APOLLO TYRES (MALAYSIA) SDN. BHD. 201601004755 (1175681 P)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

Y. L. CHEE & CO.
(Firm Number : AF 0725)
Chartered Accountants
(Malaysia)

APOLLO TYRES (MALAYSIA) SDN. BHD. 201601004755 (1175681 P)
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

CONTENTS

CORPORATE INFORMATION

Board of Directors	Shubhro Ghosh Siew Zun Kai Satish Sharma
Company Secretary	Lim Poh Seng
Auditors	Y. L. Chee & Co. (Firm Number: AF 0725) Chartered Accountants (Malaysia)
Registered office	Level 21, Suite 21.01 The Gardens South Tower Mid Valley City Lingkaran Syed Putra 59200 Kuala Lumpur
Business office	Unit 1504, Level 15, Uptown 1 1, Jalan SS21/58, Damansara Uptown 47400 Petaling Jaya Selangor Darul Ehsan

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Company for the financial year ended 31 March 2020.

PRINCIPAL ACTIVITIES

The Company is principally engaged in 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 RESULTS

	RM
Total comprehensive loss for the financial year	(1,843,823)

DIVIDENDS

No dividends have been proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend the payment of any dividends for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions except as disclosed in the financial statements.

SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the year.

SHARE OPTIONS

No options have been granted by the Company to any parties during the financial year to take up unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. At the end of the financial year, there were no unissued shares of the Company under options.

DIRECTORS

The directors of the Company in office at any time during the financial year and since the end of the financial year up to the date of this report are:

Shubhro Ghosh
Siew Zun Kai
Satish Sharma

DIRECTORS' INTERESTS

None of the other directors in office at the end of the year have interest in shares of the Company or its related corporations during the financial year ended 31 March 2020.

DIRECTORS' BENEFITS

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

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in the financial statements of the Company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

DIRECTORS' REMUNERATIONS

The amounts of the remunerations of the directors or past directors of the Company comprising remunerations received/receivable from the Company during the year, as follows:

	RM
Remunerations	364,740
Contribution to defined contribution plan	43,774
Other benefits	923
	409,437

INDEMNIFYING DIRECTORS', OFFICERS OR AUDITORS

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been the director, officer or auditor of the Company.

INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Company were prepared, 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 making of allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:-

(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent 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 financial statements which would render any amount stated in the financial statements of the Company misleading.

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

(a) any charge on the assets of the Company which has arisen since the end of the financial year and secures the liability of any other person; or

(a) any contingent liability of the Company which has arisen since the end of the financial year.

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, in the opinion of the director, will or may substantially affect the ability of the Company to meet their obligations as and when they fall due.

In the opinion of the directors:

(a) the results of the operations of the Company during the year were not substantially affected by any item, transaction or event of a material and unusual nature.

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Company for the financial year in which this report is made.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Company is a subsidiary of Apollo Tyres Holdings (Singapore) Pte. Ltd., a company incorporated in Singapore. The directors regard Apollo Tyres Ltd., a company incorporated in India and listed on the National Stock Exchange of India and BSE Ltd., as the Ultimate Holding Company.

AUDITORS' REMUNERATIONS

Total amounts paid to or receivable by the auditors as remunerations for their services as auditors are as follows:

	2020 RM
Statutory audit	8,000

APOLLO TYRES (MALAYSIA) SDN. BHD. **1601004755 (1175681 P)**
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AUDITORS

The retiring auditors, Messrs. Y. L. Chee & Co., Chartered Accountants (Malaysia), have indicated their willingness to be re-appointed.

Approved by the Board and signed on behalf of the Directors

Shubhro Ghosh

SHUBHRO GHOSH
Director

SIEW ZUN KAI
Director

Petaling Jaya

Dated : 6 May 2020

APOLLO TYRES (MALAYSIA) SDN. BHD. **1601004755 (1175681 P)**
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
(Pursuant to Section 251 (2) of the Companies Act, 2016)

The directors of **APOLLO TYRES (MALAYSIA) SDN. BHD.**, state that, in the opinion of the directors, the financial statements set out on pages 11 to 41 are drawn up in accordance with the 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 2020 and financial performance of the Company for financial year ended 31 March 2020.

