

**Company No: 1175681-P**

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

**REPORT AND FINANCIAL STATEMENTS**

**31 MARCH 2019**

**GRANT THORNTON MALAYSIA**  
**CHARTERED ACCOUNTANTS**  
Member of Grant Thornton International Ltd

**Company No: 1175681-P**

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

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

**CORPORATE INFORMATION**

**DIRECTORS**

Shubhro Ghosh  
Siew Zun Kai  
Satish Sharma (appointed on 11 April 2018)  
Sunam Sarkar (resigned on 11 July 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 2019.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are dealing, trading, marketing and sales of tyres, tubes or any other related products and activities.

There were no significant change in the nature of principal activities of the Company during the financial year.

**FINANCIAL RESULT**

	RM
Loss for the financial year	<u>1,120,185</u>

**DIVIDENDS**

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

**RESERVES AND PROVISIONS**

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

**SHARE CAPITAL AND DEBENTURES**

There were no changes in the issued and paid-up capital of the Company during the financial year.

There were no issuance of debentures during the financial year.

## **DIRECTORS**

The Directors who held office during the financial year and up to the date of this report are as follows:-

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

## **DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

According to the Register of Directors' shareholdings, there is no Director who is in office at the end of the financial year held any interest in the shares or debentures of the Company and its related corporations.

## **DIRECTORS' FEES AND BENEFITS**

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 year, 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.

## **INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS**

There are 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.



**STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONT'D)**

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
- (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..

**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 2019 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 Directors.

*Shubho Ghosh*  
..... )  
SHUBHRO GHOSH )  
Thailand )  
29 April 2019 )

  
..... )  
SIEW ZUN KAI )  
Malaysia )  
30 April 2019 )

DIRECTORS

Company No: 1175681-P

**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 52 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 2019 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 Directors.



.....  
SHUBHRO GHOSH  
Thailand  
29 April 2019

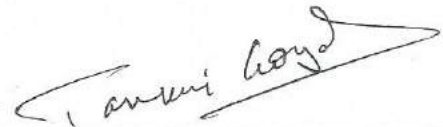


.....  
SIEW ZUN KAI  
Malaysia  
30 April 2019

**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 52 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 )  
30 April 2019 )



.....  
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

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**Grant Thornton Malaysia**

(AF:0737)

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

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**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 2019, 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 52.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019, and of its financial performance and of 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 communicated 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**

**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  
30 April 2019



KISHAN NARENDRA JASANI  
(NO: 3223/12/19(J))  
CHARTERED ACCOUNTANT



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

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	7	146,315	179,660
Deferred tax assets	8	750,000	357,000
<b>Total non-current assets</b>		<u>896,315</u>	<u>536,660</u>
<b>Current assets</b>			
Inventories	9	2,939,158	5,122,989
Trade receivables	10	2,658,924	1,975,953
Other receivables	11	788,012	698,821
Bank balances		<u>3,013,337</u>	<u>1,201,506</u>
<b>Total current assets</b>		<u>9,399,431</u>	<u>8,999,269</u>
<b>TOTAL ASSETS</b>		<u>10,295,746</u>	<u>9,535,929</u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
<b>Equity attributable to the owner of the Company</b>			
Share capital	12	6,484,860	6,484,860
Accumulated losses		<u>(3,226,479)</u>	<u>(2,106,294)</u>
<b>Total equity</b>		<u>3,258,381</u>	<u>4,378,566</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Other payables	13	3,214,333	2,785,781
Borrowing	14	3,625,328	-
Amount due to ultimate holding company	15	521	2,225,699
Amount due to related companies	15	197,183	145,883
<b>Total current liabilities/Total liabilities</b>		<u>7,037,365</u>	<u>5,157,363</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>10,295,746</u>	<u>9,535,929</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 2019**

