial year beginning on or after a date yet to be determined

Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Except for MFRS 16, the Directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of MFRS 16 are described below.

MFRS 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. MFRS 16 is effective for annual periods beginning on or after 1 July 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt MFRS 16 retrospectively with the cumulative effect of initially applying this standard as an adjustment to the opening retained earnings at the date of initial application, 1 July 2019.

On the adoption of MFRS 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if MFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statements of Financial Position immediately before 1 July 2019.

A2. Accounting Policies – continued

In addition, the Group plans to elect the following practical expedients:

(i) not to reassess whether a contract is, or contains a lease at the date of initial application and to apply MFRS 16 to all contracts that were previously identified as leases

(ii) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019

(iii) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts MFRS 16 in 2020.

The effect of adoption of MFRS 16 has no material impact to the Group.

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.

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

A first and final single-tier dividend of 3.5 sen per share, in respect of the financial year ended 30 June 2018 amounting to RM2.8 million was paid on 16 January 2019.

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**	
	30.06.2019 RM'000	**30.06.2018 RM'000**	**30.06.2019 RM'000**	**30.06.2018 RM'000**
Agrochemicals	11,514	16,916	63,367	78,829
Household insecticides	96	-	774	-
Total	11,610	16,916	64,141	78,829

A9. Operating Segments – continued

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

	Malaysia RM'000	Russia RM'000	Japan RM'000	Bulgaria RM'000	Others RM'000	Elimina-tions RM'000	Total RM'000
Current Quarter Ended 30.06.2019							
Segment revenue:							
Sales to external customers	7,714	300	1,853	5	1,738	-	11,610
Inter-segment sales	255	-	-	-	-	(255)	-
Total	7,969	300	1,853	5	1,738	(255)	11,610
Continuing operations							
Profit before tax							1,641
Income tax expense							(652)
Profit from continuing operations							989
Discontinued operations							
Loss from discontinued operations							(1,107)
Loss for the period							(118)

A9. Operating Segments – continued

	Malaysia RM'000	Russia RM'000	Japan RM'000	Bulgaria RM'000	Others RM'000	Elimina-tions RM'000	Total RM'000
Current Year To-Date Ended 30.06.2019							
Segment revenue:							
Sales to external customers	34,265	10,155	6,731	3,871	9,119	-	64,141
Inter-segment sales	900	-	-	-	-	(900)	-
Total	35,165	10,155	6,731	3,871	9,119	(900)	64,141
Continuing operations							
Profit before tax							4,198
Income tax expense							(1,059)
Profit from continuing operations							3,139
Discontinued operations							
Loss from discontinued operations							(2,562)
Profit for the year							577

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, except for a wholly-owned subsidiary being classified as held-for sale.

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 21 August 2019 which had affected substantially the results of the Group for the financial quarter ended 30 June 2019.

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		
	30.06.2019 RM'000	**30.06.2018 RM'000**	**Variance %**	**30.06.2019 RM'000**	**30.06.2018 RM'000**	**Variance %**
Continuing operations						
Revenue	11,610	16,916	(31.4)	64,141	78,829	(18.6)
Profit before tax	1,641	2,361		4,198	9,148	
Income tax expense	(652)	(351)		(1,059)	(1,305)	
Profit from continuing operations	989	2,010		3,139	7,843	
Discontinued operations						
Loss from discontinued operations	(1,107)	(2,109)		(2,562)	(2,109)	
(Loss)/profit for the period	(118)	(99)	19.2	577	5,734	(89.9)

For the current quarter under review, the Group registered revenue of RM11.610 million as compared to the preceding year corresponding quarter of RM16.916 million, a decrease of RM5.306 million or 31.4%. This decrease is due to lower demand in both local and export segment as compared to the preceding year corresponding quarter.

Loss for the period had increased by 19.2% to RM0.118 million in the current quarter under review as compared to the preceding year corresponding quarter of RM0.099 million. The marginal loss for the period was mainly contributed by lower revenue generated.

B2. Variation of Results Against Preceding Quarter

	3 Months Ended		
	30.06.2019	**31.03.2019**	**Variance**
	RM'000	**RM'000**	**%**
Continuing operations			
Revenue	11,610	16,772	(30.8)
Profit/(loss) before tax	1,641	(989)	265.9

For the current quarter under review, the Group's profit before tax was RM1.641 million as compared to the Group's loss before tax of RM0.989 million in the immediate preceding quarter. This 265.9% increase in profit before tax in comparison with the immediate preceding quarter was mainly due to higher margin generated.

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 30.06.2019 RM'000	**Current Year To-Date Ended 30.06.2019 RM'000**
Continuing operations		
Current tax:		
- Malaysian income tax	(652)	(1,059)

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 21 August 2019.

B7. Borrowings

RM denominated borrowings	**As at 30.06.2019 RM'000**	**As at 30.06.2018 RM'000**
Short Term Borrowings		
Secured:		
Term Loan	711	690
Long Term Borrowings		
Secured:		
Term Loan	3,314	4,027

There are no borrowings denominated in foreign currency.

B8. Changes in Material Litigation

There were no material litigations involving the Group as at 21 August 2019.

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 2019. The dividend payable amounting to RM2.8 million 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 RM0.118 million and current year to-date profit of RM0.577 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 30.06.2019 RM'000	**Current Year To-Date Ended 30.06.2019 RM'000**
Profit before tax is stated after (charging)/crediting:		
Rental income	31	70
Interest income	142	663
Gain on disposal of property, plant and equipment	111	134
Foreign exchange gain – realised	225	325
Foreign exchange loss - unrealised	(283)	(280)
Reversal of allowance for impairment of trade receivables	354	391
Interest expenses	(61)	(266)
Depreciation and amortisation	(539)	(2,625)
Impairment loss on trade receivables	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 21 August 2019.