Approved by the Board and signed on behalf of the Directors

Shubhro Ghosh

SHUBHRO GHOSH
Director

SIEW ZUN KAI
Director

Petaling Jaya

Dated : 6 May 2020

STATUTORY DECLARATION
(Pursuant to Section 251 (1) (b) of the Companies Act, 2016)

I, **PANKAJ GOYAL**, being the officer primarily responsible for the accounting records and financial management of **APOLLO TYRES (MALAYSIA) SDN. BHD.**, do solemnly and sincerely declare that the financial statements set out on pages 11 to 41 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
PANKAJ GOYAL at Petaling Jaya in)
Selangor this 6 May 2020)

Pankaj Goyal

PANKAJ GOYAL

Before me,

PESURUHJAYA SUMPAH
B484
LAWRENCE LOW
BC/L/501
(1/1/2019-31/12/2021)
MALAYSIA

Commissioner for Oaths

71A, JALAN SS 21/1A,
DAMANSARA UTAMA,
47400 PETALING JAYA,
SELANGOR DARUL EHSAN
TEL: 03-77269760

Y. L. CHEE & CO. (AF 0725) Chartered Accountants (Malaysia)

Office Address : 12A-2, Jalan PJU8/5C, Damansara Perdana
47820 Petaling Jaya, Selangor Darul Ehsan
E-mail Address : audit@ylchee.com / ylcglobal@gmail.com
Website : www.ylcheeglobal.com

Tel : 603-7729 2731 / 603-7710 2821
603-7710 3371 / 603-7710 3391
Fax: 603-7726 3422 / 603-7728 6025
Office Hours : Mon –Fri (9.00 am – 6.00 pm)

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
APOLLO TYRES (MALAYSIA) SDN. BHD. 201601004755 (1175681 P)
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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.**, which comprise the statement of financial position as at 31 March 2020, and the statement of 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 11 to 41.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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. 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.

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.

Y. L. CHEE & CO. *(AF 0725) Chartered Accountants (Malaysia)*
Office Address : 12A-2, Jalan PJU8/5C, Damansara Perdana
47820 Petaling Jaya, Selangor Darul Ehsan
E-mail Address : audit@ylchee.com / ylcglobal@gmail.com
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Our opinion on the financial statements of the Company does not cover the Directors' Report 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 Directors' Report and, in doing so, consider whether the Directors' Report 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, we conclude that there is a material misstatement of the Directors' Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 International Standards on Auditing 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.

Office Address : 12A-2, Jalan PJU8/5C, Damansara Perdana
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As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, 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 the 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.

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- Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements for the financial year ended 31 March 2020 represent the underlying transactions and events in a manner that achieves fair presentation.

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

Other Matters

This report is made solely to the members 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.

Y. L. CHEE & CO.
(Firm Number : AF 0725)
Chartered Accountants (Malaysia)

CHEE YON LONG
01407/07/2021 J
Chartered Accountant

Petaling Jaya

Dated : 6 May 2020

STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	2020 RM	2019 RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	7	213,061	146,315
Right-of-use asset	8	253,278	-
Deferred tax assets	9	894,774	750,000
TOTAL NON-CURRENT ASSETS		1,361,113	896,315
CURRENT ASSETS			
Inventories	10	5,948,949	2,939,158
Trade receivables	11	2,308,890	2,658,924
Other receivables, deposits and prepayments	12	1,073,988	788,012
Amount due from a related company	13	2,839	-
Cash and bank balances	14	739,224	3,013,337
TOTAL CURRENT ASSETS		10,073,890	9,399,431
TOTAL ASSETS		11,435,003	10,295,746
EQUITY ATTRIBUTABLE TO THE OWNER OF THE COMPANY			
Share capital	15	6,484,860	6,484,860
Accumulated losses		(5,070,302)	(3,226,479)
TOTAL EQUITY		1,414,558	3,258,321
NON-CURRENT LIABILITY			
Finance lease liability	16	135,862	-
TOTAL NON-CURRENT LIABILITY		135,862	-
CURRENT LIABILITIES			
Other payables and accruals	17	5,235,897	6,839,661
Amount due to related companies	13	142,326	197,183
Amount due to ultimate holding company	18	4,384,771	521
Finance lease liability	15	121,589	-
TOTAL CURRENT LIABILITIES		9,884,583	7,037,365
TOTAL LIABILITIES		10,020,445	7,037,365
TOTAL EQUITY AND LIABILITIES		11,435,003	10,295,746

