

Company No: 1175681-P

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2018

Company No: 1175681-P

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

CONTENTS	PAGES
• Corporate Information	2
• Directors' Report	3-6
• Statement by Directors and Statutory Declaration	7
• Independent Auditors' Report	8-11
• Statement of Financial Position	12
• Statement of Profit or Loss and Other Comprehensive Income	13
• Statement of Changes in Equity	14
• Statement of Cash Flows	15-16
• Notes to the Financial Statements	17-45

Company No: 1175681-P

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

CORPORATE INFORMATION

DIRECTORS

Shubhro Ghosh
Sunam Sarkar
Siew Zun Kai
Satish Sharma (appointed on 11 April 2018)

SECRETARY

Lim Poh Seng

AUDITORS

Grant Thornton Malaysia
(Member of Grant Thornton International Ltd)
Chartered Accountants
Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur

REGISTERED OFFICE

Level 21, Suite 21.01
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

**PRINCIPAL PLACE OF
BUSINESS**

Unit 1504, Level 15, Uptown 1
1, Jalan SS21/58, Damansara Uptown
47400 Petaling Jaya
Selangor Darul Ehsan

BANKERS

Standard Chartered Bank Malaysia Berhad
Malayan Banking Berhad
BNP Paribas Malaysia Berhad

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 March 2018.

PRINCIPAL ACTIVITY

The Company is principally engaged in the dealing, trading, marketing and sales of tyres, tubes or any other related products and activities.

There had been no significant changes in the principal activity of the Company during the financial year.

FINANCIAL RESULT

The results of the Company for the financial year ended 31 March 2018 were as follows:-

	RM
Loss for the financial year	<u>1,095,364</u>

DIVIDENDS

There were no dividends proposed, paid or declared by the Company since the end of the previous financial period.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

DIRECTORS

The name of the Directors of the Company in the office during the financial year and during the period commencing from the end of the financial year to the date of this report are:-

Shubhro Ghosh
Sunam Sarkar
Siew Zun Kai
Satish Sharma (appointed on 11 April 2018)

Company No: 1175681-P

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

None of the Directors at the end of the financial year held any interest in shares and options over shares in the Company or shares, options over shares and debentures of its related corporations during the financial year.

DIRECTORS' REMUNERATION

During and at the end of the financial year, no arrangement subsisted to which the Company is a party, with the objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares, in the Company or any other body corporate.

Since the end of the previous financial period, no Director has received or become entitled to receive any benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

SHARE CAPITAL AND DEBENTURES

There were no new issuance of shares or debentures during the financial year.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

There is no indemnity coverage and insurance premium paid for Directors and officers of the Company during the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Company were made out, the Directors took reasonable steps:-

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the provision for doubtful debts, and satisfied themselves that there were no bad debts to be written off and no provision for doubtful debts was required; and
- (b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Company, have been written down to amounts which they might be expected to realise.

At the date of this Report, the Directors are not aware of any circumstances:-

- (a) which would render it necessary to write off any bad debts or to make any provision for doubtful debts in the financial statements of the Company; or
- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

Company No: 1175681-P

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)

At the date of this Report, the Directors are not aware of any circumstances (cont'd):-

- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
- (d) not otherwise dealt with in this Report or the financial statements which would render any amount stated in the financial statements misleading.

At the date of this Report, there does not exist:-

- (a) any charges on the assets of the Company which have arisen since the end of the financial year to secure the liability of any other person; and
- (b) any contingent liabilities of the Company which have arisen since the end of the financial year.

In the opinion of the Directors:-

- (a) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may substantially affect the ability of the Company to meet its obligations as and when they fall due; and
- (b) the results of operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (c) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of operations of the Company for the current financial year in which this Report is made.

IMMEDIATE HOLDING COMPANY AND ULTIMATE HOLDING COMPANY

The immediate holding company is Apollo Tyres Holdings (Singapore) Pte. Ltd., a company incorporated and domiciled in Singapore.

The ultimate holding company is Apollo Tyres Ltd., a company incorporated and domiciled in India and listed on the National Stock Exchange of India Ltd and BSE Ltd.

Company No: 1175681-P

AUDITORS

The total amount of fees paid to or receivable by the auditors, Messrs Grant Thornton Malaysia, as remuneration for their services as auditors of the Company for the financial year ended 31 March 2018 amounted to RM15,000.

There was no indemnity given to or insurance effected for the auditors of the Company.

The Auditors, Messrs Grant Thornton Malaysia, have expressed their willingness to continue in office.

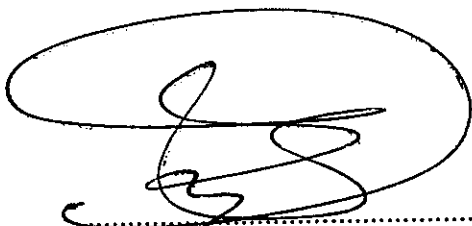
Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

Shubhro Ghosh

.....)
SHUBHRO GHOSH)

Thailand)

7 May 2018)



.....)
SIEW ZUN KAI)

Malaysia)

8 May 2018)

DIRECTORS

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

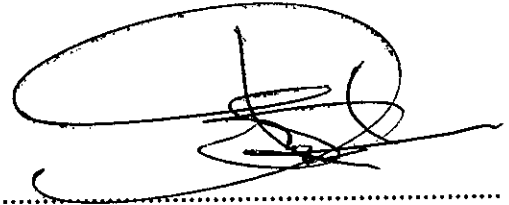
STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 12 to 45 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2018 and of its financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Board of Directors.

