

Registration No.	198201009462 (89186-K)
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RANBAXY (MALAYSIA) SDN. BHD.
Registration no. 198201009462 (89186-K)
(Incorporated in Malaysia)

REPORT AND FINANCIAL STATEMENTS
31 MARCH 2023

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31 MARCH 2023

CONTENTS	PAGE NO.
DIRECTORS' REPORT	1 - 4
STATEMENT OF FINANCIAL POSITION	5
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
STATEMENT OF CHANGES IN EQUITY	7
STATEMENT OF CASH FLOWS	8 - 9
NOTES TO THE FINANCIAL STATEMENTS	10 - 42
STATEMENT BY DIRECTORS AND STATUTORY DECLARATION	43
INDEPENDENT AUDITORS' REPORT	44 - 47

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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 2023.

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>24,030</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:-

Viswanathan Sethuraman	
Karthic Kumar Doraisamy	(Appointed on 27 March 2023)
Indranil Sen	(Resigned on 27 March 2023)

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 interest in the shares or debentures of the Company or 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 amount of remunerations of the directors or past directors of the Company comprising remunerations received/receivable from the Company during the financial year are as follow:

	RM'000
Salaries and allowances	1,221
Others	99
	<u>1,320</u>

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.

AUDITOR REMUNERATION

The amounts paid to or receivable by the auditors as remuneration for their services as auditors are as follow:

	RM'000
Audit fees	59
Others	63
	<hr/>
	122
	<hr/>

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.

OTHER STATUTORY INFORMATION (CONTINUED)

(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.

AUDITORS

The auditors, RSM Malaysia PLT, have expressed their willingness to continue in office.

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

KARTHIC KUMAR DORAISAMY

VISWANATHAN SETHURAMAN

Kuala Lumpur

RANBAXY (MALAYSIA) SDN. BHD.
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STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 RM'000	2022 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	6	34,886	35,992
Right-of-use assets	7	1,345	1,095
		36,231	37,087
CURRENT ASSETS			
Inventories	8	46,129	31,753
Trade and other receivables	9	58,922	47,674
Cash and bank balances		18,513	10,885
		123,564	90,312
TOTAL ASSETS		159,795	127,399
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	8,300	8,300
Retained earnings		115,491	91,461
TOTAL EQUITY		123,791	99,761
LIABILITIES			
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11	1,522	1,017
Lease liabilities	12	726	398
		2,248	1,415
CURRENT LIABILITIES			
Trade and other payables	13	30,415	23,518
Provisions	14	851	904
Lease liabilities	12	644	738
Bank overdraft	15	-	135
Tax payable		1,846	928
		33,756	26,223
TOTAL LIABILITIES		36,004	27,638
TOTAL EQUITY AND LIABILITIES		159,795	127,399

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

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**STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023**

	Note	2023 RM'000	2022 RM'000
REVENUE	16	179,895	152,412
COST OF SALES		<u>(120,572)</u>	<u>(104,869)</u>
GROSS PROFIT		59,323	47,543
OTHER OPERATING INCOME		701	1,364
DISTRIBUTION COSTS		(11,905)	(11,024)
ADMINISTRATIVE EXPENSES		(14,187)	(12,097)
OTHER OPERATING EXPENSES		(2,366)	(1,639)
FINANCE COSTS		<u>(132)</u>	<u>(173)</u>
PROFIT BEFORE TAXATION	17	31,434	23,974
TAXATION	18	<u>(7,404)</u>	<u>(5,322)</u>
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		<u><u>24,030</u></u>	<u><u>18,652</u></u>

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	<i>Non distributable</i> Share capital RM'000	<i>Distributable</i> Retained earnings RM'000	Total RM'000
Balance as at 1.4.2021	8,300	72,809	81,109
Total comprehensive income for the financial year ended 31.3.2022	-	18,652	18,652
Balance as at 31.3.2022/1.4.2022	8,300	91,461	99,761
Total comprehensive income for the financial year ended 31.3.2023	-	24,030	24,030
Balance as at 31.3.2023	8,300	115,491	123,791