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

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 RM	2019 RM
Revenue	19	31,939,141	33,836,982
Cost of sales		(23,748,200)	(26,568,993)
Gross profit		8,190,941	7,267,989
Other operating income		31,923	42,875
Distribution costs		(5,577,053)	(5,106,365)
Administration expenses		(4,544,038)	(3,660,099)
Loss from operations		(1,898,227)	(1,465,600)
Finance costs		(90,370)	(57,585)
Loss before tax	20	(1,988,597)	(1,513,185)
Income tax expense	21	144,774	393,000
Loss for the financial year		(1,843,823)	(1,120,185)
Other comprehensive income, net of tax		-	-
Total comprehensive loss for the financial year		(1,843,823)	(1,120,185)

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Share capital RM	Accumulated losses RM	Total RM
As at 1 April 2018	6,484,860	(2,106,294)	4,378,566
Total comprehensive loss for the financial year	-	(1,120,185)	(1,120,185)
As at 31 March 2019	6,484,860	(3,226,479)	3,258,381
Total comprehensive loss for the financial year	-	(1,843,823)	(1,843,821)
As at 31 March 2020	6,484,860	(5,070,302)	1,414,558

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

	Note	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(1,988,596)	(1,513,185)
Adjustments for:			
Bad debt written off		45,442	-
Depreciation of property, plant and equipment		83,451	79,300
Depreciation of right-of-use asset		121,572	-
Unrealised loss on foreign exchange		226,796	-
Gain on disposal of property, plant and equipment		(1,434)	-
Interest expense		90,370	57,585
Interest income		(25,720)	(26,621)
Operating profit before working capital changes		(1,448,119)	(1,402,921)
Changes in working capitals:-			
(Increase)/decrease in inventories		(3,009,791)	2,183,831
Decrease/(increase) in receivables		18,616	(772,162)
(Decrease)/increase in payables		(57,742)	428,552
Increase/(Decrease) in due to ultimate holding company		421,800	(1,530,503)
Cash used in operations		(4,075,236)	(1,093,203)
Interest paid		(90,370)	(57,585)
Interest received		25,720	26,621
Net cash used in operating activities		(4,139,886)	(1,124,167)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment		(150,197)	(45,955)
Proceeds from disposal of property, plant and equipment		1,434	-
Net cash used in investing activities		(148,763)	(45,955)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net (repayment of)/proceeds from import invoice financing		(1,634,002)	3,625,328
Repayment of finance lease liability		(117,399)	-
(Repayment to)/advances from related companies		(60,804)	51,300
Advance from/(repayment to) ultimate holding company		3,826,741	(694,675)
Net cash from/(used in) financing activities		2,014,536	2,981,953
Net (decrease)/increase in cash and cash equivalents		(2,274,113)	1,811,831
Cash and cash equivalents at beginning of the financial year		3,013,337	1,201,506
Cash and cash equivalents at end of the financial year		739,224	3,013,337

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020

1. GENERAL INFORMATION

The Company is a private limited 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 is located at Unit 1504, Level 15, Uptown 1, 1, Jalan SS21/58, Damansara Uptown, 47400 Petaling Jaya, Selangor Darul Ehsan.

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

The Company is a subsidiary of Apollo Tyres Holdings (Singapore) Pte. Ltd., a company incorporated in Singapore. The directors regard Apollo Tyres Ltd., a company incorporated in India, and listed on the National Stock Exchange of India and BSE Ltd., as the Ultimate Holding Company.