	<u>Note</u>	<u>2019</u> RM	<u>2018</u> RM
Revenue	16	33,836,982	28,903,403
Cost of sales		<u>(26,568,993)</u>	<u>(23,547,945)</u>
Gross profit		7,267,989	5,355,458
Other income		42,875	403,917
Selling and distribution expenses		(5,106,365)	(4,059,576)
Administration expenses		(3,660,099)	(2,943,163)
Finance cost		<u>(57,585)</u>	<u>-</u>
Loss before tax	17	(1,513,185)	(1,243,364)
Tax income	18	<u>393,000</u>	<u>148,000</u>
Loss for the financial year		(1,120,185)	(1,095,364)
Other comprehensive income for the financial year, net of tax		<u>-</u>	<u>-</u>
Total comprehensive loss for the financial year		<u><u>(1,120,185)</u></u>	<u><u>(1,095,364)</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 2019**

	Share capital RM	Accumulated losses RM	Total RM
Balance at 1 April 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	6,484,860	(2,106,294)	4,378,566
Total comprehensive loss for the financial year	-	(1,120,185)	(1,120,185)
Balance at 31 March 2019	6,484,860	(3,226,479)	3,258,381

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 2019**

	<u>2019</u>	<u>2018</u>
	RM	RM
<b>OPERATING ACTIVITIES</b>		
Loss before tax	(1,513,185)	(1,243,364)
<b>Adjustments for:-</b>		
Depreciation	79,300	93,241
Gain on disposal of property, plant and equipment	-	(17,316)
Interest income	(26,621)	(33,978)
Interest expense	57,585	-
	<hr/>	<hr/>
Operating loss before working capital changes	(1,402,921)	(1,201,417)
<b>Changes in working capital:-</b>		
Inventories	2,183,831	(2,166,439)
Receivables	(772,162)	(1,408,544)
Payables	428,552	959,503
Ultimate holding company	(1,530,503)	344,783
	<hr/>	<hr/>
Cash used in operations	(1,093,203)	(3,472,114)
Interest received	26,621	33,978
Interest paid	(57,585)	-
	<hr/>	<hr/>
Net cash used in operating activities	(1,124,167)	(3,438,136)
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(45,955)	(11,627)
Proceed from disposal of property, plant and equipment	-	72,000
	<hr/>	<hr/>
Net cash (used in)/from investing activities	(45,955)	60,373
<b>FINANCING ACTIVITIES</b>		
Drawdown of borrowing	7,327,628	-
Repayment of borrowing	(3,702,300)	-
Repayment to ultimate holding company	(694,675)	(22,461)
Advances from related companies	51,300	11,698
	<hr/>	<hr/>
Net cash from/(used in) financing activities	2,981,953	(10,763)



**APOLLO TYRES (MALAYSIA) SDN. BHD.**

(Incorporated in Malaysia)

**STATEMENT OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2019 (CONT'D)**

	<u>2019</u>	<u>2018</u>
	RM	RM
<b>CASH AND CASH EQUIVALENTS</b>		
Net changes	1,811,831	(3,388,526)
Brought forward	<u>1,201,506</u>	<u>4,590,032</u>
Carried forward	<u><u>3,013,337</u></u>	<u><u>1,201,506</u></u>

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 2019**

**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 principal activities of the Company are dealing, trading, marketing and sales of tyres, tubes or any other related products and activities.

There were no significant change in the nature of principal activities 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 listed on the National Stock Exchange of India Ltd. and BSE Ltd..

The financial statements of the Company were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 29 April 2019.

**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 MFRSs**

**2.4.1 Adoption of Amendments/Improvements to MFRSs**

At the beginning of the current financial year, the Company adopted amendments/improvements to MFRSs which are mandatory for the financial year beginning on or after 1 April 2018.

Initial application of the amendments/improvements to the standards did not have material impact to the financial statements, except for:

MFRS 9 Financial Instruments

The Company has consistently applied the accounting policies set out in Note 5 to all periods presented in these financial statements.

The Company applied MFRS 9 ‘Financial Instruments’ for the first time in the 2019 financial statements with the date of initial application of 1 April 2018. The standard is applied retrospectively. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 (if any) were recognised as an adjustment to the opening balance of accumulated losses as at 1 April 2018.