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

RANBAXY (MALAYSIA) SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023

	2023 RM'000	2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	31,434	23,974
Adjustments for:		
Depreciation of property, plant and equipment	4,017	3,471
Depreciation on right-of-use assets	794	797
Loss on disposal of property, plant and equipment	4	-
Reversal for impairment loss on trade receivables	(46)	(5)
Interest expense	54	117
Interest income	(140)	(21)
Inventories written down:		
- provision no longer required	(1,854)	-
- addition during the year	1,567	2,703
Gain on disposal of lease assets	(2)	-
Unrealised (gain)/loss on foreign exchange	(17)	325
Operating profit before working capital changes	35,811	31,361
(Increase)/Decrease in inventories	(14,090)	324
Increase in trade and other receivables	(11,079)	(3,994)
Increase/(Decrease) in trade and other payables	6,779	(639)
Decrease in provisions	(53)	(1,358)
Cash generated from operating activities	17,368	25,694
Tax paid	(5,981)	(6,893)
Interest received	140	21
Interest paid	(54)	(44)
Net cash generated from operating activities	11,473	18,778
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(2,916)	(5,418)
Net cash used in investing activity	(2,916)	(5,418)

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2023 (CONTINUED)

	2023 RM'000	2022 RM'000
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of lease liabilities	(806)	(869)
Net cash used in financing activity	(806)	(869)
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,751	12,491
EFFECTS ON EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	12	(3)
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	10,750	(1,738)
CASH AND CASH EQUIVALENTS CARRIED FORWARD (i)	18,513	10,750

(i) Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2023 RM'000	2022 RM'000
Cash at bank	3,513	883
Cash in hand	-	2
Fixed deposit at licensed bank	15,000	10,000
	18,513	10,885
Bank overdraft	-	(135)
	18,513	10,750

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

RANBAXY (MALAYSIA) SDN. BHD.
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NOTES TO THE FINANCIAL STATEMENTS – 31 MARCH 2023

1. PRINCIPAL ACTIVITIES

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

2. BASIS OF PREPARATION OF 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, items of property, plant and equipment are recognised at cost, which includes the 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. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Property, plant and equipment (continued)

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 Leases

(a) 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.

(b) Recognition and initial measurement

As a lessee

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

(b) Recognition and initial measurement (continued)

As a lessee (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 Company's incremental borrowing rate. Generally, the Company 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 incentive receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate 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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Leases (continued)

(c) Subsequent measurement

As a lessee

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 asset 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.

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.

3.4 Impairment of non-financial assets

Impairment of property, plant and equipment and of intangible assets with finite useful lives

The carrying amounts of such assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through profit or loss to its estimated recoverable amount. Recoverable amount is the higher of value in use and the fair value less costs to sell of the individual asset or the cash-generating unit. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs.

Value in use is the present value of the estimated future cash flows of that unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the unit which impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the unit.

Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

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 (including derivative instruments) in the statement of financial position when, and only when, an entity in the Company becomes a party to the contractual provisions of the instruments.

If a contract is a host financial liability or a non-financial host contract that contains an embedded derivative, the Company assess whether the embedded derivative shall be separated from the host contract on the basis of the economic characteristics and risks of the embedded derivative and the host contract at the date when the Company become a party to the contract. If the embedded derivative is not closely related to the host contract, it is separated from the host contract and accounted for as a stand-alone derivative. The Company does not make a subsequent reassessment of the contract unless there is a change in the terms of the contract that significantly modifies the expected cash flows or when there is a reclassification of a financial liability out of the fair value through profit or loss category. Embedded derivatives in host financial assets are not separated.

On initial recognition, all financial assets (including intra-group loans and advances) and financial liabilities (including intra-group payables and government loans at below market interest rates) are measured at fair value plus transaction costs if the financial asset or financial liability is not measured at fair value through profit or loss. For instruments measured at fair value through profit or loss, transaction costs are expensed to profit or loss when incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(ii) Derecognition of financial instruments

For derecognition purposes, the Company first determines whether a financial asset or a financial liability should be derecognised in its entirety as a single item or derecognised part-by-part of a single item or of a group of similar items.

A financial assets, whether as a single item or as a part, is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire, or when the Company transfers the contractual rights to receive cash flows of the financial asset, including circumstances when the Company acts only as a collecting agent of the transferee, and retain no significant risks and rewards of ownership of the financial asset or no continuing involvement in the control of the financial asset transferred.

A financial liability is derecognised when, and only when, it is legally extinguished, which is either when the obligation specified in the contract is discharged or cancelled or expires. A substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. For this purpose, the Company considers a modification as substantial if the present value of the revised cash flows of the modified terms discounted at the original effective interest rate is different by 10% or more when compared with the carrying amount of the original liability.

(iii) Financial assets

For the purpose of subsequent measurement, the Company classifies financial assets into three measurement categories, namely: (i) financial assets at amortised cost (“AC”); (ii) financial assets at fair value through other comprehensive income (“FVOCI”) and (iii) financial assets at fair value through profit or loss (“FVPL”). The classification is based on the Company’s business model objective for managing the financial assets and the contractual cash flow characteristics of the financial instruments.