The financial statements of the Company are presented in the functional currency, which is the currency of the primary economic environment in which the entity operates. The functional currency of the Company is Ringgit Malaysia ('RM') as the sales and purchases are mainly dominated in RM, receipts from operations are usually retained in RM and funds from financing activities are mainly generated in RM.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards and the provisions of the Companies Act 2016.

The financial statements have been prepared on the historical cost basis, except for the revaluation of certain assets and liabilities. The principal accounting policies adopted are set out below:

(a) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is provided on a straight-line method so as to write off the cost of the assets over their estimated useful lives, as follows:

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(a) Property, plant and equipment – (continued)

	Rate
Computer hardware and software	20%
Furniture and fittings	20%
Office equipment	20%
Motor vehicle	33%

Depreciation of an asset begins when it is ready for its intended use.

The residual values and the useful lives of assets, if significant, are reviewed at each reporting date.

The gain or loss arising from the derecognition of an asset, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, are recognised in profit or loss.

(b) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the recoverable amounts of the assets are estimated. Irrespective of whether there is any indication of impairment, the Company tests an intangible asset with an indefinite useful life or an intangible asset not yet available for use for impairment annually.

When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, an impairment loss is recognised to reduce the carrying amount to its recoverable amount. An impairment loss for a cash-generating unit is firstly allocated to reduce the carrying amount of goodwill allocated to the cash-generating unit, and then, to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit.

An impairment loss is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation decrease.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(b) Impairment of non-financial assets – (continued)

An impairment loss recognised in prior periods for an asset, other than goodwill, is reversed if there has been a change in the estimate used to determine the asset's recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation if no impairment loss had been recognised, and is recognised immediately in profit or loss, unless it reverses a previous revaluation, in which case it is treated as a revaluation increase.

(c) Foreign currency

Transactions in foreign currencies are initially translated at the exchange rate at the dates of the transactions.

At the reporting date, foreign currency monetary assets and liabilities are translated into Ringgit Malaysia at the exchange rate ruling at that date. Exchange differences arising on the settlement or translation of monetary items are recognised in profit or loss.

Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated using exchange rates at the date of the transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined.

(d) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

(e) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(e) Financial assets – (continued)

(i) Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

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

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ('FVTOCI'):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at fair value through profit or loss ('FVTPL').

(ii) Amortised cost and effective interest method

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(e) Financial assets – (continued)

(ii) Amortised cost and effective interest method – (continued)

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'investment income' line item.

(iii) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income ('OCI'), except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains and losses and impairment expenses in other expenses.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(e) Financial assets – (continued)

(iv) Financial assets at fair value through profit or loss

This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Company does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.

(v) Impairment of financial assets

The Company recognises an allowance for expected credit losses ('ECL') on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income, lease receivables, amounts due from customers under construction contracts, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognises lifetime ECL for trade receivables, amounts due from customers under construction contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(e) Financial assets – (continued)

(vi) Derecognition of financial assets

The Company derecognises a financial asset when the contractual right to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances, short-term deposits and other short-term, highly liquid investments that are readily convertible to a known amount of cash with an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(g) Provision

A provision is recognised when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are recognised based on a reliable estimate of the amount of the obligation.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

(h) Leases

The Company has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, Leases and related interpretations.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(h) Leases – (continued)

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;

- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and

- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Company is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

(ii) Recognition and initial measurement

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(h) Leases – (continued)

(ii) Recognition and initial measurement – (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Company entities' incremental borrowing rate. Generally, the Company entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Company is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(h) Leases – (continued)

(iii) Subsequent measurement – (continued)

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Previous financial year

Leases, where the Company did not assume substantially all the risks and rewards of ownership were classified as operating leases and, the leased assets were not recognised on the statement of financial position.

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

(i) Equity instruments

Equity instruments are any contracts that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Dividends on ordinary shares will be recognised as liabilities when the shareholders' rights to receive the dividends are established.

(j) Financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(j) Financial liabilities – (continued)

(i) Financial liabilities at FVTPL

This category comprises only out-of-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income. The Company does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.