MFRS 15 Revenue from Contracts with Customers

The Company applied MFRS 15 for the first time in the 2019 financial statements with the date of initial application of 1 April 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Company applies the new policy retrospectively only to contracts that are not completed at the date of initial application. Accordingly, the 2018 comparative information was not restated and the cumulative effects of initial application of MFRS 15 (if any) were recognised as an adjustment to the opening balance of accumulated losses as at 1 April 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118. In addition, the Company has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The detailed impact of the change in accounting policy on financial instruments and revenue are disclosed in Note 6 to the Financial Statements.



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

**2.4 MFRSs (cont'd)**

**2.4.2 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.

The initial application of the new standards, amendments and interpretations that are relevant to the financial statements of the Company are as mentioned below:-

**MFRS 16 Leases**

MFRS 16 replaces MFRS 117 Leases. MFRS 16 eliminates the distinction between finance and operating leases for lessees. As off-balance sheet will no longer be allowed except for some limited practical exemptions, all leases will be brought onto the statement of financial position by recognising a "right-of-use" asset and a lease liability. In other words, for a lessee that has material operating leases, the assets and liabilities reported on its statement of financial position are expected to be increase substantially.

MFRS 16 also:-

- Changes the definition of a lease,
- Sets requirements on how to account for the asset and liability, including complexities such as non-lease elements, variable lease payments and option periods,
- Changes the accounting for sale and leaseback arrangements,
- Largely retains MFRS 117's approach to lessor accounting, and
- Introduces new disclosure requirements.

The adoption of MFRS 16 will result in a change in accounting policy. Based on the initial assessment on the adoption of MFRS 16, the Company expects that MFRS 16 will gross up its statement of financial position and change in statement of profit or loss and other comprehensive income and statement of cash flows presentation. Rent expense will be replaced by depreciation and interest expense in profit or loss (similar to finance leases under MFRS 117). This results in a front-loaded lease expense, for which might decrease earnings and equity immediately after entering into a lease compared to an operating lease under MFRS 117.

The management is currently assessing the financial impact of adopting MFRS 16.



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

2.5 **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 estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

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.

**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 9 to the Financial Statements.

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

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

**Inventories (cont'd)**

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 7 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.

**Measurement of expected credit losses**

Credit losses are the difference between all contractual cash flows the Company is due and the cash flows that it actually expects to receive. An expected credit loss is the probability-weighted estimate of credit losses which requires the Company's judgement. The expected credit losses are discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

The carrying amount of the Company's receivables at the end of the reporting date are disclosed in Notes 10 and 11 to the Financial Statements.



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

**2.5 Significant accounting estimates and judgements (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.

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 years ended 31 March 2019 and 31 March 2018.

4. **FINANCIAL INSTRUMENTS**

**Categories of Financial Instruments under MFRS 9**

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

- i. Financial assets measured at amortised cost ("FAAC"); and
- ii. Other financial liabilities measured at amortised cost ("OFL").

	<b>Carrying amount RM</b>	<b>FAAC RM</b>	<b>OFL RM</b>
<b>2019</b>			
<b>Financial assets</b>			
Trade receivables	2,658,924	2,658,924	-
Other receivables	297,472	297,472	-
Bank balances	<u>3,013,337</u>	<u>3,013,337</u>	-
	<u>5,969,733</u>	<u>5,969,733</u>	-
<b>Financial liabilities</b>			
Other payables	3,214,333	-	3,214,333
Amount due to ultimate holding company	521	-	521
Amount due to related companies	197,183	-	197,183
Borrowing	<u>3,625,328</u>	-	<u>3,625,328</u>
	<u>7,037,365</u>	-	<u>7,037,365</u>



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

**Categories of Financial Instruments under MFRS 139**

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

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

	<b>Carrying amount RM</b>	<b>L&amp;R RM</b>	<b>OFL RM</b>
<b>2018</b>			
<b>Financial assets</b>			
Trade receivables	1,975,953	1,975,953	-
Other receivables	295,661	295,661	-
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>
<b>Financial liabilities</b>			
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>

**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.

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

**Financial Risk Management Objectives and Policies (cont'd)**

4.1 **Financial risks (cont'd)**

**Credit risk (cont'd)**

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.

