Optimistic Organic Sdn. Bhd.

(873094-V)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 March 2019

873094-V

Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)

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Directors' report

The directors have pleasure in submitting their report together with the audited financial statements of the Company for the financial year ended 31 March 2019.

Principal activities

The principal activities of the Company are manufacturing and trading of petro-chemical products.

Results

	USD
Profit net of tax	2,741,874

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

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

Dividends

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

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Subramanian Neelakantan	
Mohd Ali bin Ayub	
Rajeev Mahendra Pandia	
Brindavanam Sreenivasacharyulu	(Appointed on 30 July 2018)
Ambrish Kumar Maheshwari	(Appointed on 15 October 2018)
Manikala Ramulu	(Resigned on 31 July 2018)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

The directors' benefits are as follows:

	USD
Salaries and other emoluments	263,799
Fees	36,967
Defined contribution plan	6,489
Other benefits	26,866
	334,121

Directors' interest

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

Holding companies

The holding and ultimate holding companies of the Company are Cheminvest Pte. Ltd., a company incorporated in Singapore and Thirumalai Chemicals Ltd., a company incorporated in India and listed on Bombay Stock Exchange ("BSE") and National Stock Exchange ("NSE") respectively.

Other statutory information

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, 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 allowance for doubtful debts and satisfied themselves that there were no known bad debts and that no allowance for doubtful debts was necessary; and

Other statutory information (cont'd.)

(a) Before the statement of comprehensive income and statement of financial position of the Company were made out, the directors took reasonable steps (cont'd.):

    (ii) to ensure that any current assets which were unlikely to realise their value 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 which would render:

    (i) it necessary to write off any bad debts or to make any allowance for doubtful debts in respect of the financial statements of the Company; and

    (ii) the values attributed to the current assets in the financial statements of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

(e) 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 of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

    (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Company to meet its obligations 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 affect substantially the results of the operations of the Company for the financial year in which this report is made.

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Auditors

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 7 to the financial statements.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the term of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young for the financial year ended 31 March 2019.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 APR 2019

Brindavanam Sreenivasacharyulu

Mohd Ali bin Ayub

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Optimistic Organic Sdn. Bhd.
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Statement by directors
Pursuant to Section 251(2) of the Companies Act 2016

We, Brindavanam Sreenivasacharyulu and Mohd Ali bin Ayub, being two of the directors of Optimistic Organic Sdn. Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 10 to 57 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 23 APR 2019

Brindavanam Sreenivasacharyulu

Mohd Ali bin Ayub

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

I, Nallagatla Mallikharjuna Rao (Passport no. J2812909), being the officer primarily responsible for the financial management of Optimistic Organic Sdn. Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 10 to 57 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the above named Nallagatla Mallikharjuna Rao
at Kemaman in the state of Terengganu Darul Iman
on 23 APR 2019

N. Mallikharjuna Rao

Nallagatla Mallikharjuna Rao
(Passport no. J2812909)

Before me,

PESURUHJAYA SUMPAH
No. T036
Nama: HAJI MOHD RAZALLI BIN ZAINAL
01-01-2019
HINGGA
31-12-2021
MALAYSIA

NO.803-1, JALAN ABDUL RAHMAN,
24000 KEMAMAN, TERENGGANU

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Ernst & Young AF: 0039
SST ID: W10-1808-31043558
Chartered Accountants
Unit 10 D-J, Level 10, Menara Zenith
Jalan Putra Square 6
25200 Kuantan
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**Independent auditors' report to the member of
Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Optimistic Organic Sdn. Bhd., which comprise statement of financial position as at 31 March 2019, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 10 to 57.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2019 and of its financial performance and cash flows for the 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 audit 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 member of
Optimistic Organic Sdn. Bhd. (cont'd.)
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Information other than the financial statements and auditors' report thereon

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

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

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

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

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of financial statements so as to 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 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.