(ii) Other financial liabilities

The Company's other financial liabilities include trade payables, other payables, and loans and borrowings.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Gain and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(iii) Derecognition of financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(k) Revenue and other income

Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(k) Revenue and other income – (continued)

The Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(i) the customer simultaneously receives and consumes the benefits provided as the Company performs;

(ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) the Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(l) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised as an expense in profit or loss in the year in which they are incurred.

(m) Income taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES – (continued)

(m) Income taxes – (continued)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(n) Employee benefits

(i) Short term employee benefits

Wages, salaries and social security contributions are recognised as an expense in the 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 employees render services that increase their entitlement to future compensated absences. Non-accumulating compensated absences, such as sick and medical leaves are recognised when the absences occur.

(ii) Defined contribution plan

The Company contributes to the Employees' Provident Fund ("EPF"), the national defined contribution plan. The contributions are charged to the income statement in the period to which they relate.

3. CHANGES IN ACCOUNTING POLICIES

Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these financial statements.

During the year, the Company adopted MFRS 16. The Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 April 2019.

At 1 April 2019, for leases that were classified as operating lease under MFRS 117, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Company's incremental borrowing rate as at 1 April 2019. The weighted-average rate applied is 3%. Right-of-use assets are measured at either:

3. CHANGES IN ACCOUNTING POLICIES – (continued)

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 April 2019; or

- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Impact on the financial statements

Since the Company applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 April 2019, there are no adjustments made to the prior period presented.

The effects arising from initial application of MFRS 16 to Statement of Financial Position is as follows:

	RM
Asset	
Right-of-use asset	374,850
Liability	
Lease liability	374,850
Net impact to retained earnings	-

4. ADOPTION OF NEW AND REVISED STANDARDS

The accounting policies adopted are consistent with those of the previous financial year except in the current year, the company has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2019.

Adoption of New MFRS, Interpretations and amendments

MFRS 16	Leases
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
IC Interpretations 23	Uncertainty over Income Tax Treatments
Annual Improvements to MFRSs 2015-2017 Cycle	

The adoption of the MFRS, Interpretations and amendments did not have any significant effect on the financial statements of the Company except as discussed in Note 3.

5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

The Company has not applied the following standards that have been issued as of the reporting date but are not yet effective:

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020:

Amendments to MFRS 2	Share-Based Payment
Amendments to MFRS 3	Business Combinations
Amendments to MFRS 6	Exploration for and Evaluation of Mineral Resources
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Presentation of Financial Statements
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
Amendments to MFRS 134	Interim Financial Reporting
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
Amendments to MFRS 138	Intangible Assets
Amendments to MFRS 9 and MFRS 7	Interest Rate Benchmark Reform
Amendments to IC Interpretation 12	Service Concession Arrangements
Amendments to IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
Amendments to IC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to IC Interpretation 132	Intangible Assets-Web Site Costs

MFRS, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021:

MFRS 17, Insurance Contracts	1 January 2021

MFRS, Interpretations and amendments that effective date to be announced:

Amendments to MFRS 10, Consolidated Financial Statements	To be announced
MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Company will adopt the above new MFRS, interpretations and amendment when they become effective in the respective financial periods. The adoption of these standards and amendments that have been issued but not yet effective are not expected to have a material impact to the financial statements of the Company.

6. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical Judgements in Applying the Accounting Policies

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Key sources of estimation uncertainty

The key assumptions concerning estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(a) Impairment of loans and receivables

The Company assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Company considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Company's loans and receivable at the reporting date is disclosed in the financial statements.

