

Company No.	89186-K
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**RANBAXY (MALAYSIA) SDN. BHD.**  
**(89186-K)**  
**(Incorporated in Malaysia)**

**REPORT AND FINANCIAL STATEMENTS**  
**31 MARCH 2018**

**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
**(Incorporated in Malaysia)**

**REPORT AND FINANCIAL STATEMENTS**  
**31 MARCH 2018**

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**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
**(Incorporated in Malaysia)**

**DIRECTORS' REPORT**

The directors have pleasure in presenting their report and the audited financial statements of the Company for the financial year ended 31 March 2018.

**PRINCIPAL ACTIVITIES**

The Company is principally engaged in manufacturing and distributing of pharmaceutical products.

**FINANCIAL RESULTS**

	RM'000
Net profit for the financial year	<u>29,509</u>

In the opinion of the directors, the financial results of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

**DIVIDEND**

No dividend has been paid or declared by the Company since the end of the previous financial year and the directors do not recommend any dividend for the current financial year.

**RESERVES AND PROVISIONS**

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

**ISSUE OF SHARES AND DEBENTURES**

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

**OPTIONS GRANTED OVER UNISSUED SHARES**

No options were granted to any person to take up unissued shares of the Company during the financial year.

## **DIRECTORS**

The directors who held office during the financial year until the date of this report are:-

Indranil Sen

Viswanathan Sethuraman

Dato' Abdullah bin Mohd Yusof (Resigned on 1.11.2017)

Sanjay Vishwanath Tiwari (Resigned on 9.2.2018)

During and at the end of the financial year, the Company was not a party to any arrangement whose object is to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

None of the directors in office at the end of the financial year held any interest in the shares or debentures of the Company or of its related corporations during the financial year.

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

## **DIRECTORS REMUNERATION**

The directors' remuneration is disclosed in Note 17 to the financial statements.

## **INDEMNIFYING DIRECTORS, OFFICERS AND 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.

## **ULTIMATE HOLDING COMPANY**

The directors regard Sun Pharmaceutical Industries Limited, a company incorporated in India and listed in BSE Limited and National Stock Exchange of India Limited, as the immediate and ultimate holding company.

## **AUDITORS REMUNERATION**

The auditors' remuneration is disclosed in Note 15 to the financial statements.

## OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Company were prepared, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and had satisfied themselves that there were no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that the current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:
- (i) which would require the write off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate; or
  - (iv) not otherwise dealt with in this report or financial statements of the Company which would render any amount stated in the Company's financial statements misleading.
- (c) At the date of this report, there does not exist:
- (i) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Company which has arisen since the end of the financial year.
- (d) In the opinion of the directors:
- (i) no contingent liability 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 affect the ability of the Company to meet its obligations as and when they fall due; and
  - (ii) 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 substantially affect the results of the operations of the Company for the current financial year.

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## AUDITORS

Messrs RSM Malaysia, have expressed their willingness to continue in office.

The Board of Directors:

**INDRANIL SEN**

**VISWANATHAN SETHURAMAN**

Kuala Lumpur

**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
**(Incorporated in Malaysia)**

**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018**

	Note	2018 RM'000	2017 RM'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSET</b>			
Property, plant and equipment	6	35,318	36,854
<b>CURRENT ASSETS</b>			
Inventories	7	18,330	13,835
Trade and other receivables	8	38,389	37,208
Tax recoverable		1,008	1,008
Cash and bank balances		4,679	678
		<u>62,406</u>	<u>52,729</u>
<b>TOTAL ASSETS</b>		<u><u>97,724</u></u>	<u><u>89,583</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	9	8,300	8,000
Share premium	10	-	300
Retained earnings		44,106	14,597
<b>TOTAL EQUITY</b>		52,406	22,897
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank borrowings	11	4,342	10,137
Provisions	12	1,108	891
Trade and other payables	13	39,868	55,658
		<u>45,318</u>	<u>66,686</u>
<b>TOTAL LIABILITIES</b>		<u>45,318</u>	<u>66,686</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>97,724</u></u>	<u><u>89,583</u></u>

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

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**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
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**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018**

	Note	2018 RM'000	2017 RM'000
<b>REVENUE</b>	14	119,450	95,318
<b>COST OF SALES</b>		<u>(75,813)</u>	<u>(67,811)</u>
<b>GROSS PROFIT</b>		43,637	27,507
<b>OTHER OPERATING INCOME</b>		14,631	6,872
<b>DISTRIBUTION COSTS</b>		(10,219)	(13,843)
<b>ADMINISTRATIVE EXPENSES</b>		(9,103)	(8,985)
<b>OTHER OPERATING EXPENSES</b>		(8,955)	(5,100)
<b>FINANCE COSTS</b>		<u>(482)</u>	<u>(1,046)</u>
<b>PROFIT BEFORE TAXATION</b>	15	29,509	5,405
<b>TAXATION</b>	16	<u>-</u>	<u>-</u>
<b>NET PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR</b>		<u><u>29,509</u></u>	<u><u>5,405</u></u>

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



**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
**(Incorporated in Malaysia)**

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

	<i>Non distributable</i>		<i>Distributable</i>	
	Share capital	Share premium	Retained earnings	Total
	RM'000	RM'000	RM'000	RM'000
Balance as at 1.4.2016	8,000	300	9,192	17,492
Total comprehensive income for the financial year ended 31.3.2017	-	-	5,405	5,405
Balance as at 31.3.2017/1.4.2017	8,000	300	14,597	22,897
Transaction with owners				
- Transfer in accordance with Section 618(2) of the Companies Act 2016	300	(300)	-	-
Total comprehensive income for the financial year ended 31.3.2018	-	-	29,509	29,509
Balance as at 31.3.2018	8,300	-	44,106	52,406