Shubho Ghosh

SHUBHO GHOSH
Thailand
7 May 2018

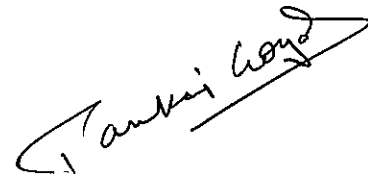


SIEW ZUN KAI
Malaysia
8 May 2018

STATUTORY DECLARATION

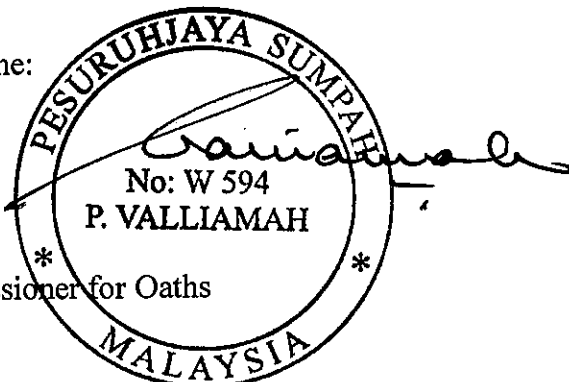
I, Pankaj Goyal, being the Officer primarily responsible for the financial management of Apollo Tyres (Malaysia) Sdn. Bhd., do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 12 to 45 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the Statutory Declaration Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Kuala Lumpur in)
the Federal Territory this day of)
8 May 2018)



PANKAJ GOYAL

Before me:



Commissioner for Oaths

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF**

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)
Company No: 1175681-P

Grant Thornton Malaysia

(AF:0737)

Level 11, Sheraton Imperial Court
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia

T +603 2692 4022

F +603 2691 5229

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Apollo Tyres (Malaysia) Sdn. Bhd. ("the Company"), which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 12 to 45.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Company No: 1175681-P

Report on the Audit of the Financial Statements (cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Company that give a true and fair view in accordance with MFRSs, IFRSs and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Company No: 1175681-P

Report on the Audit of the Financial Statements (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Company No: 1175681-P

Report on the Audit of the Financial Statements (cont'd)

Other Matters

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.



GRANT THORNTON MALAYSIA
(NO. AF: 0737)
CHARTERED ACCOUNTANTS

Kuala Lumpur
8 May 2018



OOI POH LIM
CHARTERED ACCOUNTANT
(NO: 3087/10/19(J))

APOLLO TYRES (MALAYSIA) SDN. BHD.

(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	<u>Note</u>	<u>31.3.2018</u> RM	<u>31.3.2017</u> RM
ASSETS			
Non-current assets			
Property, plant and equipment	6	179,660	315,958
Deferred tax assets	7	357,000	209,000
Total non-current assets		<u>536,660</u>	<u>524,958</u>
Current assets			
Inventories	8	5,122,989	2,956,550
Trade receivables	9	1,975,953	658,155
Other receivables	10	698,821	608,075
Fixed deposit with a licensed bank	11	-	2,002,260
Bank balances		1,201,506	2,587,772
Total current assets		<u>8,999,269</u>	<u>8,812,812</u>
TOTAL ASSETS		<u><u>9,535,929</u></u>	<u><u>9,337,770</u></u>
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the owner of the Company			
Share capital	12	6,484,860	6,484,860
Accumulated losses		(2,106,294)	(1,010,930)
Total equity		<u>4,378,566</u>	<u>5,473,930</u>
LIABILITIES			
Current liabilities			
Other payables	13	2,785,781	1,826,278
Amount due to ultimate holding company	14	2,225,699	1,903,377
Amount due to a related company	14	145,883	134,185
Total current liabilities/Total liabilities		<u>5,157,363</u>	<u>3,863,840</u>
TOTAL EQUITY AND LIABILITIES		<u><u>9,535,929</u></u>	<u><u>9,337,770</u></u>

The accompanying notes form an integral part of the financial statements.

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL YEAR ENDED
31 MARCH 2018**

	<u>Note</u>	1.4.2017 to <u>31.3.2018</u> RM	16.2.2016 to <u>31.3.2017</u> RM
Revenue	15	28,903,403	15,897,700
Cost of sales		<u>(23,547,945)</u>	<u>(12,658,635)</u>
Gross profit		5,355,458	3,239,065
Other income		403,917	154,610
Selling and distribution expenses		(4,059,576)	(1,735,053)
Administration expenses		<u>(2,943,163)</u>	<u>(2,878,552)</u>
Loss before tax	16	(1,243,364)	(1,219,930)
Tax income	17	<u>148,000</u>	<u>209,000</u>
Loss for the financial year/period		(1,095,364)	(1,010,930)
Other comprehensive income for the financial year/period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year/period		<u><u>(1,095,364)</u></u>	<u><u>(1,010,930)</u></u>

The accompanying notes form an integral part of the financial statements.