(b) Tax provisions

Significant judgment and estimates are used in estimating the provision for income taxes, for which the final outcome will not be established until a later date. Management believes that all deductions claimed, in arriving at taxable profits for current years, are appropriate and justifiable. Where the final liability for taxation assessed by the Inland Revenue Board is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

7. PROPERTY, PLANT AND EQUIPMENT

	As at 1 April 2019 RM	Addition RM	Disposals RM	As at 31 March 2020 RM
At cost				
Computer hardware and software	79,972	22,818	-	102,790
Furniture and fittings	122,476	-	-	122,476
Office equipment	55,400	-	-	55,400
Motor vehicle	98,431	127,379	(98,431)	127,379
	356,279	150,197	(98,431)	408,045

	As at 1 April 2019 RM	Charges for the financial year RM	Disposals RM	As at 31 March 2020 RM
Accumulated Impairment				
Computer hardware and software	20,645	18,762	-	39,407
Furniture and fittings	69,295	24,177	-	93,472
Office equipment	29,796	11,080	-	40,876
Motor vehicle	90,228	29,432	(98,431)	21,229
	209,964	83,451	(98,431)	194,985

	Carrying Amount		Impairment Charge	
	2020 RM	2019 RM	2020 RM	2019 RM
Computer hardware and software	63,383	59,327	18,762	11,425
Furniture and fittings	29,004	53,181	24,177	23,985
Office equipment	14,524	25,604	11,080	11,080
Motor vehicle	106,150	8,203	29,432	32,810
	213,061	146,315	83,451	79,300

8. RIGHT-OF-USE ASSET

	2020 RM	2019 RM
As at beginning of the year	-	-
Addition	374,850	-
Depreciation	(121,572)	-
As at end of the year	253,278	-

9. DEFERRED TAX ASSETS

	2020 RM	2019 RM
As at beginning of the year	750,000	357,000
Under provision in prior financial year (Note 21)	(29,090)	62,000
Recognised in profit and loss	173,864	331,000
As at end of the year	894,774	750,000

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

	2020 RM	2019 RM
Carrying amount of property, plant and equipment in excess of their tax base	(3,624)	2,000
Unutilised capital allowances	75,012	50,000
Unabsorbed business losses	823,386	698,000
	894,774	750,000

10. INVENTORIES

	2020 RM	2019 RM
Finished goods	5,535,946	2,445,448
Goods-in-transit	413,003	493,710
	5,948,949	2,939,158

11. TRADE RECEIVABLES

The trade receivables are non-interest bearing and the normal trade credit term granted to the customers are 30 days (2019: 30 days). Other credit terms are assessed and varied on a case-by-case basis. There is no other element of receivables included in trade receivables.

The ageing analysis of trade receivables of the Company is as follows:

	2020 RM	2019 RM
Neither past due nor impaired	1,636,980	2,449,644
<u>Past due but not impaired</u>		
Lesser than 30 days	341,377	75,802
30 – 60 days	307,679	88,016
61 – 90 days	11,294	-
More than 90 days	11,560	45,442
	2,308,890	2,658,924

11. TRADE RECEIVABLES – (continued)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Company.

None of the trade receivables of the Company that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

Trade receivables of the Company that are past due but not impaired are unsecured in nature.

12. OTHER RECEIVABLES

	2020 RM	2019 RM
Other receivable	31,157	42,933
Deposits	297,472	297,472
Prepayments	745,359	447,607
	1,073,988	788,012

13. AMOUNT DUE FROM/TO RELATED COMPANIES

Related companies refer to the member companies of Apollo Tyres Ltd., the ultimate holding company of the Company.

Amount due from a related company is trade related, unsecured, interest free and repayable on demand.

Amount due to related companies are non-trade related, unsecured, interest free and repayable on demand.

14. CASH AND CASH EQUIVALENTS

	2020 RM	2019 RM
Bank balances	739,224	3,013,337

15. SHARE CAPITAL

	Number of ordinary shares 2020 Units	2019 Units	2020 RM	2019 RM
Issued and fully paid :				
At beginning and end of the financial year	6,484,860	6,484,860	6,484,860	6,484,860

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares ranked equally with regard to the Company's residual assets.