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

**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
**(Incorporated in Malaysia)**

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

	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	29,509	5,405
Adjustments for:		
Depreciation of property, plant and equipment	3,383	3,495
Allowance/(Reversal) for impairment loss on trade receivables	81	(4,884)
Interest expense	482	1,046
Property, plant and equipment written off	58	2
Reversal of write down of inventories	(999)	(1,449)
Unrealised (gain)/loss on foreign exchange	(9,901)	387
<b>Operating profit before working capital changes</b>	<b>22,613</b>	<b>4,002</b>
(Increase)/Decrease in inventories	(3,496)	3,255
(Increase)/Decrease in trade and other receivables	(1,951)	2,728
(Decrease)/Increase in trade and other payables	(5,207)	2,800
Increase in provisions	217	698
<b>Cash generated from operating activities</b>	<b>12,176</b>	<b>13,483</b>
Interest paid	(482)	(1,046)
<b>Net cash generated from operating activities</b>	<b>11,694</b>	<b>12,437</b>
<b>CASH FLOWS FROM INVESTING ACTIVITY</b>		
Purchase of property, plant and equipment	(1,905)	(2,352)
<b>Net cash used in investing activity</b>	<b>(1,905)</b>	<b>(2,352)</b>

**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
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**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2018 (CONTINUED)**

	2018 RM'000	2017 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Withdrawal of bank borrowings	(5,795)	(10,196)
<b>Net cash used in financing activity</b>	<u>(5,795)</u>	<u>(10,196)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	3,994	(111)
Effect of exchange rate changes on cash and cash equivalents	7	(7)
<b>CASH AND CASH EQUIVALENTS BROUGHT FORWARD</b>	<u>678</u>	<u>796</u>
<b>CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	(i) <u><u>4,679</u></u>	<u><u>678</u></u>

(i) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2018 RM'000	2017 RM'000
Cash at bank	4,676	676
Cash in hand	3	2
	<u><u>4,679</u></u>	<u><u>678</u></u>

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

**RANBAXY (MALAYSIA) SDN. BHD. (89186-K)**  
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**NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2018**

**1. PRINCIPAL ACTIVITIES**

The Company is principally engaged in manufacturing and distributing of pharmaceutical products.

**2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS**

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1 Basis of accounting**

The financial statements of the Company have been prepared under the historical cost convention.

The preparation of financial statements requires the directors to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue and expenses and disclosure of contingent assets and liabilities. In addition, the directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 5. Although these estimates and assumptions are based on the directors’ best knowledge of events and actions, actual results could differ from those estimates.

**3.2 Property, plant and equipment**

On initial recognition, property, plant and equipment are recognised at cost, which includes its purchase price as well as any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, and the cost of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

After initial recognition, property, plant and equipment are carried at cost less any accumulated depreciation and impairment losses.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Property, plant and equipment (continued)

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over its useful economic life as follows:

Leasehold land	Amortised over the lease term of 60 years
Factory building	Amortised over the lease term of 60 years
Office equipment and renovations	3-10 years
Furniture and fittings	10 years
Motor vehicles	6.7 years
Plant and machinery	10 years

Capital work-in-progress are not depreciated until the assets are ready for their intended use.

Useful lives, residual values and depreciation methods are reviewed, and adjusted if appropriate, at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Foreign currencies

##### (i) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated in the financial statements.

##### (ii) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions.

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

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date except for those that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined.

The principal closing rate used in translation of foreign currency amounts is as follows:

	2018 RM	2017 RM
1 United States Dollar	3.86	4.43
1 Singapore Dollar	2.94	3.03
1 Euro Dollar	4.75	4.72
1 Swiss Franc Dollar	4.04	4.42

#### 3.4 Leased assets

##### Operating lease

Lease, where the Company does not assume substantially, all the risks and rewards of the ownership are classified as operating lease and the leased assets are not recognised in the statement of financial position of the Company.

Payments made under operating lease 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.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.5 Inventories

Inventories are carried in the statement of financial position at the lower of cost and net realisable value. Cost is determined on a weighted average cost formula. The cost of work in progress and finished goods comprises materials, direct labour and attributable production overheads based on normal levels of activity.

Obsolete and slow-moving items are written down based on their expected future use and net realisable value.

Net realisable value is the estimated sales price in the ordinary course of business after allowing for all further costs of completion and disposal.

#### 3.6 Financial instruments

##### (i) Initial recognition and measurement

The Company recognises a financial asset or a financial liability in the statement of financial position when, and only when, it becomes a party to the contractual provisions of the instrument. On initial recognition, the Company recognises all financial assets and financial liabilities at fair value. The fair value of a financial asset / liability on initial recognition is normally represented by the transaction price. The transaction price for financial assets / liabilities other than those classified at fair value through profit or loss includes the transaction costs that are directly attributable to the acquisition / issue of the financial instrument. Transaction costs incurred on acquisition of a financial asset and issue of a financial liability classified at fair value through profit or loss are expensed immediately.

The Company recognises financial assets using settlement date accounting, thus an asset is recognised on the day it is received by the Company and derecognised on the day that it is delivered by the Company.

##### (ii) Subsequent measurement of financial assets

Subsequent measurement of financial assets depends on their classification on initial recognition. The Company classifies financial assets in one of the following four categories:

##### (a) Financial assets at fair value through profit or loss (FVTPL)

Assets are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading assets) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6 Financial instruments (continued)

##### (ii) Subsequent measurement of financial assets (continued)

##### (a) Financial assets at fair value through profit or loss (FVTPL) (continued)

Gains or losses arising on remeasurement of financial assets at FVTPL incorporate any dividend or interest earned and are recognised in profit or loss.

For the financial years that ended on 31 March 2018 and 2017, the Company did not classify any financial assets as held for trading or designated as at fair value through profit or loss.

##### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets that the Company intends to sell immediately or in the near term cannot be classified in this category. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility.

Typically trade and other receivables (excluding prepayments) and cash and cash equivalents are classified in this category.

##### (c) Held-to-maturity financial assets

These are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. Financial assets that upon initial recognition the Company designates as at fair value through profit or loss or available-for-sale and those that meet the definition of loans and receivables cannot be classified in this category. Similar to loans and receivables, these assets are carried at amortised cost using the effective interest method minus any reduction for impairment or uncollectibility.