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 47% (2018: 63%) of the trade receivables balances are due from 2 (2018: 4) 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.



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)

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

The expected credit loss (ECL) as at 31 March 2019 and 31 March 2018 were determined as follows:-

	Days past due					Total RM
	Current RM	<30 days RM	30-60 days RM	61-90 days RM	>91 days RM	
<u>31 March 2019</u>						
Expected credit loss rate	-	-	-	-	-	-
Estimated total gross carrying amount	2,449,664	75,802	88,016	-	45,442	2,658,924
Expected credit loss	-	-	-	-	-	-
<u>1 April 2018</u>						
Expected credit loss rate	-	-	-	-	-	-
Estimate total gross carrying amount	1,878,821	40,290	-	56,842	-	1,975,953
Expected credit loss	-	-	-	-	-	-

The provision rates are Nil because there are no historical credit losses for the past and there has not been a significant change in credit quality, the amounts past due are still considered recoverable.

Deposits with banks

*Concentration of credit risk*

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

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>2019</u>	
<b>Fixed rate instrument</b>	
<b>Financial liability</b>	
Borrowing	<u>3,625,328</u>

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.



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):-

**Foreign currency risk**

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

The Company is exposed to foreign currency risk on borrowing that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily USD.

Carrying amounts of the Company's exposure to foreign currency risk are as follows:-

	<u>2019</u> RM	<u>2018</u> RM
Borrowing	<u>3,625,328</u>	<u>-</u>
Net exposure	<u>3,625,328</u>	<u>-</u>

Foreign currency sensitivity analysis

The following table illustrates the sensitivity of the Company's profit to a reasonable possible changes in RM/USD exchange rate in which 'all other things being equal.

It assumes a +/- 1% (2018: 1%) change of the RM/USD exchange rate for the years ended is deemed possible. The percentage has been determined based on average market volatility in exchange rates in previous 12 months. The sensitivity analysis is based on the Company's foreign currency profile.

4. FINANCIAL INSTRUMENTS (CONT'D)

Financial Risk Management Objectives and Policies (cont'd)

4.1 Financial risks (cont'd)

Foreign currency risk (cont'd)

Foreign currency sensitivity analysis (cont'd)

If the RM had strengthened against the USD, then the impact would be as follows:-

	<u>2019</u> RM	<u>2018</u> RM
Effect on profit for the financial year		
- USD	<u>(36,253)</u>	<u>-</u>

If RM had weakened against the USD then the impact to profit for the financial year would be the opposite effect.

Exposures to foreign exchange rate vary during the financial year depending on the amount outstanding. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

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 related companies 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 end of the previous financial year as summarised below, unless otherwise stated.

### 5.1 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.

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 in the financial year in which the asset is derecognised.

### 5.2 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.



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

5.2 **Leases (cont'd)**

5.2.1 **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.

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.

5.3 **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.

5.4 **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an asset may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

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

5.4 **Impairment of non-financial assets (cont'd)**

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior financial years. A reversal of impairment loss for an asset is recognised in profit or loss.

5.5 **Foreign currency transactions and balances**

Transactions in foreign currencies are initially recorded at the functional currency rates prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

5.6 **Financial instruments - MFRS 9 and MFRS 139**

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

5.6.1 **Financial assets under MFRS 9 financial instruments**

5.6.1.1 **Initial recognition and categorisation**

At initial recognition, financial assets are either classified and measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.



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

5.6 **Financial instruments - MFRS 9 and MFRS 139 (cont'd)**

5.6.1 **Financial assets under MFRS 9 financial instruments (cont'd)**

5.6.1.1 **Initial recognition and categorisation (cont'd)**

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

At the reporting date, the Company has not designated any financial assets at FVTOCI and FVTPL. The Company carries financial assets at amortised cost on its statement of financial position.