Company No: 1175681-P

APOLLO TYRES (MALAYSIA) SDN. BHD.

(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

	<u>Note</u>	<u>Share capital</u> RM	<u>Accumulated losses</u> RM	<u>Total</u> RM
At date of incorporation		2	-	2
Transactions with owner:-				
Issuance of shares capital	12	6,484,858	-	6,484,858
Total comprehensive loss for the financial period		-	(1,010,930)	(1,010,930)
Balance at 31 March 2017		6,484,860	(1,010,930)	5,473,930
Total comprehensive loss for the financial year		-	(1,095,364)	(1,095,364)
Balance at 31 March 2018		<u>6,484,860</u>	<u>(2,106,294)</u>	<u>4,378,566</u>

The accompanying notes form an integral part of the financial statements.

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	1.4.2017 to <u>Note</u> <u>31.3.2018</u> RM	16.2.2016 to <u>31.3.2017</u> RM
OPERATING ACTIVITIES		
Loss before tax	(1,243,364)	(1,219,930)
Adjustments for:-		
Depreciation	93,241	81,170
Gain on disposal of property, plant and equipment	(17,316)	-
Interest income	<u>(33,978)</u>	<u>(33,957)</u>
Operating loss before working capital changes	(1,201,417)	(1,172,717)
Changes in working capital:-		
Inventories	(2,166,439)	(2,956,550)
Receivables	(1,408,544)	(1,266,230)
Payables	959,503	1,826,278
Ultimate holding company	<u>344,783</u>	<u>1,962,538</u>
Cash used in operations	(3,472,114)	(1,606,681)
Interest income	<u>33,978</u>	<u>33,957</u>
Net cash used in operating activities	<u>(3,438,136)</u>	<u>(1,572,724)</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(11,627)	(397,128)
Proceed from disposal of property, plant and equipment	<u>72,000</u>	<u>-</u>
Net cash from/(used in) investing activities	<u>60,373</u>	<u>(397,128)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	6,484,860
Repayment to ultimate holding company	(22,461)	(59,161)
Advances from a related company	<u>11,698</u>	<u>134,185</u>
Net cash (used in)/from financing activities	<u>(10,763)</u>	<u>6,559,884</u>

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018

	<u>Note</u>	1.4.2017 to 31.3.2018 RM	16.2.2016 to 31.3.2017 RM
CASH AND CASH EQUIVALENTS			
Net changes		(3,388,526)	4,590,032
Brought forward/At the date of incorporation		4,590,032	-
Carried forward	A	1,201,506	4,590,032

NOTE TO STATEMENT OF CASH FLOWS

A. CASH AND CASH EQUIVALENTS COMPRISE OF:-

		<u>31.3.2018</u> RM	<u>31.3.2017</u> RM
Fixed deposit with a licensed bank	11	-	2,002,260
Bank balances		1,201,056	2,587,772
		1,201,056	4,590,032

The accompanying notes form an integral part of the financial statements.

APOLLO TYRES (MALAYSIA) SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018

1. GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 21, Suite 21.01, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur. The principal place of business of the Company is located at Unit 1504, Level 15, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

The Company is principally engaged in the dealing, trading, marketing and sales of tyres, tubes or any other related products and activities.

There had been no significant changes in the principal activity of the Company during the financial year.

The immediate holding company is Apollo Tyres Holdings (Singapore) Pte. Ltd., a company incorporated and domiciled in Singapore.

The ultimate holding company is Apollo Tyres Ltd., a company incorporated and domiciled in India and is listed on the National Stock Exchange of India Ltd. and BSE Ltd..

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 7 May 2018.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Companies Act, 2016 in Malaysia.

2.2 Basis of measurement

The financial statements of the Company are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

2. BASIS OF PREPARATION (CONT'D)

2.3 Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency and all values are rounded to the nearest RM except when otherwise stated.

2.4 Adoption of Amendments/Improvements to MFRSs

The Company has consistently applied the accounting policies set out in Note 3 to all periods presented in these financial statements.

At the beginning of the current financial year, the Company adopted amendments/improvements to MFRSs which are mandatory for the financial periods beginning on or after 1 January 2017.

Initial application of amendments/improvements to MFRSs did not have material impact to the financial statements.

2.5 Standards issued but not yet effective

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the Malaysian Accounting Standards Board ("MASB") but are not yet effective, and have not been early adopted by the Company.

Management anticipates that all of the relevant pronouncement will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement.

Information on new standards, amendments and interpretation that are expected to be relevant to the Company's financial statements is provided below. Certain other new standards and interpretations have been issued but not expected to have a material impact on the Company's financial statements.

IC Interpretation 22 Foreign currency transactions and advance consideration

This interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) and on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency.