For the financial years that ended on 31 March 2018 and 2017, the Company did not carry any financial assets classified in this category.

##### (d) Available-for-sale (AFS) financial assets

These are non-derivative financial assets that are designated as available-for-sale on initial recognition or are not classified in one of the previous categories. They are carried at their fair value. However, unquoted equity instruments are carried at cost, where it is not possible to reliably measure their fair value.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6 Financial instruments (continued)

##### (ii) Subsequent measurement of financial assets (continued)

##### (d) Available-for-sale (AFS) financial assets (continued)

Except for foreign exchange gains and losses on debt instruments, interest income and dividends that are recognised in profit or loss, changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated in revaluation reserve, until the investment is disposed of or is determined to be impaired. At that time, the cumulative gain or loss previously accumulated in the revaluation reserve is reclassified from equity to profit or loss.

For the financial years that ended on 31 March 2018 and 2017, the Company did not carry any financial assets classified in this category.

##### (iii) Impairment of financial assets

At the end of each reporting period, the Company assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected. Objective evidence of impairment could include significant financial difficulty of the counterparty, breach of contract, probability that the borrower will enter bankruptcy, disappearance of an active market for that financial asset because of financial difficulties, etc.

For AFS equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

In addition, for trade receivables that are assessed not to be impaired individually, the Company assesses them collectively for impairment, based on the Company's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6 Financial instruments (continued)

##### (iii) Impairment of financial assets (continued)

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

For AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss. In respect of AFS equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

##### (iv) Derecognition of financial assets

Irrespective of the legal form of the transactions, financial assets are derecognised when they pass the “substance over form” based derecognition test prescribed by MFRS 139. That test comprises two different types of evaluations which are applied strictly in sequence:

- Evaluation of the transfer of risks and rewards of ownership
- Evaluation of the transfer of control

Whether the assets are recognised/derecognised in full or recognised to the extent of the Company’s continuing involvement depends on accurate analysis which is performed on a specific transaction basis.

##### (v) Subsequent measurement of financial liabilities

Subsequent measurement of financial liabilities depends on how they have been categorised on initial recognition. The Company classifies financial liabilities in one of the following two categories:

###### (a) Liabilities at fair value through profit or loss (FVTPL)

Liabilities are classified in this category when they are held principally for the purpose of selling or repurchasing in the near term (trading liabilities) or are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or contingent consideration in a business combination or meet the conditions for designation in this category at initial recognition. All changes in fair value relating to liabilities at fair value through profit or loss are charged to profit or loss as they arise.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.6 Financial instruments (continued)

##### (v) Subsequent measurement of financial liabilities (continued)

###### (a) Liabilities at fair value through profit or loss (FVTPL) (continued)

For the financial years that ended on 31 March 2018 and 2017, the Company did not classify any financial liabilities held for trading or designated as at fair value through profit or loss.

###### (b) Other financial liabilities

All liabilities which have not been classified in the previous category fall into this residual category.

These liabilities are carried at amortised cost using the effective interest method.

Typically, trade and other payables and borrowings are classified in this category.

Items classified within trade and other payables are not usually remeasured, as the obligation is known with a high degree of certainty and settlement is short-term.

##### (vi) Derecognition of financial liabilities

A financial liability is removed from the Company's statement of financial position only when the liability is discharged, cancelled or expired (i.e. extinguished). The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

#### 3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and cash at bank that are readily convertible to a known amount of cash and are subject to insignificant risk of changes in value.

For the purpose of the statement of cash flows only, cash and cash equivalents are presented net of bank overdrafts.

#### 3.8 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.9 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of 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 liabilities unless the probability of outflow of economic benefits is remote.

#### 3.10 Equity instruments

Equity instruments are contracts that give a residual interest in the net assets of the Company. Ordinary shares are classified as equity. Equity instruments are recognised at the amount of proceeds received net of costs directly attributable to the transaction.

#### 3.11 Revenue recognition

Revenue from the sale of goods is recognised in profit or loss on the date that goods are delivered to the customer and legal title has passed. Revenue is the fair value of the consideration received or receivable for goods and is net of estimated returns, trade discounts and sales-based taxes (e.g. value added tax).

#### 3.12 Employee benefits

##### (i) Short-term benefits

Wages, salaries, bonuses 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 absence such as paid annual leave are recognised when services are rendered by employees and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plan

As required by law, companies in Malaysia make contributions to the Employees' Provident Fund ("EPF"). The contributions are recognised as a liability after deducting any contribution already paid and as an expense in profit or loss in the period in which the employees render their services. Once the contributions have been paid, the Company has no further payment obligations.

#### 3.13 Borrowing costs

Interest on borrowings to finance the purchase and development of a self-constructed qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) is included in the cost of the asset until such time as the assets are substantially ready for use or sale. Such borrowing costs are capitalised net of any investment income earned on the temporary investment of funds that are surplus pending such expenditure.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.13 Borrowing costs (continued)

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### 3.14 Income taxes

Tax currently payable is calculated using the tax rates in force or substantively enacted at the reporting date. Taxable profit differs from accounting profit either because some income and expenses are never taxable or deductible, or because the time pattern that they are taxable or deductible differs between tax law and their accounting treatment.

Using the statement of financial position liability method, deferred tax is recognised in respect of all temporary differences between the carrying value of assets and liabilities in the statement of financial position and the corresponding tax base, with the exception of goodwill not deductible for tax purposes and temporary differences arising on initial recognition of assets and liabilities that do not affect taxable or accounting profit.

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

Deferred tax assets are recognised only to the extent that the Company considers that it is probable (i.e. more likely than not) that there will be sufficient taxable profits available for the asset to be utilised within the same tax jurisdiction.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to offset current tax assets against current tax liabilities, they relate to the same tax authority and the Company's intention is to settle the amounts on a net basis.

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except if it arises from transactions or events that are recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.15 Fair value measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Company uses market observable data to the extent possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Company (working closely with external qualified valuers) using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Company at the end of the reporting period during which the change occurred.