**Financial assets at amortised cost**

Financial assets measures at amortised cost if both of the conditions are met:-

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flow; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

5.6.1.2 **Subsequent measurement**

Financial assets at amortised cost are subsequently measured using effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost include trade receivables, most of the other receivables and cash and bank balances.

5.6.1.3 **Impairment of financial assets under MFRS 9 financial instruments**

The Company assesses on a forward-looking basis the expected credit loss ("ECLs") for all debt instrument not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The maximum period considered when estimating ECLs is the maximum contractual period (including extension options) over which the Company is exposed to credit risk.



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

5.6 **Financial instruments - MFRS 9 and MFRS 139 (cont'd)**

5.6.1 **Financial assets under MFRS 9 financial instruments (cont'd)**

5.6.1.3 **Impairment of financial assets under MFRS 9 financial instruments (cont'd)**

ECLs are measured on either of the following bases:-

- 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible defaults event over the unexpected life of terms, irrespective of timing of the default to which ECL model applies.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and economic environment.

For all other financial instruments, the Company recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are re-measured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECLs amount is recognised as an impairment gain or loss in profit or loss. The Company recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVTOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have any assets or sources of income that could generate sufficient cash flows to repay the amount subject to the write-off.

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

5.6 **Financial instruments - MFRS 9 and MFRS 139 (cont'd)**

5.6.2 **Financial assets under MFRS 139 financial instruments**

5.6.2.1 **Initial recognition and measurement**

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

Financial assets are measured initially at fair value plus transaction costs, except for financial assets carried at fair value through profit or loss, which are measured initially at fair value. Financial assets are measured subsequently as described below.

5.6.2.2 **Categorisation and subsequent measurement**

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

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

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least once at each end of the reporting period. 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.

A financial asset or part of it 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.

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.



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

5.6 **Financial instruments - MFRS 9 and MFRS 139 (cont'd)**

5.6.2 **Financial assets under MFRS 139 financial instruments (cont'd)**

5.6.2.2 **Categorisation and subsequent measurement (cont'd)**

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 allowance for impairment. Discounting is omitted where the effect of discounting is immaterial. Gains or losses are recognised in the profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process. The Company's trade and other receivables and cash and bank balances 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.

5.6.2.3 **Impairment of financial assets under MFRS 139 financial instruments**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For loans and receivables, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continue to be, recognised are not included in a collective assessment of impairment.



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

5.6 **Financial instruments - MFRS 9 and MFRS 139 (cont'd)**

5.6.2 **Financial assets under MFRS 139 financial instruments (cont'd)**

5.6.2.3 **Impairment of financial assets under MFRS 139 financial instruments (cont'd)**

Loans and receivables (cont'd)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the profit or loss.

5.6.3 **Financial liabilities under MFRS 9 and MFRS 139 financial instruments**

5.6.3.1 **Initial recognition and measurement**

As the accounting for financial liabilities remains largely the same under MFRS 9 compared to MFRS 139, the Company's financial liabilities was not impacted by the adoption of MFRS 9. However, for completeness, the accounting policy is disclosed below.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Company designated a financial liability at fair value through 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 measured at amortised cost on its statement of financial position.

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

5.6 **Financial instruments - MFRS 9 and MFRS 139 (cont'd)**

5.6.3 **Financial liabilities under MFRS 9 and MFRS 139 financial instruments (cont'd)**

5.6.3.2 **Subsequent measurement**

The subsequent measurement of financial liabilities depends on their classification, as described below:-

**Other financial liabilities measured at amortised cost**

Other financial liabilities including borrowings and trade and most of the other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Company has unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

5.6.4 **Derecognition**

A financial asset or part of it is derecognised when and only when the contractual rights to the cash flows from the financial asset have expired or control of the asset is not retained or substantially all of the risk and rewards of ownership of the financial asset are transferred to another party. If the Company neither transfers nor retain substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of transferred assets, the Company continue to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

The Company derecognises a financial liability when their contractual obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.



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

5.6 **Financial instruments - MFRS 9 and MFRS 139 (cont'd)**

5.6.5 **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.