After initial recognition, the Company measure financial assets, as follow:

(i) Financial assets at AC

A financial asset is measured at amortised cost if: (a) it is held within the Company’s business objective to hold the asset only to collect contractual cash flows, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(iii) Financial assets (continued)

(ii) Financial assets at FVOCI

A financial asset is measured at FVOCI if: (a) it is held within the Company's business objective to hold the asset both to collect contractual cash flows and selling the financial asset, and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest in principal outstanding.

(iii) Financial asset at FVPL

A financial asset is measured at FVPL if it is an equity investment, held for trading (including derivative assets) or if it does not meet any of the condition specified for the AC or FVOCI model.

Other than financial assets measured at fair value through profit or loss, all other financial assets are subject to review for impairment in accordance with Note 3.6(vii).

(iv) Financial liabilities

After initial recognition, the Company measure all financial liabilities at amortised cost using the effective interest method.

(v) Fair value measurement

The fair value of a financial asset or a financial liability is determined by reference to the quoted market price in an active market, and in the absence of an observable market price, by a valuation technique as described in Note 3.16.

(vi) Recognition of gains and losses

Fair value changes of financial assets and financial liabilities classified as at fair value through profit or loss are recognised in profit or loss when they arise.

For financial assets mandatorily measured at FVOCI, interest income (calculated using the effective interest rate method), impairment losses, and exchange gains or loss are recognised in profit or loss. All other gains or losses are recognised in other comprehensive income and retained in a fair value reserve. On derecognition of the financial assets, the cumulative gain or loss recognised in OCI is reclassified to profit or loss as a reclassification adjustment.

For financial assets and financial liabilities carried at amortised, interest income and interest expense are recognised in profit or loss using the effective interest method. A gain or losses is recognised in profit or loss only when the financial asset or financial liability is derecognised or impaired, and through the amortisation process of the instrument.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial instruments (continued)

(vii) Impairment of financial assets

The Company applies the expected credit loss (“ECL”) model of MFRS 9 to recognise impairment losses of financial assets measured at amortised cost or at fair value through other comprehensive income. Except for trade receivables, a 12-month expected credit loss is recognised in profit or loss on the date of origination or purchase of the financial assets. At the end of each reporting period, the Company assess whether there has been a significant increase in credit risk of a financial asset since its initial recognition or at the end of the prior period. Other than for financial assets which are considered to be of low risk grade, a lifetime expected credit loss is recognised if there has been a significant increase in credit risk since initial recognition. For trade receivables, the Company has availed the exception to the 12-month ECL requirement to recognise only lifetime expected credit losses.

The assessment of whether credit risk has increased significantly is based on quantitative and qualitative information that include financial evaluation of the creditworthiness of the debtors or issuers of the instruments, ageing of receivables, defaults and past due amounts, past experiences with the debtors, current conditions and reasonable forecast of future economic conditions. For operational simplifications: (a) a 12-month expected credit loss is maintained for financial assets which investment grades that are considered as low credit risk, irrespective of whether credit risk has increased significantly or not; and (b) credit risk is considered to have increase significantly if payments are more than 30 days past due if no other borrower-specific information is available without undue cost or effort.

The ECL is measured using an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, discounted for the time value of money and applying reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions, and forecast of future economic conditions. The ECL for a financial asset (when assessed individually) or a group of financial assets (when assessed collectively) is measured at the present value of the probability-weighted expected cash shortfalls over life of the financial asset or group of financial assets. When a financial asset is determined as credit-impaired (based on objective evidence of impairment), the lifetime ECL is determined individually.

For trade receivable, the lifetime ECL is determined at the end of each reporting period using a provision matrix. For each significant receivable, individual lifetime ECL is assessed separately. For significant receivables which are not impaired and for all other receivables, they are grouped into risk classes by type of customers and businesses, and the ageing of the receivables. Collective lifetime ECLs are determined using past loss rates, which are updated for effects of current conditions and reasonable forecasts for future economic conditions. In the event that the economic or industry outlook is expected to worsen, the past loss rates are increased to reflect the worsening economic conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Foreign currencies transactions and balances

Transactions denominated in foreign currencies are translated and recorded at the rates of exchange prevailing at the respective dates of transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are retranslated into the functional currency using the exchange rates at the reporting date (i.e. the closing rate).

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated at the exchange rate at the date of the transaction (i.e. historical rate). Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Gains and losses arising from changes in exchange rates after the date of the transaction are recognised in profit or loss (except for loans and advances that form part of the net investment in a foreign operation and transactions entered into in order to hedge foreign currency risks of net investments in foreign operations).