**4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS****4.1 MFRSs, Amendments to MFRSs and Interpretations adopted**

For the preparation of the financial statements, the following accounting standards, amendments and interpretations of the MFRS framework issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2017:

- Amendments to MFRS 107 *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*
- Amendments to MFRS 12 *Disclosure of Interests in Other Entities (Annual Improvements 2014-2016 Cycle)*

The adoption of the above mentioned accounting standards, amendments and interpretations are not expected to have any significant impact on the financial statements of the Company.

**4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted**

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the MASB but have not been adopted by the Company:

**MFRSs, Amendments to MFRSs and Interpretations effective for annual period beginning on or after 1 January 2018**

- MFRS 9 *Financial Instruments (2014)*
- MFRS 15 *Revenue from Contracts with Customers*
- Amendments to MFRS 15 – *Clarifications to MFRS 15*
- Amendments to MFRS 2 *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures (Annual Improvements 2014-2016 Cycle)*
- Amendments to MFRS 140 *Investment Property – Transfers of Investment Property*
- IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

**MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2019**

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9 *Financial Instruments (2014) – Prepayment Features with Negative Compensation*
- Amendments to MFRS 128 *Investments in Associates and Joint Ventures – Long-term Interest in Associates and Joint Ventures*

#### 4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

##### 4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

##### MFRSs, Amendments to MFRSs and Interpretations effective for annual periods beginning on or after 1 January 2019 (continued)

- Amendments to MFRS 3 *Business Combinations – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 11 *Joint Arrangements – Previously Held Interest in a Joint Operation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 112 *Income Taxes – Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 123 *Borrowing Costs – Borrowing Costs Eligible for Capitalisation (Annual Improvements 2015-2017 Cycle)*
- Amendments to MFRS 119 *Employee Benefits – Plan Amendment, Curtailment or Settlement*

##### MFRSs, Amendments to MFRSs and Interpretations effective date yet to be confirmed

- Amendments to MFRS 10 *Consolidated Financial Statements* and MFRS 128 *Investment in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The directors anticipate that the above mentioned accounting standards, amendments and interpretations will be adopted by the Company when they become effective:

- from the annual period beginning on 1 April 2018 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2018
- from the annual period beginning on 1 April 2019 for those accounting standards, interpretations and amendments that are effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 4 *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts* and MFRS 17 *Insurance Contracts* have not been taken into consideration because they are not applicable to the Company.

The Company has assessed, where practicable, the potential impact of all these accounting standards, amendments and interpretations that will be effective in future period, as below:

##### MFRS 9 *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting, recognition and derecognition.



4. **ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)**

4.2 **New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)**

**MFRS 9 *Financial Instruments* (continued)**

- MFRS 9 requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which they are held and their contractual cash flow characteristics.
- For financial liabilities, the most significant effect of MFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.
- For the impairment of financial assets, MFRS 9 introduces an “expected credit loss (ECL)” model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.
- For hedge accounting, MFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.
- The recognition and derecognition provisions are carried over almost unchanged from MFRS 139.

The directors anticipate that MFRS 9 will be adopted in the Company’s financial statements when it becomes mandatory. The directors have performed a preliminary assessment of the impact of MFRS 9 on the financial statements based on an analysis of the Company’s financial assets and financial liabilities as at 31 March 2018 (Note 19) on the basis of the facts and circumstances that exist at that date.

- All the Company’s financial assets and financial liabilities should continue to be measured on the same bases as currently under MFRS 139.
- Concerning impairment, the directors expect to apply the simplified approach to recognise lifetime ECL for the Company’s trade receivables. Although the directors are currently assessing the extent of this impact, they anticipate that the application of the ECL model of MFRS 9 will result in earlier recognition of credit losses. However, it is not practicable to provide a reasonable estimate of that effect until the detailed review that is in progress has been completed. In particular, the implementation of the new ECL model proves to be challenging and might involve significant modifications to the Company’s credit management systems.

#### 4. ADOPTION OF MFRSs, AMENDMENTS TO MFRSs AND INTERPRETATIONS (CONTINUED)

##### 4.2 New/ Revised MFRSs, Amendments to MFRSs and Interpretations not adopted (continued)

###### *MFRS 15 Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111 *Construction Contracts*, MFRS 118 *Revenue*, IC Interpretation 13 *Customer Loyalty Programmes*, IC Interpretation 15 *Agreements for Construction of Real Estate*, IC Interpretation 18 *Transfers of Assets from Customers* and IC Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*.

It establishes a single and comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract, etc.). The directors anticipate that MFRS 15 will be adopted in the Company's financial statements when it becomes mandatory, and they intend to use the modified retrospective method of transition to the new Standard.

Based on the current accounting treatment of the Company's major sources of revenue (Note 14), the directors do not anticipate that the application of MFRS 15 will have a significant impact on the financial position and/or financial performance of the Company, apart from providing more extensive disclosures on the Company's revenue transactions. However, as the directors are still in the process of assessing the full impact of the application of MFRS 15 on the Company's financial statements, it is not practicable to provide a reasonable financial estimate of the effect until the directors complete the detailed review.

###### *MFRS 16 Leases*

MFRS 16 introduces a single accounting model for a lessee and eliminates the distinction between finance lease and operating lease. Lessee is now required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Upon adoption of MFRS 16, the Company is required to account for major part of its operating leases in the statement of financial position by recognising the 'right-of-use' assets and the lease liability, thus increasing the assets and liabilities of the Company.

The financial effects arising from the adoption of this standard are still being assessed by the Company.

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing its financial statements, the Company have made significant judgements, estimates and assumptions that impact on the carrying value of certain assets and liabilities, income and expenses as well as other information reported in the notes. The Company periodically monitor such estimates and assumptions and makes sure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

The judgements made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognised in the financial statements, and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

### (a) Functional currency

The financial statements are prepared in the functional currency of the Company of Ringgit Malaysia, which is the currency of the primary economic environment in which the Company operates. Factors considered by management when determining the functional currency include the competitive forces and regulations affecting the sales price, the currency used to acquire raw materials, labour, services and supplies, and sources of financing. Based on the factors considered, the Company has determined that Ringgit Malaysia to be its functional currency.