5.7 **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.

5.8 **Equity and reserves**

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.

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

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

5.9 **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)**

5.10 **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.

5.11 **Revenue recognition**

The Company applied five-step model revenue recognition under MFRS 15 Revenue from Contracts with Customers effective 1 January 2018. The adoption of this standard results in changes in the accounting policy for revenue recognition, but has no material financial impact from the MFRS 118 Revenue applied previously.

The Company recognises revenue from contracts with customers for goods or services based on the five-step model as set out in this standards:-

- i. Identify contracts with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- ii. Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer either a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.
- iii. Determine the transaction price. The transaction price is the amount of consideration to which the Company expect to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- iv. Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Company allocate transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expect to be entitled in exchange for satisfying each performance obligation.
- v. Recognise revenue when (or as) the Company satisfy a performance obligation. An asset is transferred when (or as) the customer obtains control of the asset.

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

5.11 **Revenue recognition (cont'd)**

The Company satisfies a performance obligation and recognise revenue over time if the Company's performance:-

- i. Does not create an asset with an alternative use to the Company and has an enforceable right to payment for performance completed to-date; or
- ii. Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- iii. Provides benefits that the customer simultaneously receives and consumes as the Company performs.

For performance obligations where any one of the above conditions not met, revenue is recognised at a point in time at which the performance obligation is satisfied.

When the Company satisfies a performance obligation by delivering the promised goods or service, it creates a contract based on asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this give rise to a contract liability.

Revenue is measured at fair value of consideration received or receivable. The followings describe the performance obligation in contracts with customers:-

**Goods sold**

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax. The Company shall disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors as disclosed in Note 16 to the financial statements.

**Interest income**

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



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

5.12 **Income tax**

5.12.1 **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).

5.12.2 **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.

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.

5.13 **Indirect tax**

Goods and Services Tax ("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.



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

5.13 **Indirect tax (cont'd)**

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.

During the financial year, GST reset at standard rated of 0% with effective on 1 June 2018 and Sales and Services Tax ("SST") was enacted with effective on 1 September 2018 to replace GST.

5.14 **Employee benefits**

5.14.1 **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.

5.14.2 **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").

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

5.15 **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.
  
- (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) An entity is an associate or joint venture of the other entity.
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) An entity is a joint venture of a third entity and the other entity is an associate of the same third entity.
  - (v) The entity is a post-employment benefit plan for the benefits of employees of either the reporting entity or an entity related to the reporting entity.
  - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
  - (vii) A person identified in (a)(i) above has significant influence over the entity or is a member of the key management personnel of the entity.
  - (viii) The entity, or any member of a group of which it is a party that provides key management personnel services to the reporting entity or to the parents of the reporting entity.



6. CHANGES IN ACCOUNTING POLICIES

6.1 MFRS 9 Financial Instruments

The Company has adopted MFRS 9 on 1 April 2018. MFRS 9 introduces new requirements which have resulted in changes in accounting policies for recognition, classification and measurement of financial instruments and impairment of financial assets, while the hedge accounting requirements under this standard are not relevant to the Company.

The Company has applied MFRS 9 retrospectively on the initial application date in accordance with the transitional provision and the comparative information was not restated.

The effects of adoption of MFRS 9 Financial Instruments are as follows:-

**Financial assets**

Under MFRS 9, at initial recognition, financial assets are classified and measured at amortised cost, FVTOCI and FVTPL. The classification above depends on the Company's business model for managing the financial assets and the terms of contractual cash flows. Based on the assessment, the financial assets held by the Company as at 1 April 2018 are reclassified to the following categories:-

	Note	Measurement category		Carrying amount as at 1 April 2018	
		Original (MFRS 139)	New (MFRS 9)	Original (MFRS 139) RM	New (MFRS 9) RM
<b>Financial assets</b>					
Trade receivables	(1)	LAR*	Amortised cost	1,975,953	1,975,953
Other receivables	(1)	LAR*	Amortised cost	295,661	295,661
Bank balances	(1)	LAR*	Amortised cost	1,201,506	1,201,506

\* LAR - Loans and Receivables

Note:

- (1) Trade receivables, other receivables and bank balances that were previously classified as loans and receivables are now reclassified to amortised cost. The Company intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

Except for the change in categories there were no changes in the remeasurement from MFRS 139 to MFRS 9 for the financial assets.