16. FINANCE LEASE LIABILITY

	2020 RM	2019 RM
Minimum lease payment		
Not later than 1 year	127,332	-
Later than 1 year but not later than 5 years	137,943	-
	265,275	-
Future finance charges	(7,824)	-
Present value of finance lease	257,451	-
Present value of finance lease is analysed as follows:		
Not later than 1 year	121,589	-
Later than 1 year but not later than 5 years	135,862	-
Present value of finance lease	257,451	-

17. OTHER PAYABLES

	2020 RM	2019 RM
Import invoice financing	2,079,305	3,625,328
Other payables	645,743	676,843
Accruals	2,510,849	2,537,490
	5,235,897	6,839,661

Import invoice financing from a Malaysian financial institution is unsecured, bear interest at an effective rate of 2.16% to 3.35% (2019: 2.95% to 3.35%) per annum and have a maturity of 90 days (2019: 90 days).

17. OTHER PAYABLES – (continued)

The import invoice financing is dominated in the following currency:-

	2020 RM	2019 RM
United States Dollar	2,079,305	3,625,328

18. DUE TO ULTIMATE HOLDING COMPANY

Included in amount due to ultimate holding company is trade balances amounted to RM 4,687,003 (2019: RM 776,818).

Amount due to ultimate holding company is unsecured, interest free and repayable on demand.

19. REVENUE

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

	2020 RM	2019 RM
Goods transferred at a point of time:-		
Selling of tyres	31,939,141	33,826,982

20. LOSS BEFORE TAX

	2020 RM	2019 RM
This is after charging/(crediting):-		
Audit fee	8,000	15,000
Bad debt written off	45,442	-
Depreciation of property, plant and equipment	83,451	79,300
Depreciation of right-of-use asset	121,572	-
Interest expenses	90,370	57,585
Rental expenses:		
- current	-	120,120
- over provided in prior year	(4)	-
Foreign exchange loss:		
- realised	240,991	66,771
- unrealised	231,203	-
Foreign exchange gain:		
- realised	(363)	-
- unrealised	(4,407)	-
Gain on disposal of property, plant and equipment	(1,434)	-
Interest income	(25,720)	(26,621)

21. INCOME TAX EXPENSE

	2020 RM	2019 RM
Deferred tax (Note 9):-		
- current year	(173,864)	(331,000)
- over/(under) provision in prior years	29,090	(62,000)
	(144,774)	(393,000)

Income tax is calculated at the Malaysian statutory tax rate of 17% (2019: 17%) on chargeable income of up to RM600,000 (2019: RM500,000) for small and medium scale companies with paid-up capital of RM2.5 million and below. For chargeable income in excess of RM600,000 (2019: RM500,000), statutory tax rate of 24% (2019: 24%) is still applicable.

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

	2020 RM	2019 RM
Loss before tax	(1,988,594)	(1,513,185)
Tax at statutory tax rate of 24%	(477,263)	(363,164)
Effect of expenses not deductible for tax purposes	149,798	53,997
Effect of income not subject to tax	(344)	(21,833)
Deferred tax assets not recognised	153,945	-
Over/(under) provision of deferred tax assets in prior year (Note 9)	29,090	(62,000)
Tax expense for the year	(144,774)	(393,000)

Subject to agreement by Inland Revenue, the Company has unabsorbed tax losses and capital allowance of approximately RM 4,071,000 and RM 312,000 (2019: RM 2,907,000 and RM208,000) respectively, to offset against its future taxable profits.

23. EMPLOYEE INFORMATION

	2020 RM	2019 RM
Salaries, allowances, and bonuses	1,363,943	710,745
Staff E.P.F. contribution	131,657	84,651
Staff SOCSO and EIS contribution	8,964	5,909
Other employee welfares	331,073	609,562
	1,835,637	1,410,867

The number of employees of the Company (excluding directors) at the end of the financial year is 12 (2019: 8).

24. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel of the Company are those persons having the authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company. The directors of the Company and the general management of the Company are considered as key management personnel of the Company.