### (b) Depreciation of property, plant and equipment

Depreciation of property, plant and equipment is calculated using the straight-line method to write off the cost of assets to its estimated residual values over its estimated useful lives as disclosed in Note 3.2 to the financial statements.

The estimates of the residual values, useful lives and related depreciation charges for the property, plant and equipment area based on commercial and production factors.

Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

### (c) Allowance for impairment losses of trade receivables

The determination of the recoverability of the amount due from customers involves the identification of whether there is any objective evidence of impairment. Bad debts are written off when identified, to the extent that it is feasible impairment and uncollectibility is determined individually for each item. In cases where that process is not feasible, a collective evaluation of impairment is performed. As a consequence, the way individual and collective evaluations are carried out and the timing relating to the identification of objective evidence of impairment require significant judgement and may materially affect the carrying amount of receivables at the reporting date.

**5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)****(d) Net realisable value of inventories**

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is written down to their estimated realisable value when their cost may no longer be recoverable such as when inventories are damaged or become wholly or partly obsolete or their selling prices have declined. In any case, the realisable value represents the best estimate of the recoverable amount, is based on the most reliable evidence available at the reporting date and inherently involves estimates regarding the future expected realisable value. The benchmarks for determining the amount of write-downs to net realisable value include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and may materially affect the carrying amount of inventories at the reporting date.

**(e) Deferred tax estimation**

Recognition of deferred tax assets and liabilities involves making a series of assumptions. As far as deferred tax assets are concerned, their realisation ultimately depends on taxable profits being available in the future. Deferred tax assets are recognised only when it is probable that taxable profits will be available against which the deferred tax asset can be utilised and it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the Company making assumptions within its overall tax-planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. Moreover, the measurement of a deferred tax asset or liability reflects the manner in which the entity expects to recover the asset's carrying value or settle the liability.

**(f) Provisions**

Provisions can be distinguished from other liabilities because there is uncertainty about the timing or amount of settlement. The more common provisions recorded by the Company arise from obligations in relation to manufacturer's warranties, refunds, guarantees, onerous contracts, outstanding litigation and business restructuring.

The recognition and measurement of provisions require the Company to make significant estimates with regard to the probability (if the event is more likely than not to occur) that an outflow of resources will be required to settle the obligation and make assumptions whether a reliable estimate can be made of the amount of the obligation.

Moreover, the Company's accounting policy requires recognition of the best estimate of the amount that would be required to settle an obligation and the estimate may be based on information that produces a range of amounts. Since the measurement is based on present value, it involves making estimates around the appropriate discount rate in order to reflect the risks specific to the liability.

## 5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (f) Provisions (continued)

In particular, as far as restructuring provisions are concerned, considerable judgement is required to determine whether an obligating event has occurred. All the available evidence must be assessed to determine whether a plan is detailed enough to create a valid expectation of management's commitment to the restructuring by starting to implement the plan or announce its main features to those affected by it.

### (g) Contingencies

Contingent liabilities of the Company are not recognised but disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent liabilities represent possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. They are not recognised because it is not probable that an outflow of resources will be required to settle the obligation and the amount of the obligation cannot be measured with sufficient reliability.

Inevitably, the determination that the possibility that an outflow of resources embodying economic benefits is remote and that the occurrence or non-occurrence of one or more uncertain future events is not wholly within the control of the Company requires significant judgement.

6. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Factory building RM'000	Office equipment renovations RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
<u>Cost</u>								
At 1.4.2016	226	23,394	3,631	959	63	34,734	543	63,550
Addition	-	-	-	-	-	-	2,352	2,352
Written off	-	-	(1)	-	-	(8)	-	(9)
Transfers	20	20	30	2	-	1,513	(1,565)	-
At 31.3.2017	226	23,414	3,660	961	63	36,239	1,330	65,893
<u>Accumulated depreciation</u>								
At 1.4.2016	110	4,001	2,846	422	63	17,821	-	25,263
Charge for the financial year	4	447	201	77	-	2,766	-	3,495
Written off	-	-	(1)	-	-	(6)	-	(7)
At 31.3.2017	114	4,448	3,046	499	63	20,581	-	28,751
<u>Accumulated impairment loss</u>								
At 1.4.2016	-	-	7	2	-	279	-	288
At 31.3.2017	-	-	7	2	-	279	-	288

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## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land RM'000	Factory building RM'000	Office equipment and renovations RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Plant and machinery RM'000	Capital work in progress RM'000	Total RM'000
<u>Cost</u>								
At 31.3.2017/ 1.4.2017	226	23,414	3,660	961	63	36,239	1,330	65,893
Addition	-	-	53	241	-	-	1,609	1,905
Disposal	-	-	(1,090)	(18)	-	(438)	-	(1,546)
Written off	-	(14)	(52)	(33)	-	(265)	-	(364)
Transfers	-	400	89	74	-	1,559	(2,122)	-
At 31.3.2018	226	23,800	2,662	1,225	63	37,095	817	65,888
<u>Accumulated depreciation</u>								
At 31.3.2017/ 1.4.2017	114	4,448	3,046	499	63	20,581	-	28,751
Charge for the financial year	4	450	188	83	-	2,658	-	3,383
Disposal	-	-	(1,090)	(18)	-	(438)	-	(1,546)
Written off	-	(1)	(40)	(25)	-	(240)	-	(306)
At 31.3.2018	118	4,897	2,104	539	63	22,561	-	30,282
<u>Accumulated impairment loss</u>								
At 31.3.2017/ 1.4.2017	-	-	7	2	-	279	-	288
At 31.3.2018	-	-	7	2	-	279	-	288
<u>Net carrying amount</u>								
At 31.3.2017	112	18,966	607	460	-	15,379	1,330	36,854
At 31.3.2018	108	18,903	551	684	-	14,255	817	35,318

## 6. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Leasehold land comprises land with an unexpired lease of 67 years (2017: 68 years).