If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 Standards issued but not yet effective

MFRS 9 Financial instruments

MFRS 9 replaces MFRS 139 Financial Instruments: Recognition and Measurement and all previous version of MFRS 9. The new standard introduces extensive requirements and guidance for classification and measurement of financial assets and financial liabilities which fall under the scope of MFRS 9, new “expected credit loss model” under the impairment of financial assets and greater flexibility has been allowed in hedge accounting transactions. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. Retrospective application is required, but comparative information is not compulsory. The adoption of MFRS 9 will result in a change in accounting policy. Overall, the Company expects no significant impact on its statement of financial position.

MFRS 15 Revenue from contracts with customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue – Barter Transactions Involving Advertising Services. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with current practices.

This standard will come into effect on or after 1 January 2018 with early adoption permitted. The adoption of MFRS 15 will result in a change in accounting policy. Overall, the Company expects no significant impact on its statement of financial position.

2. **BASIS OF PREPARATION (CONT'D)**

2.5 Standards issued but not yet effective (cont'd)

MFRS 16 Leases

MFRS 16 replaces MFRS 117 Leases, IC Interpretation 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (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.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under MFRS 16 is substantially unchanged from today's accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases.

MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

This standard will come into effect on or after 1 January 2019 with early adoption permitted. The adoption of MFRS 16 will result in a change in accounting policy. Overall, the Company expects no significant impact on its statement of financial position.

2. BASIS OF PREPARATION (CONT'D)

2.6 Significant accounting estimates and judgements

Estimates, assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies and reported amounts of assets, liabilities, income and expenses, and disclosures made. Estimates and underlying assumptions are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below:-

2.6.1 Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Fair value of financial instruments

Management uses valuation techniques in measuring the fair value of financial instruments where active market quotes are not available. Details of the assumptions used are given in the notes regarding financial assets and liabilities. In applying the valuation techniques, the management makes maximum use of market inputs, and uses estimates and assumptions that are, as far as possible, consistent with observable data that market participants would use in pricing the instrument. Where applicable data is not observable, the management uses its best estimate about the assumptions that market participants would make. These estimates may vary from the actual prices that would be achieved in an arm's length transaction at the reporting period.

In view of the Company's financial instruments are short term in-nature, hence, any differences in the management's estimation would not have material variance in the Company's profit for the financial year.

Impairment of loans and receivables

The Company assesses at end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

2. **BASIS OF PREPARATION (CONT'D)**

2.6 **Significant accounting estimates and judgements (cont'd)**

2.6.1 Estimation uncertainty (cont'd)

Impairment of loans and receivables (cont'd)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience of assets with similar credit risk characteristics.

Inventories

Inventories are measured at the lower of cost and net realisable value. In estimating net realisable values, management takes into account the most reliable evidence available at the times the estimates are made. The Company's core business is subject to economical and technology changes which may cause selling prices to change rapidly, and the Company's profit to change.

The carrying amount of the Company's inventories at the reporting date is disclosed in Note 8 to the Financial Statements.

The management expects that the expected net realisable values of the inventories would not have material difference from the management's estimation of a net realisable values, hence, it would not result in material variance in the Company's profit for the financial year.

Useful lives of depreciable assets

Property, plant and equipment are depreciated in a straight-line basis over their useful live. The management estimated the useful live of these assets to be within 5 years. At reporting date, the management assesses that the useful lives represent the expected utility of the assets to the Company. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore, future depreciation charges could be revised.

The carrying amount of the Company's property, plant and equipment at the reporting date is disclosed in Note 6 to the Financial Statements.

Management expects that the expected useful lives of the property, plant and equipment, would not have material difference from the management's estimates, hence, it would not result in material variance in the Company's profit for the financial year.

2. **BASIS OF PREPARATION (CONT'D)**

2.6 **Significant accounting estimates and judgements (cont'd)**

2.6.1 Estimation uncertainty (cont'd)

Income taxes

Significant judgement is involved in determining the Company's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognised tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, unutilised tax losses, unabsorbed capital allowances and unused tax credits to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences, unutilised tax losses and unabsorbed capital allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Assumptions about generation of future taxable profits depend on management's estimates of future cash flows. These depend on estimates of sales volume, operating costs, capital expenditure, dividends and other capital management transactions. Judgement is also required about application of income tax legislation. These judgements and assumptions are subject to risks and uncertainty, hence, there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets recognised in the statement of financial position and the amount of unrecognised tax losses and unrecognised temporary differences.

2. **BASIS OF PREPARATION (CONT'D)**

2.6 **Significant accounting estimates and judgements (cont'd)**

2.6.2 Significant management judgement

There are no significant areas of critical judgement in applying accounting policies that have any significant effect on the amount recognised in the financial statements, except for the following:-

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Company's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in which the Company operate are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

3. **CAPITAL MANAGEMENT**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new share capital. No changes were made in the objective, policies or processes during the financial year ended 31 March 2018 and financial period ended 31 March 2017.