3.8 Equity

Share capital

Ordinary shares issued that carry no mandatory contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company, is classified as equity instruments.

When ordinary shares and other equity instruments are issued in a public offering or in a rights issue to existing shareholders, they are recorded at the issue price.

Transaction costs of an equity transaction are accounted for as a deduction from retained profits in equity, net of any related income tax benefit.

3.9 Provisions

Where, at reporting date, the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that the Company will settle the obligation, a provision is made in the statement of financial position. Provisions are made using best estimates of the amount required to settle the obligation and are discounted to present values using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Changes in estimates are reflected in profit or loss in the period they arise.

Any reimbursement attributable to a recognised provision from a counter-party (such as an insurer) is not off-set against the provision but recognised separately as an asset when, and only when, the reimbursement is virtually certain.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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 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.

3.11 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at bank and fixed deposit 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.

3.12 Employees benefits

(i) Short-term benefit

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 employee render their services. Once the contributions have been paid, the Company has no further payment obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue from contracts with customers

The Company's revenue comprises sales of pharmaceutical products.

Revenue from a sale of pharmaceutical products is recognised at a point in time when control of the goods is passed to the customer, which is the point in time when the significant risks and rewards are transferred to the customer and the transaction has met the probability of inflows and measurement reliability requirements of MFRS 15.

The Company measures revenue from a sale of goods or a service transaction at the fair value of the consideration received or receivables, which is usually the invoice price, net of a trade discounts and volume rebates given to the customer. If the transaction price includes variable considerations, the Company uses the expected value method by estimating the sum of probability-weighted amounts in a range of possible consideration amounts, or the most likely outcome method, depending on which method the Company expects to better predict the amount of consideration to which it is entitled.

3.14 Borrowings

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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 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 substantially 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.

Unused tax credits do not include unabsorbed reinvestment allowances and unabsorbed investment tax allowances because the Company treats these as part of initial recognition differences.

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. Where tax arises from the initial accounting for a business combination, it is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 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 Amendments to MFRSs adopted

For the preparation of the financial statements, the following amendments to the MFRSs issued by the MASB are mandatory for the first time for the financial year beginning on or after 1 January 2022:

- Amendment to MFRS 16 *Leases – Covid-19-Related Rent Concession beyond 30 June 2021*
- Amendments to MFRS 3 *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 116 *Property, Plant and Equipment – Property, Plant and Equipment–Proceeds before Intended Use*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts–Cost of Fulfilling a Contract*
- Annual Improvements to MFRS Standards 2018–2020

The adoption of the above-mentioned amendments to MFRSs has no significant impact on the financial statements of the Company.

4.2 Amendments to MFRSs not yet effective

The following are amendments to the MFRSs that have been issued by the MASB up to the date of the issuance of the Company's financial statements but have not been adopted by the Company:

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 *Presentation of Financial Statements – Disclosure of Accounting Policies*
- Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16 *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101 *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 101 *Presentation of Financial Statements – Non-current Liabilities with Covenants*

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

4.2 Amendments to MFRSs not yet effective (continued)

Amendments to MFRSs effective for annual periods beginning on or after a 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 amendments will be adopted by the Company when they become effective.

The initial application of amendments to MFRSs is not expected to have any significant impact on the financial statements of the Company.

4.3 MFRSs and Amendments to MFRSs not applicable

MFRS 17 *Insurance Contracts*, Amendments to MFRS 17 *Insurance Contracts*, and Amendment to MFRS 17 *Insurance Contracts – Initial Application of MFRS 17 and MFRS 9 Financial Instruments – Comparative Information* are not expected to be applicable to 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) Measurement of lease liabilities and right-of-use assets

The measurement of a lease liability and the corresponding right-of-use asset includes in-substance fixed payments, variable lease payments linked to an inflation-related index or rate, estimates of lease term, option to purchase, payments under residual value guarantee and penalties for early termination. The actual payments may not coincide with these estimates. The Company reassesses the lease liability for any change in the estimates and a corresponding adjustment is made to the right-of-use asset.

(c) Useful lives of property, plant and equipment and right-of-use assets

The cost of property, plant and equipment and right-of-use assets is depreciated on a straight-line basis over the assets' estimated economic useful lives. The estimated useful lives of the property, plant and equipment are as per disclosed in Note 3.2 to the financial statements. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Loss allowances of financial assets

The Company recognises impairment losses for trade receivables under the expected credit loss model. Individually significant trade receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. All others are grouped into credit risk classes and tested for impairment collectively, using the Company's past experience of loss statistics, ageing of past due amounts and current economic trends. The actual eventual losses may be different from the allowance made and this may affect the Company's financial positions and results.