## 7. INVENTORIES

	2018 RM'000	2017 RM'000
Raw materials	8,996	4,417
Work-in-progress	1,415	1,376
Finished goods	6,367	6,776
Packaging materials	1,552	1,266
	<u>18,330</u>	<u>13,835</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	54,294	47,268
Reversal of write-down	<u>(999)</u>	<u>(1,449)</u>

The reversal of write-down is included in cost of sales.

## 8. TRADE AND OTHER RECEIVABLES

	2018 RM'000	2017 RM'000
<b>Trade</b>		
Trade receivables	31,640	28,498
Less: Allowance for impairment loss		
At the beginning for the financial year	(856)	(5,740)
(Allowance)/Reversal for the financial year	(81)	4,884
At the end of the financial year	<u>(937)</u>	<u>(856)</u>
	30,703	27,642
Amount due from holding company	4,935	6,452
	<u>35,638</u>	<u>34,094</u>
<b>Non-trade</b>		
Amount due from holding company	584	1,776
Other receivables, deposits and prepayments	2,167	1,338
	<u>2,751</u>	<u>3,114</u>
<b>Total trade and other receivables</b>	<u>38,389</u>	<u>37,208</u>

- (a) The company's normal credit term is 90 days (2017: 90 days). Other credit terms are assessed and approved on case by case basis.
- (b) The trade amount due from holding company is denominated in US Dollars and subject to the normal trade terms.
- (c) The non-trade amount due from holding company is denominated in US Dollars, unsecured, interest free and repayable on demand.



**9. SHARE CAPITAL**

	2018 RM'000	2017 RM'000
<b>Issued and fully paid</b>		
8,000,000 ordinary shares at beginning of the financial year	8,000	8,000
Transfer from share premium in accordance with Section 618(2) of Companies Act 2016	300	-
8,000,000 ordinary shares at end of the financial year	<u>8,300</u>	<u>8,000</u>

Included in share capital is share premium account amounting to RM300,000 that are available to be utilised in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74).

**10. SHARE PREMIUM**

In previous financial year, share premium arose from the issue of 1,200,000 ordinary shares of RM1.00 each, at the premium of RM0.25 per share.

The Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and introduced "no par value of shares" regime. Consequently, the amounts standing to the credit of the share premium account shall become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM300,000 for purposes as set out in Section 618(3) of the Act. In previous financial year, the directors have yet to decide on any utilisation of the share premium.

**11. BANK BORROWINGS**

	2018 RM'000	2017 RM'000
<b>Current</b>		
Bank overdraft	-	154
Buyers' credit	4,342	9,983
As at 31 March	<u>4,342</u>	<u>10,137</u>

The bank overdraft is subject to interest at rate of NIL (2017: 8.30%) per annum.

The buyers' credit is subject interest at rate of 4.90% (2017: 4.85%) per annum.

The bank borrowings are secured by corporate guarantee from holding company.

## 12. PROVISIONS

	2018 RM'000	2017 RM'000
As at 1 April	891	193
Allowance made during the year	217	698
As at 31 March	<u>1,108</u>	<u>891</u>

Provisions relate to returnable obsolete inventories held by the customers as at financial year end. The provisions were estimated based on historical data and past trends of obsolete inventories held by the customers. The Company expects to incur majority of the recognised liability over the next twelve months.

## 13. TRADE AND OTHER PAYABLES

	2018 RM'000	2017 RM'000
<b>Trade</b>		
Trade payables	8,103	8,419
Amount due to holding company	20,380	35,237
	<u>28,483</u>	<u>43,656</u>
<b>Non-trade</b>		
Amount due to holding company	5,557	4,827
Other payables	2,833	2,495
Accruals	2,995	4,680
	<u>11,385</u>	<u>12,002</u>
<b>Total trade and other payables</b>	<u>39,868</u>	<u>55,658</u>

- The normal trade credit terms granted to the Company range from 30 to 90 days (2017: 30 to 90 days).
- The trade amount due to holding company is denominated in US Dollars and subject to the normal trade terms.
- The non-trade amount due to holding company is denominated in US Dollars, unsecured, interest free and repayable on demand.

## 14. REVENUE

Revenue from the sale of goods is recognised in profit or loss on the date that goods are delivered to the customer and legal title has passed.

## 15. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):-

	2018 RM'000	2017 RM'000
Auditors' remuneration		
- statutory	60	60
- others	36	26
Depreciation on property, plant and equipment	3,383	3,495
Allowance/(Reversal) for impairment loss on trade receivables	81	(4,884)
Interest expense	482	1,046
Employee benefits (Note 17)	19,218	18,717
Property, plant and equipment written off	58	2
Rental of premises	693	655
Foreign exchange loss/(gain)		
- realised	4,229	2,740
- unrealised	(9,901)	387
Reversal of write-down of inventories	(999)	(1,449)

## 16. TAXATION

A reconciliation of tax expense on financial results before taxation with the applicable statutory income tax rate is as follows:-

	2018 RM'000	2017 RM'000
Profit before taxation	29,509	5,405
Income tax at tax rate of 24% (2017: 24%)	7,082	1,297
Tax effects in respect of:		
Non-allowable expenses	543	(204)
Utilisation of previously unrecognised deferred tax assets	(7,625)	(1,093)
Current year tax expense	-	-

As at reporting date, the Company has the following deferred tax assets which are not recognised in the financial statements due to uncertainty in the availability of future taxable income:

	2018 RM'000	2017 RM'000
Excess of net book value over tax written down value of property, plant and equipment	(3,780)	(3,754)
Unabsorbed capital allowances	-	3,605
Unabsorbed tax losses	6,925	8,196
Others	590	3,313

**17. EMPLOYEE BENEFITS**

The total employee benefits recognised in profit or loss are as follows:

	2018 RM'000	2017 RM'000
Wages, salaries and others	17,590	16,903
Defined contribution plan	1,628	1,814
	<u>19,218</u>	<u>18,717</u>

Included in employee benefits expense is executive directors' remuneration as follows:

	2018 RM'000	2017 RM'000
Directors' remuneration		
Fees	18	46
Remuneration	546	576
	<u>564</u>	<u>622</u>

**18. RELATED PARTY TRANSACTIONS****Identity of related parties**

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel are all the Directors of the Company.