4. FINANCIAL INSTRUMENTS

Categories of Financial Instruments

The table below provides an analysis of financial instruments categorised as follows:-

- i. Loans and receivables (“L&R”)
- ii. Other financial liabilities measured at amortised cost (“OFL”)

	Carrying amount RM	L&R RM	OFL RM
2018			
Financial assets			
Trade receivables	1,975,953	1,975,953	-
Other receivables	295,661	295,661	-
Cash and bank balances	<u>1,201,506</u>	<u>1,201,506</u>	<u>-</u>
	<u>3,473,120</u>	<u>3,473,120</u>	<u>-</u>
Financial liabilities			
Other payables	2,785,781	-	2,785,781
Amount due to ultimate holding company	2,225,699	-	2,225,699
Amount due to a related company	<u>145,883</u>	<u>-</u>	<u>145,883</u>
	<u>5,157,363</u>	<u>-</u>	<u>5,157,363</u>
2017			
Financial assets			
Trade receivables	658,155	658,155	-
Other receivables	35,436	35,436	-
Cash and bank balances	<u>2,587,772</u>	<u>2,587,772</u>	<u>-</u>
	<u>3,281,363</u>	<u>3,281,363</u>	<u>-</u>
Financial liabilities			
Other payables	1,826,278	-	1,826,278
Amount due to ultimate holding company	1,903,377	-	1,903,377
Amount due to a related company	<u>134,185</u>	<u>-</u>	<u>134,185</u>
	<u>3,863,840</u>	<u>-</u>	<u>3,863,840</u>

4. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies

4.1 Financial risks

The Company is exposed to financial risks arising from its operations and the use of financial instruments.

Financial risk management policy is established to ensure that adequate resources are available for the development of the Company's business whilst managing its credit risk, liquidity risk, interest rate risk and foreign currency risk. The Company operates within clearly defined policies and procedures that are approved by the Board of Directors to ensure the effectiveness of the risk management process.

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows:-

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. It is the Company's policy to enter into financial instrument with a diversity of creditworthy counterparties. The Company does not expect to incur material credit losses of its financial assets or other financial instruments.

Concentration of credit risk exists when changes in economic, industry and geographical factors similarly affect the group of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instrument is broadly diversified along industry, product and geographical lines, and transactions are entered into with diverse creditworthy counterparties, thereby mitigate any significant concentration of credit risk.

It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Company does not offer credit terms without the approval of the head of credit control.

The areas where the Company is exposed to credit risk are as follows:-

Receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from receivable is limited to the carrying amounts in the statement of financial position.

4. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risk Management Objectives and Policies (cont'd)

4.1 Financial risks (cont'd)

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

Credit risk (cont'd)

Receivables (cont'd)

With the credit policy in place to ensure the credit risk is monitored on an ongoing basis, the management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company. The Company uses aging analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than credit terms granted are deemed to have higher credit risk, and are monitored individually.

Concentration of credit risk

In respect of trade receivables, the Company has no significant concentration of credit risk with any single counterparty except that 63% (31.3.2017: 68%) of the trade receivables balances are due from 4 (2017: 3) customers.

In respect of other receivables, the Company is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

The areas where the Company is exposed to credit risk are as follows:-

Receivables

Aging analysis of trade receivables

	Gross RM	Individually impaired RM	Net RM
<u>2018</u>			
Not past due	1,878,821	-	1,878,821
Past due 0-30 days	40,290	-	40,290
Past due above 90 days	56,842	-	56,842
	<u>1,975,953</u>	<u>-</u>	<u>1,975,953</u>
<u>2017</u>			
Not past due	601,998	-	601,998
Past due 0-30 days	56,157	-	56,157
	<u>658,155</u>	<u>-</u>	<u>658,155</u>

4. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

4.1 Financial risks (cont'd)

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

Credit risk (cont'd)

Receivables (cont'd)

Financial assets that are neither past due nor impaired

There is no impairment loss recognised in the relevant period since all receivables are collectable and the Directors expect all balances to be recoverable.

Financial assets that are past due but not impaired

Trade receivables of RM97,132 (2017: RM56,157) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default and Directors expect that they are recoverable.

Financial assets that are impaired

There are no receivables of the Company that are impaired.

Deposits with banks

Concentration of credit risk

The Company has no significant concentration of credit risk with any single bank.

Financial assets that are neither past due nor impaired

Deposits with banks that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

As at the reporting date, there was no indication that the deposits with banks are not recoverable.

Financial assets that are past due but not impaired

There are no deposits with banks of the Company that are past due but not impaired.

Financial assets that are impaired

There are no deposits with banks of the Company are impaired.

4. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

4.1 Financial risks (cont'd)

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due as a result of shortage of funds. In managing its exposures to liquidity risk arises principally from its various payables, the Company maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities as and when they fall due.

The Company aims to maintain a balance of sufficient cash and deposits and flexibility in funding by keeping diverse sources of committed and uncommitted credit facilities from various banks.

The areas where the Company are exposed to liquidity risk are as follows:-

Analysis of financial instruments by contractual maturities

The Company's financial liabilities is repayable within 12 months.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company's financial instruments will fluctuate as a result of changes in market interest rates.