(e) 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 (as reflected in Note 8).

(f) 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.

5. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(g) Provisions for liabilities and charges

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 arises 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 require 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.

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.

(h) Contingencies

Contingent liabilities of the Company is 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.

Registration No.	198201009462 (89186-K)
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6. PROPERTY, PLANT AND EQUIPMENT

	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 31.3.2021	226	24,281	3,103	1,316	134	39,709	5,434	74,203
Addition	-	-	5	-	-	5	5408	5,418
Written off	-	-	(6)	-	-	(1)	-	(7)
Transfers	-	-	155	-	-	4,028	(4,183)	-
At 31.3.2022 / 1.4.2022	226	24,281	3,257	1,316	134	43,741	6,659	79,614
Addition	-	-	-	-	-	-	2,916	2,916
Disposal	-	-	-	-	-	(28)	-	(28)
Written off	-	-	(45)	-	-	(151)	-	(196)
Transfers	-	112	538	10	-	8,307	(8,967)	-
At 31.3.2023	226	24,393	3,750	1,326	134	51,869	608	82,306
<u>Accumulated depreciation</u>								
At 31.3.2021	129	6,270	2,579	844	65	30,271	-	40,158
Charged for the financial year	4	461	216	107	11	2,672	-	3,471
Written off	-	-	(6)	-	-	(1)	-	(7)
At 31.3.2022 / 1.4.2022	133	6,731	2,789	951	76	32,942	-	43,622
Charged for the financial year	4	462	282	96	11	3,162	-	4,017
Disposal	-	-	-	-	-	(23)	-	(23)
Written off	-	-	(45)	-	-	(151)	-	(196)
At 31.3.2023	137	7,193	3,026	1,047	87	35,930	-	47,420
<u>Net carrying amount</u>								
At 31.3.2022	93	17,550	468	365	58	10,799	6,659	35,992
At 31.3.2023	89	17,200	724	279	47	15,939	608	34,886

Leasehold land comprises land with an unexpired lease of 62 years (2022: 63 years).

7. RIGHT-OF-USE ASSETS

	Office spaces RM'000	Residences RM'000	Motor vehicles RM'000	Total RM'000
<u>Cost</u>				
At 31.3.2021	1,169	690	610	2,469
Addition	223	282	297	802
Disposal	(253)	(495)	(187)	(935)
At 31.3.2022/ 1.4.2022	1,139	477	720	2,336
Addition	742	362	-	1,104
Disposal	(917)	(470)	-	(1,387)
At 31.3.2023	964	369	720	2,053
<u>Accumulated depreciation</u>				
At 31.3.2021	655	511	213	1,379
Charged for the financial year	348	260	189	797
Disposal	(253)	(495)	(187)	(935)
At 31.3.2022/ 1.4.2022	750	276	215	1,241
Charged for the financial year	353	254	187	794
Disposal	(917)	(410)	-	(1,327)
At 31.3.2023	186	120	402	708
<u>Net carrying amount</u>				
At 31.3.2022	389	201	505	1,095
At 31.3.2023	778	249	318	1,345

8. INVENTORIES

	2023 RM'000	2022 RM'000
Raw materials	19,473	17,337
Work-in-progress	2,523	3,083
Finished goods	21,177	8,709
Packaging materials	2,956	2,624
	<u>46,129</u>	<u>31,753</u>
Recognised in profit or loss:		
Inventories recognised as cost of sales	79,948	77,245
Inventories written down:		
- provision no longer required	(1,854)	-
- addition during the year	1,567	2,703
	<u>(287)</u>	<u>2,703</u>

The write-down is included in cost of sales.

9. TRADE AND OTHER RECEIVABLES

	2023 RM'000	2022 RM'000
Trade		
Trade receivables	53,826	44,207
Less: Allowance for impairment loss		
At the beginning for the financial year	(55)	(60)
Reversal during the financial year	46	5
At the end of the financial year	(9)	(55)
	<u>53,817</u>	<u>44,152</u>
Amount due from ultimate holding company	4,068	2,937
Amount due from related companies	27	-
	<u>57,912</u>	<u>47,089</u>
Non-trade		
Other receivables, deposits and prepayments	1,010	585
	<u>1,010</u>	<u>585</u>
Total trade and other receivables	<u>58,922</u>	<u>47,674</u>

- (a) The company's normal credit term is 90 days (2022: 90 days). Other credit terms are assessed and approved on case by case basis.
- (b) The trade amount due from ultimate holding and related companies are denominated in US Dollars and subject to the normal trade terms.