Significant transactions with related parties other than those disclosed elsewhere in the financial statements are as follows:

	2018 RM'000	2017 RM'000
<b>Holding company</b>		
Sales	(3,253)	(6,525)
Royalty and trademark	5,065	4,092
Purchases	<u>19,255</u>	<u>9,702</u>

Balances with holding company at the reporting date are disclosed in Note 8 and Note 13 to the financial statements. All the outstanding balances are expected to be settled in cash by the related parties.

## 19. FINANCIAL INSTRUMENTS

### (a) Classification of financial assets and liabilities

The following table summarises the carrying amount of financial assets and liabilities recorded at the reporting date:

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

	Carrying amount RM'000	L&R/ (FL) RM'000
<b>2018</b>		
<u>Financial assets</u>		
Trade and other receivables (excluding prepayment)	38,196	38,196
Cash and bank balances	4,679	4,679
	<u>42,875</u>	<u>42,875</u>
<u>Financial liabilities</u>		
Bank borrowings	(4,342)	(4,342)
Trade and other payables	(39,868)	(39,868)
	<u>(44,210)</u>	<u>(44,210)</u>
<b>2017</b>		
<u>Financial assets</u>		
Trade and other receivables (excluding prepayment)	36,892	36,892
Cash and bank balances	678	678
	<u>37,570</u>	<u>37,570</u>
<u>Financial liabilities</u>		
Bank borrowings	(10,137)	(10,137)
Trade and other payables	(55,658)	(55,658)
	<u>(65,795)</u>	<u>(65,795)</u>

### (b) Financial risk management objectives and policies

The Company’s financial risk management objective is to optimize value creation for shareholders whilst minimising the potential adverse effects on the performance of the Company.

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

The Company operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the board of directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control system, insurance programmes and adherence to the Company financial risk management policies. The Company is exposed mainly to the following risks. Information on the management of the related exposures are detailed below.

- (i) Market risk
- (ii) Liquidity risk
- (iii) Credit risk

#### (i) Market risk

##### (a) Foreign currency risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in the currency other than the functional currency, Ringgit Malaysia (RM). The currencies giving rise to this risk are primarily US Dollar (USD), Singapore Dollar (SGD), Euro (EUR) and Swiss Franc (CHF).

*Risk management objectives, policies and processes for managing the risk*

The Company does not have a fixed policy to hedge its sales and purchases via forward contract. However, the exposure to foreign currency risk is monitored from time to time by management.

*Exposure to foreign currency risk*

The Company's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting year was:

Denominated in	USD RM'000	SGD RM'000	EUR RM'000	CHF RM'000
<b>2018</b>				
Trade and other receivables	437	3,973	-	-
Trade and other payables	(2,371)	(71)	(26)	1
Amount due from holding company	5,514	-	-	-
Amount due to holding company	(21,371)	-	(7)	-
Bank balance	133	-	-	-
Net exposure	(17,658)	3,902	(33)	1

**19. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management objectives and policies (continued)****(i) Market risk (continued)****(a) Foreign currency risk (continued)**

Denominated in	USD	SGD	EUR	CHF
	RM'000	RM'000	RM'000	RM'000
<b>2017</b>				
Trade and other receivables	177	2,952	-	-
Trade and other payables	(5,021)	(495)	(22)	1
Amount due from holding company	8,227	-	-	-
Amount due to holding company	(36,375)	-	(6)	-
Bank balance	95	-	-	-
Net exposure	<u>(32,897)</u>	<u>2,457</u>	<u>(28)</u>	<u>1</u>

*Currency risk sensitivity analysis*

A 10% (2017: 10%) strengthening of Ringgit Malaysia against the following currencies at the end of the reporting year would have increase/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	2018	2017
	RM'000	RM'000
USD	(1,342)	(2,500)
SGD	297	187
EUR	(3)	(2)
CHF	<u>-</u>	<u>-</u>

A 10% (2017: 10%) weakening of Ringgit Malaysia against the above currencies at the end of the reporting year would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

**(b) Interest rate risk**

The Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

**19. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management objectives and policies (continued)****(i) Market risk (continued)****(b) Interest rate risk (continued)**

*Risk management objectives, policies and processes for managing the risk*

The Company's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowing are set to reduce the impact on an upward trend change in interest rates while enabling benefits to be enjoyed if interest rates fall.

*Exposure to interest rate risk*

The interest rate profile of the Company's significant interest-bearing financial instrument, based on carrying amount as at the end of the reporting year was:

	2018 RM'000	2017 RM'000
<b>Floating rate instruments</b>		
Financial liabilities	<u>4,342</u>	<u>10,137</u>

*Interest rate risk sensitivity analysis*

**Fair value sensitivity analysis for fixed rate instruments**

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

**Cash flow sensitivity analysis for variable rate instruments**

A change of 50 basis points (bp) in interest rates as at the end of the reporting year would have increased/(decrease) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Equity		Profit or loss	
	50 bp Increase RM'000	50 bp Decrease RM'000	50 bp Increase RM'000	50 bp Decrease RM'000
<b>2018</b>				
Floating rate instruments:				
Buyers' credit	<u>(16)</u>	<u>16</u>	<u>(16)</u>	<u>16</u>



**19. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management objectives and policies (continued)****(i) Market risk (continued)****(b) Interest rate risk (continued)***Interest rate risk sensitivity analysis (continued)***Cash flow sensitivity analysis for variable rate instruments (continued)****2017**

Floating rate instruments:

Bank overdraft	(1)	1	(1)	1
Buyers' credit	(38)	38	(38)	38

**(ii) Liquidity risk**

The Company monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows.