Sensitivity analysis for interest rate risk

The interest profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at end of the reporting date were as follows:-

	<u>Less than 1 year</u> RM
<u>2017</u>	
Fixed rate instrument	
Financial asset	
Fixed deposit with a licensed bank	<u>2,002,260</u>

4. **FINANCIAL INSTRUMENTS (CONT'D)**

Financial Risk Management Objectives and Policies (cont'd)

4.1 Financial risks (cont'd)

The main areas of financial risks faced by the Company and the policy in respect of the major areas of treasury activity are set out as follows (cont'd):-

Interest rate risk (cont'd)

The Company does not account for any fixed rate financial asset at fair value through profit or loss, and the Company does not designate derivatives as a hedging instruments under fair value hedge accounting model. Therefore, a change in interest rates at reporting date would not affect profit or loss.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial statement will fluctuate because of changes in foreign exchange rate.

The Company's exposure to foreign currency risk is insignificant as at the financial year then ended.

4.2 Fair value of financial instruments

The carrying amounts of short term receivables, payables, cash and cash equivalents, amount due to ultimate holding company and amount due to a related company approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

4.3 Fair value hierarchy

No fair value hierarchy has been disclosed as the Company does not have financial instruments measured at fair value.

5. **SIGNIFICANT ACCOUNTING POLICIES**

The Company applies the significant accounting policies, since the date of incorporation as summarised below, unless otherwise stated.

(a) Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(a) Property, plant and equipment (cont'd)

All property, plant and equipment are subsequently stated at cost less accumulated depreciation and less any impairment losses. When significant parts of property, plant and equipment are required to be replaced in intervals, the Company recognises such costs as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is recognised on the straight line method in order to write off the cost of each asset over its estimated useful lives. Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:-

Motor vehicles	20%
Furniture and fittings	20%
Computer hardware and software	20%
Office equipment	20%

The residual values, useful lives and depreciation method are reviewed at least annually to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(b) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or asset or the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

Operating lease

Lease, where the Company does not assume substantially all the risks and rewards of ownership are classified as operating lease and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(b) Leases (cont'd)

Operating lease (cont'd)

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(c) Inventories

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is based on weighted average basis and includes invoices value of goods purchased and expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(d) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below:-

Financial assets

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:-

- a) loans and receivables;
- b) financial assets at fair value through profit or loss;
- c) held to maturity investments; and
- d) available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (cont'd)

Financial assets (cont'd)

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired or when the financial assets and all substantial risks and rewards are transferred.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

At the reporting date, the Company has not designated any financial assets at fair value through profit or loss, held to maturity investments and available-for-sale financial assets. The Company carries only loans and receivables on its statement of financial position.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Company's trade and most of the other receivables and cash and cash equivalents fall into this category of financial instruments.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

Financial liabilities

After the initial recognition, financial liability is classified as financial liability at fair value through profit or loss or other financial liabilities measured at amortised cost using the effective interest method.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(d) Financial instruments (cont'd)

Financial liabilities (cont'd)

A financial liability is derecognised when the obligation under the liability is extinguished, discharged, cancelled or expired, or through amortisation process. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

At the reporting date, the Company has not designated any financial liabilities at fair value through profit or loss. The Company carries only other financial liabilities on its statement of financial position.

Other financial liabilities

The Company's financial liabilities include other payables, amount due to ultimate holding company and amount due to a related company.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(e) Cash and cash equivalents

Cash and cash equivalents consists of bank balances which have an insignificant risk of changes in value.

For the purpose of the statement of financial position, cash and cash equivalents restricted to be used to settle a liability of 12 months or more after the reporting date are classified as non-current asset.

(f) Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (exclude inventories and deferred tax assets) to determine whether there is any indication of impairment by comparing its carrying amount with its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(f) Impairment of non-financial assets (cont'd)

In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. Impairment losses recognised in respect of a cash-generating unit or groups of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to those units or group of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rate basis.

An impairment loss is recognised as an expense in the profit or loss immediately.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses for an asset other than goodwill may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset recoverable amount since the last impairment loss was recognised. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior financial years. Such reversal is recognised in profit or loss.

(g) Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired as a result of one or more events with impact on future cash flow of the asset have occurred.

Trade and other receivables and other financial assets carried at amortised cost

The Company considers factors such as the probability of insolvency or significant financial difficulties of the receivables and default or significant delay in payments to determine whether there is objective evidence that an impairment loss has occurred. If such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate and the loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an provision account. When a trade receivable becomes uncollectible, it is written off against the allowance account. For certain categories of financial assets, such as trade receivables, assets not impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(g) Impairment of financial assets (cont'd)

Trade and other receivables and other financial assets carried at amortised cost (cont'd)

Objective evidence of impairment for a portfolio of receivables could include the Company's past experience with industry group, increase in cases of delayed payments and observable changes in economic conditions.

If in a subsequent period, the amount of the impairment loss decreases and the decrease related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(h) Equity, reserves and dividend payments

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Ordinary shares are equity instruments.

Share capital represents the nominal value of shares that have been issued.

Accumulated losses include all current and previous financial year/period accumulated losses.