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**Independent auditors' report to the member of
Optimistic Organic Sdn. Bhd. (cont'd.)
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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.

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**Independent auditors' report to the member of Optimistic Organic Sdn. Bhd. (cont'd.)
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

- 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.

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 matter

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.

Ernst & Young	Sandra Segaran a/l Muniandy@Krishnan
AF: 0039	02882/01/2021 J
Chartered Accountants	Chartered Accountant

Kuantan, Pahang Darul Makmur, Malaysia
23 April 2019

Optimistic Organic Sdn. Bhd.
(Incorporated in Malaysia)

Statement of comprehensive income
For the financial year ended 31 March 2019

	Note	2019 USD	2018 USD
Revenue	4	42,405,896	51,656,711
Cost of sales		(34,841,086)	(39,889,975)
Gross profit		7,564,810	11,766,736
Other income	5	554,643	27,138
Other items of expense			
Selling and marketing expenses		(2,380,987)	(3,173,550)
Administrative expenses		(1,715,114)	(1,560,694)
Finance costs	6	(75,486)	(596,621)
Other expenses		(215,262)	(899,473)
Profit before tax	7	3,732,604	5,563,536
Income tax expense	10	(990,730)	(1,361,443)
Profit net of tax, representing total comprehensive income for the year		2,741,874	4,202,093

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Optimistic Organic Sdn. Bhd.
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Statement of financial position
As at 31 March 2019

	Note	2019 USD	2018 USD
Assets			
Non-current asset			
Property, plant and equipment	11	32,776,999	28,103,163
Current assets			
Inventories	12	2,414,951	1,964,889
Trade and other receivables	13	6,766,141	11,453,283
Prepayments		138,526	139,658
Cash and bank balances	14	3,305,181	446,150
		12,624,799	14,003,980
Total assets		45,401,798	42,107,143
Equity and liabilities			
Current liabilities			
Trade and other payables	16	9,151,770	6,434,760
Tax payables		31,643	109
Borrowings	17	1,115,609	2,736,301
		10,299,022	9,171,170
Net current assets		2,325,777	4,832,810
Non-current liabilities			
Borrowings	17	6,534,391	7,681,949
Deferred tax liabilities	18	3,983,110	3,410,623
		10,517,501	11,092,572
Total liabilities		20,816,523	20,263,742
Net assets		24,585,275	21,843,401
Equity attributable to owners of the Company			
Share capital	15	12,712,881	12,712,881
Retained earnings	19	11,872,394	9,130,520
Total equity		24,585,275	21,843,401
Total equity and liabilities		45,401,798	42,107,143

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Optimistic Organic Sdn. Bhd.
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Statement of changes in equity
For the financial year ended 31 March 2019

	Total equity USD	Non-distributable Share capital (Note 15) USD	Distributable Retained earnings (Note 19) USD
Opening balance at 1 April 2018	21,843,401	12,712,881	9,130,520
Total comprehensive income for the year	2,741,874	-	2,741,874
Closing balance at 31 March 2019	24,585,275	12,712,881	11,872,394
Opening balance at 1 April 2017	8,053,427	3,125,000	4,928,427
Total comprehensive income for the year	4,202,093	-	4,202,093
Issuance of ordinary shares	9,587,881	9,587,881	-
Closing balance at 31 March 2018	21,843,401	12,712,881	9,130,520

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

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Statement of cash flows
For the financial year ended 31 March 2019