10. SHARE CAPITAL

	2023 RM'000	2022 RM'000
Issued and fully paid		
8,000,000 ordinary shares at beginning/end of the year	<u>8,300</u>	<u>8,300</u>

11. DEFERRED TAX LIABILITIES

	2023 RM'000	2022 RM'000
At beginning of the year	1,017	1,862
Transfer to profit or loss	505	(845)
At end of the year	<u>1,522</u>	<u>1,017</u>

11. DEFERRED TAX LIABILITIES (CONTINUED)

Deferred tax liabilities are made up of the tax effects of temporary differences arising from:

	2023 RM'000	2022 RM'000
Excess of net book value over tax written down value of property, plant and equipment	4,053	3,218
Impairment for slow moving inventories	(1,841)	(1,897)
Unrealised gain on foreign exchange	(568)	(78)
Others	(116)	(217)
Right-of-use assets	(6)	(9)
	<u>1,522</u>	<u>1,017</u>

12. LEASE LIABILITIES

	2023 RM'000	2022 RM'000
Future lease payment payable:		
- Not later than one year	628	770
- Later than one year and not later than five years	794	430
	<u>1,422</u>	<u>1,200</u>
Less: Future interest charges	(52)	(64)
Present value of lease liabilities	<u>1,370</u>	<u>1,136</u>
Repayable as follows:		
Current		
- Not later than one year	644	738
Non-current		
- Later than one year and not later than five years	726	398
	<u>1,370</u>	<u>1,136</u>
Included in net cash from operating activities:		
- Interest paid for lease liabilities	52	73
Included in net cash from financing activities:		
- Payment of lease liabilities	806	796
Total cash outflows for leases	<u>858</u>	<u>869</u>

12. LEASE LIABILITIES (CONTINUED)

Reconciliation of liability arising from financing activities:

	2023 RM'000	2022 RM'000
At 1 January	1,136	1,131
Cash flows:		
Addition of lease liabilities	1,040	801
Payment of rental expense	(806)	(796)
At 31 December	<u>1,370</u>	<u>1,136</u>

The Company's weighted average incremental borrowing rate is 5.20% (2022: 5.45%) per annum.

13. TRADE AND OTHER PAYABLES

	2023 RM'000	2022 RM'000
Trade		
Trade payables	8,729	5,162
Amount due to ultimate holding company	<u>13,883</u>	<u>11,368</u>
	<u>22,612</u>	<u>16,530</u>
Non-trade		
Amount due to ultimate holding company	1,340	1,652
Other payables	3,283	3,084
Accruals	<u>3,180</u>	<u>2,252</u>
	<u>7,803</u>	<u>6,988</u>
Total trade and other payables	<u>30,415</u>	<u>23,518</u>

- (a) The normal trade credit terms granted to the Company range from 30 to 90 days (2022: 30 to 90 days).
- (b) The trade amount due to ultimate holding company is denominated in US Dollars and Malaysia Ringgit and subject to the normal trade terms.
- (c) The non-trade amount due to ultimate holding company is denominated in Malaysia Ringgit, unsecured, interest free and repayable on demand.

14. PROVISIONS

	2023 RM'000	2022 RM'000
As at 1 April	904	2,262
Reversal made during the year	<u>(53)</u>	<u>(1,358)</u>
As at 31 March	<u>851</u>	<u>904</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.

15. BANK BORROWINGS

	2023 RM'000	2022 RM'000
Current		
Bank overdraft	-	135

The interest rate at reporting date for bank overdraft is 5.20% (2022: 4.20%) per annum and secured by the corporate guarantee amounting to RM33,000,000 by the ultimate holding company.

16. REVENUE

	2023 RM'000	2022 RM'000
Revenue from contracts with customers:		
Sale of pharmaceutical goods	179,895	152,412
Timing of revenue:		
At a point in time	179,895	152,412

17. PROFIT BEFORE TAXATION

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

	2023 RM'000	2022 RM'000
Auditors' remuneration		
- statutory	59	59
- others	63	60
Depreciation on property, plant and equipment	4,017	3,471
Depreciation on right-of-use assets	794	797
Loss on disposal of property, plant and equipment	4	-
Gain on disposal of lease assets	(2)	-
Reversal for impairment loss on trade receivables	(46)	(5)
Interest expense	54	117
Interest income	(140)	(21)
Employee benefits (Note 19)	27,882	22,968
Foreign exchange loss/(gain)		
- realised	1,908	360
- unrealised	(17)	325
Inventories written down:		
- provision no longer required	(1,854)	-
- addition during the year	1,567	2,703