All transactions with owner of the Company are recorded separately within equity.

(i) Provision

Provisions are recognised when there is present legal or constructive obligation that can be estimated reliably, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where the effect of the time of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(j) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is not recognised in the statement of financial position and is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(i) ***Goods sold***

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) ***Interest income***

Interest income is recognised on an accrual basis using the effective interest method.

(l) Income tax

Current tax

Current tax expense is the expected amount of income taxes payable in respect of the taxable profit for the financial year and is measured using the tax rates that have been enacted or substantively enacted by the reporting date. Current tax for current and prior financial periods is recognised as liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax

Deferred tax liabilities and assets are provided for under liability method in respect of all temporary differences at reporting date between carrying amount of an asset or liability in the statement of financial position and its tax base including unused tax losses and capital allowances.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(l) Income tax (cont'd)

Deferred tax (cont'd)

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. The carrying amount of a deferred tax asset is reviewed at each reporting date. If it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profit will be available, such reductions will be reversed to the extent of the taxable profit.

Deferred tax are recognised as an expense or income in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

(m) Goods and services tax ("GST")

GST is a consumption tax based on value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input GST that the Company paid on purchases of business inputs can be deducted from output GST.

Revenues, expenses and assets are recognised net of the amount of GST except:-

- Where the GST incurred in a purchase of assets or services is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(n) Employee benefits

(i) **Short term employee benefits**

Wages, salaries, bonuses and social security contributions are recognised as expenses in the financial year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

A provision is made for the estimated liability for leave as a result of services rendered by employees up to the reporting date.

(ii) **Defined contribution plans**

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into independent entities of funds and will have no legal or constructive obligation to pay further contribution if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current financial year.

Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, the Company make such contributions to the Employees Provident Fund ("EPF").

(o) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ("the reporting entity"). A related party transaction is a transfer of resources, services or obligations between the reporting entity and its related party, regardless of whether a price is charged.

(a) A person or a close member of that person's family is related to the reporting entity if that person:-

- (i) Has control or joint control over the reporting entity;
- (ii) Has significant influence over the reporting entity; or
- (iii) Is a member of the key management personnel of the reporting entity.

5. **SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(o) Related parties (cont'd)

- (b) An entity is related to the reporting entity if any of the following conditions applies:-
- (i) The entity and the reporting entity are members of the same group;
 - (ii) One entity is an associate or joint venture of the reporting entity;
 - (iii) Both the entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is controlled or jointly-controlled by a person identified in the preceding paragraph above;
 - (vi) A person who has control or joint control over the reporting entity has significant influence over the entity or is a member of the key management personnel of the entity.
 - (vii) The entity, or any member of a group which it is a party, provides key management.

6. PROPERTY, PLANT AND EQUIPMENT

	<u>Motor vehicles</u>	<u>Furniture and fittings</u>	<u>Computer hardware and software</u>	<u>Office equipment</u>	<u>Total</u>
	RM	RM	RM	RM	RM
Cost					
At date of incorporation	-	-	-	-	-
Additions	196,862	120,826	28,047	51,393	397,128
At 31.3.2017/1.4.2017	196,862	120,826	28,047	51,393	397,128
Additions	-	-	7,620	4,007	11,627
Disposal	(98,431)	-	-	-	(98,431)
Balance as at 31.3.2018	98,431	120,826	35,667	55,400	310,324
Accumulated depreciation					
At date of incorporation	-	-	-	-	-
Charge for the financial year	49,215	21,198	2,801	7,956	81,170
At 31.3.2017/1.4.2017	49,215	21,198	2,801	7,956	81,170
Charge for the financial year	51,950	24,112	6,419	10,760	93,241
Disposal	(43,747)	-	-	-	(43,747)
Balance as at 31.3.2018	57,418	45,310	9,220	18,716	130,664
Net carrying amount					
Net carrying amount 31.3.2017	147,647	99,628	25,246	43,437	315,958
Net carrying amount 31.3.2018	41,013	75,516	26,447	36,684	179,660

7. DEFERRED TAX ASSETS

	<u>2018</u> RM	<u>2017</u> RM
Brought forward	209,000	-
Recognised in profit or loss	148,000	209,000
Carried forward	357,000	209,000

7. DEFERRED TAX ASSETS (CONT'D)

Deferred tax assets are made up of tax effect on temporary differences arising from:-

	<u>2018</u> RM	<u>2017</u> RM
Carrying amount of property, plant and equipment in excess of their tax base	4,000	14,000
Unutilised capital allowances	(36,000)	(33,000)
Unabsorbed business losses	(325,000)	(190,000)
	<u>357,000</u>	<u>209,000</u>

8. INVENTORIES

	<u>2018</u> RM	<u>2017</u> RM
Finishes goods	4,268,621	1,741,967
Goods-in-transit	854,368	1,214,583
	<u>5,122,989</u>	<u>2,956,550</u>

9. TRADE RECEIVABLES

Trade receivables are non-interest bearing and the normal trade credit terms granted to the customers are 30 (2017: 30) days. They are recognised at their original invoice amounts.