**6. CHANGES IN ACCOUNTING POLICIES (CONT'D)**

**6.1 MFRS 9 Financial Instruments (cont'd)**

**Financial liabilities**

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:-

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in other comprehensive income; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Company's assessment did not identify any requirements to reclassify financial liabilities at 1 April 2018 and it has not designated any financial liabilities at FVTPL and it has no intention to do so.

**6.2 MFRS 15 Revenue from contracts with customers**

MFRS 15 establishes a comprehensive framework for determining how and when revenue is recognised. Under MFRS 15, revenue is recognised when control of the goods or services transfers to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services.

The Company is selling of tyres. The Company sells to customers solely based on purchase orders.

Revenue is recognised for these arrangements over time or at a point in time depending on the Company evaluation of when the customer obtains control of the promised products. The Company has reviewed its performance obligations, customer contracts and evaluated the impact of MFRS 15 based on the amount and timing of revenue recognition.

All revenue is recognised at a point in time, which is typically on delivery. An asset is transferred when (or as) the customer obtains control of the asset. All the contracts are completed at the adoption date. The revenue is recognised net of any related rebates, discounts and tax.

In conclusion, the adoption of MFRS 15 has no significant impact on the substance of the principles applied by the Company to the amount and timing of revenue recognition. The revenue recognition principles and delivery terms applied by the Company remain generally unaltered. No adjustment to the opening balance of accumulated losses has been made as there are no changes in timing of the revenue recognition.

7. **PROPERTY, PLANT AND EQUIPMENT**

	<u>Motor vehicles</u> RM	<u>Furniture and fittings</u> RM	<u>Computer hardware and software</u> RM	<u>Office equipment</u> RM	<u>Total</u> RM
<b>Cost</b>					
At 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)
At 31.3.2018	98,431	120,826	35,667	55,400	310,324
Additions	-	1,650	44,305	-	45,955
At 31.3.2019	98,431	122,476	79,972	55,400	356,279
<b>Accumulated depreciation</b>					
At 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)
At 31.3.2018	57,418	45,310	9,220	18,716	130,664
Charge for the financial year	32,810	23,985	11,425	11,080	79,300
At 31.3.2019	90,228	69,295	20,645	29,796	209,964
<b>Net carrying amount</b>					
At 31.3.2019	8,203	53,181	59,327	25,604	146,315
At 31.3.2018	41,013	75,516	26,447	36,684	179,660

8. **DEFERRED TAX ASSETS**

	<u>2019</u> RM	<u>2018</u> RM
Brought forward	357,000	209,000
Under provision in prior financial year (Note 18)	62,000	-
Recognised in profit or loss	331,000	148,000
Carried forward	750,000	357,000

8. DEFERRED TAX ASSETS (CONT'D)

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

	<u>2019</u> RM	<u>2018</u> RM
Carrying amount of property, plant and equipment in excess of their tax base	2,000	(4,000)
Unutilised capital allowances	50,000	36,000
Unabsorbed business losses	<u>698,000</u>	<u>325,000</u>
	<u>750,000</u>	<u>357,000</u>

9. INVENTORIES

	<u>2019</u> RM	<u>2018</u> RM
Finished goods	2,445,448	4,268,621
Goods-in-transit	<u>493,710</u>	<u>854,368</u>
	<u>2,939,158</u>	<u>5,122,989</u>

10. TRADE RECEIVABLES

Trade receivables are non-interest bearing and the normal trade credit terms granted to the customers are 30 (2018: 30) days. They are recognised at their original invoice amounts.