18. TAXATION

	2023 RM'000	2022 RM'000
Current financial year		
- income tax expense	7,829	6,600
- deferred tax expense	31	(995)
	<u>7,860</u>	<u>5,605</u>
(Over)/Under provision in previous financial year		
- income tax	(930)	(433)
- deferred tax expense	474	150
	<u>7,404</u>	<u>5,322</u>

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

	2023 RM'000	2022 RM'000
Profit before taxation	<u>31,434</u>	<u>23,974</u>
Income tax at tax rate of 24% (2022: 24%)	7,544	5,753
Tax effects in respect of:		
Non-allowable expenses	316	111
Non-taxable income	-	(259)
Current year tax expense	<u>7,860</u>	<u>5,605</u>

19. EMPLOYEE BENEFITS

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

	2023 RM'000	2022 RM'000
Wages, salaries and others	25,704	20,949
Defined contribution plan	2,178	2,019
	<u>27,882</u>	<u>22,968</u>

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

	2023 RM'000	2022 RM'000
Directors' remuneration	<u>1,221</u>	<u>1,636</u>

20. RELATED PARTY TRANSACTIONS

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.

Related parties also include key management personnel 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 include all the Directors of the Company.

The Company has related party relationship with its ultimate holding company and Directors of the Company.

Significant related party transactions

Related party transactions have been entered into in the normal course of business under normal trade terms. The significant related party transactions of the Company are as follow:

	2023 RM'000	2022 RM'000
Ultimate holding company		
Sales	(5,588)	(4,602)
Royalty and trademark	7,224	6,328
Purchases	59,061	42,539
Related companies		
Sales	(74)	-
Purchases	81	-
	<u>81</u>	<u>-</u>

Balances with ultimate holding and related companies at the reporting date are disclosed in Note 9 and Note 13 to the financial statements. All the outstanding balances are expected to be settled in cash by the respective companies.

21. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments of the Company are as follow:

	2023 RM'000	2022 RM'000
<i>Financial assets measured at amortised cost</i>		
Trade and other receivables	58,540	47,477
Cash and bank balances	18,513	10,885
	<u>77,053</u>	<u>58,362</u>

21. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments of the Company are as follow: (continued)

	2023 RM'000	2022 RM'000
<i>Financial liabilities measured at amortised costs</i>		
Trade and other payables	30,415	23,518
Provisions	851	904
Lease liabilities	1,370	1,136
Bank overdraft	-	135
	32,636	25,693

22. FINANCIAL RISK MANAGEMENT

The Company have exposure to the following risks from its use of financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk

(a) 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.

(i) Receivables

The Company's sales to customers are on credit terms of 90 days. The management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on customers requiring credit over a certain amount.

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

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Company.

When an account is past due, the credit risk is considered to have increased significantly since the initial recognition. The Company identifies as a default account if it is more than 1 year past due and the customer is having significant financial difficulties (analysed by financial measures of reported losses, negative cash flows, and qualitative evaluation of the customer's characteristics). The Company classifies an impaired receivable when a customer is in default, in liquidation or other financial reorganisation.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(i) Receivables (continued)

For each significant receivable that is credit-impaired, individual lifetime ECL is recognised using the probability of default technique. The inputs used are: (i) the percent chance of default, and (ii) the expected cash shortfalls. The lifetime ECL is measured at the probability-weighted expected cash shortfalls by reference to the Company's past experience, current conditions and forecast of future economic benefits.

Concentration of credit risk

The Company does not have any major concentration of credit risk related to any individual customer or counterparty.

Past due and impaired financial assets

The aging analysis of trade receivables as at the end of the reporting period was:

	Gross amount RM'000	Individual impairment RM'000	Net amount RM'000
2023			
Not past due	42,646	-	42,646
Past due 1-30 days	9,415	-	9,415
Past due 31-90 days	1,753	-	1,753
Past due more than 90 days	12	(9)	3
	<u>53,826</u>	<u>(9)</u>	<u>53,817</u>
2022			
Not past due	26,809	-	26,809
Past due 1-30 days	17,343	-	17,343
Past due 31-90 days	-	-	-
Past due more than 90 days	55	(55)	-
	<u>44,207</u>	<u>(55)</u>	<u>44,152</u>

Trade receivables that are past due but not impaired

The Company believes that no impairment allowance is necessary in respect of these balances. They are substantially companies with good collection track record and no recent history of default.