The table below represents the maturity profile of the financial liabilities recognised by the Company as at the end of the reporting year, based on contractual undiscounted repayment obligations:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under one year RM'000
<b>2018</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	39,868	-	39,868	39,868
Bank borrowings	4,342	4.9%	4,342	4,342
	<u>44,210</u>		<u>44,210</u>	<u>44,210</u>
<b>2017</b>				
<i>Non-derivative financial liabilities</i>				
Trade and other payables	55,658	-	55,658	55,658
Bank borrowings	10,137	4.8%-8.3%	10,137	10,137
	<u>65,795</u>		<u>65,795</u>	<u>65,795</u>

**(iii) 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. The Company's exposure to credit risk arises principally from its receivables from customers.

**19. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management objectives and policies (continued)****(iii) Credit risk (continued)****Receivables***Risk management objectives, policies and processes for managing the risk*

The credit risk is controlled by the application of credit approvals, limits and monitoring procedures. An internal credit review is conducted if the credit risk is material.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk is represented by the carrying amount of the receivables presented in the statement of financial position. As at the end of the reporting year, 5 (2017: 5) significant debtors account for 88% (2017: 90%) of total receivables. Except for this, there were no significant concentrations of credit risk.

The ageing of trade receivables as at the end of the reporting year was:

	Gross RM'000	Individual impairment RM'000	Net RM'000
<b>2018</b>			
Not past due	29,707	-	29,707
Past due 1-30 days	836	-	836
Past due 31-90 days	28	-	28
Past due more than 90 days	1,069	(937)	132
Total	<u>31,640</u>	<u>(937)</u>	<u>30,703</u>
<b>2017</b>			
Not past due	24,604	-	24,604
Past due 1-30 days	1,095	-	1,095
Past due 31-90 days	1,385	-	1,385
Past due more than 90 days	1,414	(856)	558
Total	<u>28,498</u>	<u>(856)</u>	<u>27,642</u>

The movements in the allowance for impairment losses of receivables during the financial year were:

	2018 RM'000	2017 RM'000
As at 1 April	856	5,740
Allowance/(Reversal) for impairment loss on trade receivables	81	(4,884)
As at 31 March	<u>937</u>	<u>856</u>

## 19. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (continued)

#### (iii) Credit risk (continued)

##### Receivables (continued)

##### *Exposure to credit risk, credit quality and collateral (continued)*

The receivable which are individually determined to be impaired relate to debtors who are in financial difficulties and have defaulted in payment. These receivables are not secured by any collateral.

### (c) Fair value information

As at the end of the reporting year, the carrying amount of cash and bank balances, receivables and deposits, payables, accruals and short-term borrowings approximate fair value due to the relatively short-term nature of these financial instruments.

## 20. CAPITAL MANAGEMENT

The Company's principal goal is to maintain healthy balance ratios for the support and continuity of the operational activities and maximising shareholders value. The Company monitors the capital structure and balance ratios so as to optimise their goals, taking into account the economic circumstances. To achieve those goals, the Company's management is able to determine the dividend policy, share issues or other financial instruments. No changes were made in the objectives, policies or processes for managing capital during the financial year.

## 21. OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 RM'000	2017 RM'000
Not later than one year	393	531
Later than one year and not later than five years	250	65
	643	596

The Company leases office premises under operating leases. The leases typically run for an initial year of one to two years with option to renew the lease after that date.

**21. CONTINGENT LIABILITIES – SECURED**

	2018 RM'000	2017 RM'000
Banker's guarantees in favour of third parties	<u>925</u>	<u>408</u>

**22. ULTIMATE HOLDING COMPANY**

The directors regard Sun Pharmaceutical Industries Limited, a company incorporated in India and listed in BSE Limited and National Stock Exchange of India Limited as the immediate and ultimate holding Company.

**23. OTHER INFORMATION**

(a) The Company is a private limited company, incorporated and domiciled in Malaysia.

(b) The registered office is situated at:

Lot 6.05, Level 6, KPMG Tower  
8 First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor Darul Ehsan

(c) The principal place of business is situated at:

Unit 21-13, Level 21  
Q Sentral  
2A, Jalan Stesen Sentral 2  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

(d) The financial statements are expressed in Ringgit Malaysia, which is also the Company's functional currency.

**24. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on [to be furnished by management].

**STATEMENT BY DIRECTORS**

**Pursuant to Section 251(2) of the Companies Act 2016**

We, the undersigned, being the directors of **RANBAXY (MALAYSIA) SDN. BHD. (89186-K)** do hereby state that, in the opinion of the directors, the financial statements set out on pages 5 to 42 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 state of affairs of the Company as at 31 March 2018 and of the financial results and the cash flows of the Company for the financial year ended on that date.

The Board of Directors

**INDRANIL SEN**

**VISWANATHAN SETHURAMAN**

Kuala Lumpur

**STATUTORY DECLARATION**

**Pursuant to Section 251(1)(b) of the Companies Act 2016**

I, **INDRANIL SEN**, being the director primarily responsible for the financial management of **RANBAXY (MALAYSIA) SDN. BHD. (89186-K)** do solemnly and sincerely declare that the financial statements set out on pages 5 to 42 are to the best of my knowledge and belief, 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.

**INDRANIL SEN**

Subscribed and solemnly declared  
by the abovenamed at Kuala Lumpur  
in the Federal Territory on

Before me

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RANBAXY (MALAYSIA) SDN. BHD.**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of Ranbaxy (Malaysia) Sdn. Bhd., which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 5 to 42.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2018, 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RANBAXY (MALAYSIA) SDN. BHD. (continued)**

*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 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.

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RANBAXY (MALAYSIA) SDN. BHD. (continued)**

*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.

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

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



**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF RANBAXY (MALAYSIA) SDN. BHD. (continued)**

**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.

**RSM Malaysia**  
AF: 0768  
Chartered Accountants

**Yong Kam Fei**  
02562/07/2018 J  
Chartered Accountant

Kuala Lumpur