11. OTHER RECEIVABLES

	<u>2019</u> RM	<u>2018</u> RM
Deposits	297,472	295,661
Prepayments	447,607	397,704
GST receivable	<u>42,933</u>	<u>5,456</u>
	<u>788,012</u>	<u>698,821</u>



12. SHARE CAPITAL

	<u>Number of ordinary shares</u> Unit	<u>Amount</u> RM
<b>Issued and fully paid-up:-</b>		
At 31.3.2018/31.3.2019	<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>2019</u> RM	<u>2018</u> RM
Accrual	2,537,490	1,723,731
Non-trade payables	<u>676,843</u>	<u>1,062,050</u>
	<u>3,214,333</u>	<u>2,785,781</u>

14. BORROWING

	<u>2019</u> RM	<u>2018</u> RM
Import invoice financing	<u>3,625,328</u>	<u>-</u>

Borrowing is unsecured, bear interest at an effective rate of 2.95% to 3.35% (2018: Nil%) per annum and have a maturity of 90 days (2018: Nil days).

The foreign currency risk exposure of the borrowing is as follow:-

	<u>2019</u> RM	<u>2018</u> RM
USD	<u>3,625,328</u>	<u>-</u>

15. **AMOUNT DUE TO ULTIMATE HOLDING COMPANY AND RELATED COMPANIES**

	<u>2019</u> RM	<u>2018</u> RM
<b>Amount due to ultimate holding company</b>		
- Trade related	776,818	2,307,321
- Non-trade related	<u>(776,297)</u>	<u>(81,622)</u>
	<u>521</u>	<u>2,225,699</u>

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..

Related companies 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 related companies are non-trade related, unsecured, bears no interest and repayable on demand.

16. **REVENUE**

The Company's revenue disaggregated by pattern of revenue recognition as follows:-

	<u>2019</u> RM	<u>2018</u> RM
Goods transferred at a point of time:-		
Selling of tyres	<u>33,836,982</u>	<u>28,903,403</u>

17. **LOSS BEFORE TAX**

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

	<u>2019</u> RM	<u>2018</u> RM
Depreciation of property, plant and equipment	79,300	93,241
Gain on disposal of property, plant and equipment	-	17,316
Interest income	(26,621)	(33,978)
Interest expense	57,585	-
Rental expenses	120,120	120,120
Realised loss/(gain) on foreign exchange	<u>66,771</u>	<u>(352,623)</u>



18. TAX INCOME

	<u>2019</u> RM	<u>2018</u> RM
Deferred tax assets recognised	<u>(393,000)</u>	<u>(148,000)</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 follows:-

	<u>2019</u> RM	<u>2018</u> RM
Loss before tax	<u>(1,513,185)</u>	<u>(1,243,364)</u>
Tax at Malaysian statutory tax rate of 24%	(363,164)	(298,407)
Tax effects in respect of:-		
Expenses not deductible for tax purposes	53,997	157,524
Income not subject to tax	(21,833)	(7,117)
Under provision of deferred tax assets in prior financial year (Note 8)	<u>(62,000)</u>	<u>-</u>
	<u>(393,000)</u>	<u>(148,000)</u>

The Company's unabsorbed business losses and unutilised capital allowances which can be carried forward to offset against future taxable profit amounted to approximately RM2,907,000 and RM208,000 (2018: RM1,356,000 and RM150,000).

19. EMPLOYEE BENEFIT EXPENSES

	<u>2019</u> RM	<u>2018</u> RM
Staff costs	<u>1,804,346</u>	<u>1,534,612</u>

Included in the employee benefit expenses of the Company is defined contribution plan of RM126,713 (2018: RM102,408).

20. RELATED PARTY DISCLOSURES

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

	<u>2019</u> RM	<u>2018</u> RM
Purchases from ultimate holding company	<u>22,152,730</u>	<u>24,630,765</u>
Goods-in-transit from ultimate holding company	<u>493,710</u>	<u>854,368</u>
Royalty charged by ultimate holding company	<u>53,946</u>	<u>48,989</u>
Royalty charged by a related company	<u>712,704</u>	<u>631,722</u>

(b) The outstanding balances arising from related party transactions as at the reporting date is disclosed in Note 15 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.