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

(ii) Inter-company balances

The Company do not have a formal policy for managing credit risk arising from intercompany receivables as exposure is not considered significant.

As at the end of the reporting period, the maximum exposure to credit risk arising from intercompany receivables is represented by the carrying amounts in the statement of financial position. There was no indication that the amount due from ultimate holding company are not recoverable. The Company do not specifically monitor the ageing of current advances to the holding company.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from its payables and borrowings.

The Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under one year RM'000	More than one year RM'000
2023					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	27,235	-	27,235	27,235	-
Lease liabilities	1,370	5.20%	1,458	589	869
Financial guarantee contracts*	-	-	981	981	-
	<u>28,605</u>		<u>29,674</u>	<u>28,805</u>	<u>869</u>

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under one year RM'000	More than one year RM'000
2022					
<i>Non-derivative financial liabilities</i>					
Trade and other payables	23,518	-	23,518	23,518	-
Bank overdraft	135	5.45%	135	135	-
Lease liabilities	1,136	5.45%	1,200	770	430
Financial guarantee contracts*	-	-	875	875	-
	<u>24,789</u>		<u>25,728</u>	<u>25,298</u>	<u>430</u>

*At the end of the reporting period, there was no indication that the third parties would default on repayment, hence the financial guarantee have not been recognised in the financial statements. The disclosure represents the maximum amount that us require to be settled in the event of the triggering event.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Company's financial position or cash flows.

(i) Currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Company entities. The currencies giving rise to this risk are primarily Singapore Dollar ("SGD") and U.S. Dollar ("USD").

	USD RM'000	Denominated in SGD RM'000	EUR RM'000	GBP RM'000
2023				
Trade and other receivables	-	1,149	-	-
Trade and other payables	(25)	(8)	-	(1)
Amount due from holding company	928	-	-	-
Amount due to holding company	(608)	-	-	-
Bank balance	136	-	-	-
Net exposure	<u>431</u>	<u>1,141</u>	<u>-</u>	<u>(1)</u>

22. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Currency risk (continued)

	USD	Denominated in		GBP
	RM'000	SGD RM'000	EUR RM'000	RM'000
2022				
Trade and other receivables	-	1,449	-	-
Trade and other payables	(302)	(17)	(1)	1
Amount due from holding company	699	-	-	-
Amount due to holding company	(631)	-	-	-
Bank balance	38	-	-	-
Net exposure	<u>(196)</u>	<u>1,432</u>	<u>(1)</u>	<u>1</u>

A 10% (2022: 10%) strengthening/weakening of the RM against the following currencies at the end of the reporting period would have increased/(decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2023 RM'000	2022 RM'000
USD	33	(463)
SGD	87	283
EUR	-	-
GBP	<u>-</u>	<u>(1)</u>

A 10% (2022: 10%) strengthening/weakening of RM against the above currency at the end of the reporting period would have had equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remained constant.

23. 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.

24. FINANCIAL GUARANTEE CONTRACTS

The Company has given the following:

	2023 RM'000	2022 RM'000
Financial guarantee issued to financial institutions for banking and credit facilities granted to third parties	981	875

25. OTHER INFORMATION

- (a) The Company is a private limited company, incorporated and domiciled in Malaysia.
- (b) The registered office is situated at:
- 12th Floor, Menara Symphony
No. 5, Jalan Professor Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia
- (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
Wilayah Persekutuan Kuala Lumpur
Malaysia
- (d) The financial statements are expressed in Ringgit Malaysia, which is also the Company's functional currency.

26. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 5 May 2023.

STATEMENT BY DIRECTORS

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

We, the undersigned, being two of the directors of **RANBAXY (MALAYSIA) SDN. BHD. (Registration no. 198201009462 (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 2023 and of the financial results and the cash flows of the Company for the financial year ended on that date.

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

KARTHIC KUMAR DORAISAMY

VISWANATHAN SETHURAMAN

Kuala Lumpur

STATUTORY DECLARATION

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

I, **KARTHIC KUMAR DORAISAMY**, being the director primarily responsible for the financial management of **RANBAXY (MALAYSIA) SDN. BHD. (Registration no. 198201009462 (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.

KARTHIC KUMAR DORAISAMY

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 statements of financial position as at 31 March 2023 of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Company 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 2023, and of their financial performance and their 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.

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

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.

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 of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements of the Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

RSM Malaysia PLT
202206000002 (LLP0030276-LCA) & AF: 0768
Chartered Accountants

Tan Wai Wah
03621/11/2023 J
Chartered Accountant

Kuala Lumpur
5 May 2023