	2020 RM	2019 RM
Directors		
Salaries and other remunerations	364,740	350,493
E.P.F. contributions	43,774	42,062
SOCSO and EIS contributions	923	923
	409,437	393,478

25. SIGNIFICANT RELATED PARTY DISCLOSURES

The significant related party transactions by the Company with its related parties during the financial year are as follows:

	2020 RM	2019 RM
Purchase from ultimate holding company	20,006,750	22,152,730
Purchase from a related company	87,944	-
Royalty paid/payable to ultimate holding company	33,992	53,946
Royalty paid/payable to related companies	653,041	712,704

The directors are of the opinion that all the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from that obtainable in transactions with unrelated parties.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

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
Cash and cash equivalents are placed with or entered into with reputable financial institutions. Therefore, credit risk arises mainly from the inability of its customers to make payments when due. Trade receivables presented in the statement of financial position are net of allowances for impairment losses, estimated by management based on prior experience and the current economic environment, if any.

The carrying amounts of the financial assets recorded on the statement of financial position at the reporting date represent the Company's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk other than those disclosed in the Notes 11.

The Company does not hold any collateral and thus, the credit exposure is continuously monitored by the directors.

Liquidity risk
The Company's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Company monitors its cash flows and ensures that sufficient funding is in place to meet the obligations as and when they fall due.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Not later than 12 months or on demand RM	1 year to 2 years RM	2 years to 5 years RM	Total RM
2020				
Trade and other payables	5,235,897	-	-	5,235,897
Finance lease liability	121,589	135,862	-	257,451
	5,357,486	135,862	-	5,493,348
2019				
Other payables	6,839,661	-	-	6,839,661

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 because of changes in market interest rates.

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES – (continued)

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:-

	Less than 1 year
	RM
2020	
Fixed rate instrument	
Financial liability:	
Import invoice financing	2,079,305

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 and loss.

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 United States Dollar (USD).

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

	2020	2019
	RM	RM
Import invoice financing	2,079,305	3,625,328
Net exposure	2,079,305	3,625,328

Foreign currency sensitivity analysis
A 10% strengthening of Ringgit Malaysia against the following foreign currency at the reporting date would increase/(decrease) the profit before tax and other comprehensive income by the amounts shown below. This analysis assumes that all other variables remain unchanged.

	2020	2019
	RM	RM
Effect on profit for the financial year		
- USD	20,793	36,253

A 10% weakening of Ringgit Malaysia against the above foreign currency at the reporting date would have had the equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain unchanged.

27. CATEGORIES OF FINANCIAL INSTRUMENTS

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned.

	Financial assets measured at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
2020			
Financial assets			
Trade and other receivables	2,606,362	-	2,606,362
Due from a related company	2,839	-	2,839
Cash and bank balances	739,224	-	739,224
	3,348,425	-	3,348,425
Financial liabilities			
Other payables	-	5,235,897	5,235,897
Due to related companies	-	142,326	142,326
Due to ultimate holding company	-	4,384,771	4,384,771
Finance lease liability	-	257,451	257,451
	-	10,020,445	10,020,445

	Financial assets measured at amortised cost RM	Financial liabilities at amortised cost RM	Total RM
2019			
Financial assets			
Trade and other receivables	2,956,396	-	2,956,396
Cash and bank balances	3,013,337	-	3,013,337
	5,969,733	-	5,969,733
Financial liabilities			
Other payables	-	6,839,661	6,839,661
Due to related companies	-	197,183	197,183
Due to ultimate holding company	-	521	521
	-	7,037,365	7,037,365

28. CAPITAL MANAGEMENT

The primary objective of the Company's capital management to ensure that it maintains healthy capital ratios 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 shares. No changes were made in the objectives, policies or processes during the year ended 31 March 2020 and 31 March 2019.

Total capital is calculated as equity as shown in the statements of financial position.

29. COMPARATIVE FIGURES

The comparative have been reclassified to conform with current year's presentation to better reflect the nature of the short term financing from a Malaysian financial institution.

The effects of the reclassification are as follows:

	As previously reported RM	Reclassification RM	As restated RM
2019			
Other payables	3,214,333	3,625,328	6,839,661
Borrowing	3,625,328	(3,625,328)	-

The comparative figures as presented have been audited and reported by another firm of auditors.

30. AUTHORISATION FOR ISSUE OF THE FINANCIAL STATEMENTS

The financial statements of the Company were authorised for issue by the Board of Directors on 6 May 2020.