10. OTHER RECEIVABLES

	<u>2018</u> RM	<u>2017</u> RM
Deposits	295,661	35,436
Prepayments	397,704	474,250
GST receivable	5,456	98,389
	<u>698,821</u>	<u>608,075</u>

11. FIXED DEPOSIT WITH A LICENSED BANK

The effective interest rates of the fixed deposit with a licensed bank at the reporting date ranged from 2.75% to 3.26% (2017: 2.75% to 3.26%) per annum.

12. **SHARE CAPITAL**

	<u>2018</u> Unit	<u>2017</u> Unit	<u>2018</u> RM	<u>2017</u> RM
Issued and fully paid-up:-				
Ordinary shares				
At beginning of financial year/At date of incorporation	6,484,860	2	6,484,860	2
Issued during the financial year/period	<u>-</u>	<u>6,484,858</u>	<u>-</u>	<u>6,484,858</u>
At end of financial year/period	<u>6,484,860</u>	<u>6,484,860</u>	<u>6,484,860</u>	<u>6,484,860</u>

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

13. **OTHER PAYABLES**

	<u>2018</u> RM	<u>2017</u> RM
Accrual of expenses	1,723,731	1,207,635
Non-trade payables	<u>1,062,050</u>	<u>618,643</u>
	<u>2,785,781</u>	<u>1,826,278</u>

14. **AMOUNT DUE TO ULTIMATE HOLDING COMPANY AND A RELATED COMPANY**

	<u>2018</u> RM	<u>2017</u> RM
Amount due to ultimate holding company		
- Trade related	2,307,321	1,962,538
- Non-trade related	<u>(81,622)</u>	<u>(59,161)</u>
	<u>2,225,699</u>	<u>1,903,377</u>

The ultimate holding company is Apollo Tyres Ltd., a company incorporated and domiciled in India and is listed on the National Stock Exchange of India Ltd and BSE Ltd..

Related company refers to a member of Apollo Tyres Ltd. group of companies.

Amount due to ultimate holding company is unsecured, bears no interest and repayable on demand.

Amount due to a related company is non-trade related, unsecured, bears no interest and repayable on demand.

15. **REVENUE**

Revenue represents sales of goods net of discounts and taxes applicable to the revenue.

16. **LOSS BEFORE TAX**

Loss before tax has been determined after charging, amongst others, the following items:-

	1.4.2017 to <u>31.3.2018</u> RM	16.2.2016 to <u>31.3.2017</u> RM
Depreciation of property, plant and equipment	93,241	81,170
Gain on disposal of property, plant and equipment	17,316	-
Interest received	33,978	33,957
Rental expenses	120,120	110,711
Realised (gain)/loss on foreign exchange	<u>(352,623)</u>	<u>337,497</u>

17. **TAX INCOME**

	1.4.2017 to <u>31.3.2018</u> RM	16.2.2016 to <u>31.3.2017</u> RM
Deferred tax assets recognised	<u>(148,000)</u>	<u>(209,000)</u>

A reconciliation of tax income applicable to loss before tax at statutory tax rate to tax income at the effective tax rate of the Company is as follow:-

	1.4.2017 to <u>31.3.2018</u> RM	16.2.2016 to <u>31.3.2017</u> RM
Loss before tax	<u>(1,243,364)</u>	<u>(1,219,930)</u>
Tax at Malaysian statutory tax rate of 24%	(298,407)	(292,783)
Tax effects in respect of:-		
Expenses not deductible for tax purposes	157,524	83,783
Income not subject to tax	<u>(7,117)</u>	<u>-</u>
	<u>(148,000)</u>	<u>(209,000)</u>

17. **TAX INCOME (CONT'D)**

The Company's unabsorbed business losses and unutilised capital allowances which can be carried forward to offset against future taxable profit amounted to approximately RM1,356,000 and RM150,000 (16.2.2016 to 31.3.2017: RM793,000 and RM139,000).

18. **EMPLOYEES BENEFIT EXPENSES**

	1.4.2017 to <u>31.3.2018</u> RM	16.2.2016 to <u>31.3.2017</u> RM
Staff costs	<u>1,534,612</u>	<u>1,267,790</u>

Included in the employee benefit expenses of the Company is defined contribution plan of RM102,408 (16.2.2016 to 31.3.2017: RM63,516).

19. **RELATED PARTY DISCLOSURES**

(a) The transactions of the Company with the related parties were as follows:-

	1.4.2017 to <u>31.3.2018</u> RM	16.2.2016 to <u>31.3.2017</u> RM
Purchases from ultimate holding company	<u>25,485,133</u>	<u>13,609,832</u>
Goods-in-transit from ultimate holding company	<u>854,368</u>	<u>1,214,583</u>
Royalty charged by ultimate holding company	<u>48,989</u>	<u>22,101</u>
Royalty charged by a related company	<u>631,722</u>	<u>373,853</u>

(b) The outstanding balances arising from related party transactions as at the reporting date is disclosed in Note 14 to the Financial Statements.

(c) Key management personnel are defined as those persons have authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly.

The Company has no other members of key management personnel apart from the Board of Directors.