	Note	2019 USD	2018 USD
Operating activities			
Profit before tax		3,732,604	5,563,536
Adjustments for:			
Interest income	5	(22,696)	(11,192)
Interest expense	6	75,486	596,621
Depreciation of property, plant and equipment	7	3,126,995	3,231,895
Total adjustments		3,179,785	3,817,324
Operating cash flows before changes in working capital		6,912,389	9,380,860
Changes in working capital			
(Increase)/decrease in inventories		(450,062)	1,308,437
Decrease/(increase) in trade and other receivables		4,687,142	(5,413,530)
Decrease/(increase) in prepayments		1,132	(26,864)
Increase/(decrease) in trade and other payables		2,717,010	(2,936,849)
Cash flows from operations		13,867,611	2,312,054
Interest paid		(75,486)	(563,300)
Interest received		22,696	11,192
Income tax paid		(386,709)	(3,283)
Net cash flows from operating activities		13,428,112	1,756,663
Investing activities			
Placement of deposits with licensed bank		(34,501)	(11,044)
Purchase of property, plant and equipment	11	(7,800,831)	(2,605,464)
Net cash used in investing activities		(7,835,332)	(2,616,508)

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Statement of cash flows (cont'd.)
For the financial year ended 31 March 2019

	Note	2019 USD	2018 USD
Financing activities			
Net proceeds from advance from a third party		-	1,100,000
Repayments of borrowings		(9,718,874)	(22,714,118)
Drawdowns of borrowings		6,950,624	22,531,268
Net cash flows (used in)/from financing activities		(2,768,250)	917,150
Net increase in cash and cash equivalents		2,824,530	57,305
Cash and cash equivalents at 1 April		90,003	32,698
Cash and cash equivalents at 31 March	14	2,914,533	90,003

The accompanying accounting policies and explanatory information form an integral part of the financial statements.

Notes to the financial statements
For the financial year ended 31 March 2019

1. Corporate information

The Company is a private limited liability company, incorporated and domiciled in Malaysia. The registered office of the Company is located at Level 8 Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan. The principal place of business of the Company is located at Lot 3351, Teluk Kalong Industrial Estate, 24007 Kemaman, Terengganu Darul Iman.

The holding and ultimate holding companies of the Company are Cheminvest Pte. Ltd., a company incorporated in Singapore and Thirumalai Chemicals Ltd., a company incorporated in India and listed on Bombay Stock Exchange ("BSE") and National Stock Exchange ("NSE") respectively.

The principal activities of the Company are the manufacturing and trading of petro-chemical products. There have been no significant changes in the nature of the principal activities during the financial year.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The financial statements of the Company are prepared under the historical cost convention except as disclosed in this summary of significant accounting policies.

The financial statements of the Company have been presented in United States Dollars ("USD"), which is also the Company's functional currency, for reporting to its holding companies purpose.

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2018, the Company adopted the following new and amended MFRS, and interpretation mandatory for annual financial periods beginning on or after 1 January 2018.

Description	**Effective for annual periods beginning on or after**
MFRS 2: *Classification and Measurement of Share-based Payment (Amendment to MFRS 2)*	1 January 2018
MFRS 9: *Financial Instruments*	1 January 2018
MFRS 15: *Revenue from Contracts with Customers*	1 January 2018
MFRS 140: *Transfers of Investment Property (Amendments to MFRS 140)*	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle	
- Amendments to MFRS 1: *First-time Adoption of Malaysian Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters*	1 January 2018
- Amendments to MFRS 128: *Investment in Associates and Joint Venture: Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice*	1 January 2018
IC Interpretation 22: *Foreign Currency Transactions and Advance Consideration*	1 January 2018

The new and amended MFRS, and interpretation mandatory for annual financial periods beginning on or after 1 January 2018 do not give rise to any significant effects on the financial statements of the Company.

2. Summary of significant accounting policies (cont'd.)

2.3 Standards and intepretations issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
MFRS 9: *Prepayment Features with Negative Compensation (Amendments to MFRS 9)*	1 January 2019
MFRS 16: *Leases*	1 January 2019
MFRS 128: *Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)*	1 January 2019
Annual Improvements to MFRSs 2015 – 2017 Cycle	
- Amendments to MFRS 3: *Business Combinations: Previously held interest in a joint operation*	1 January 2019
- Amendments to MFRS 11: *Joint Arrangements: Previously held interest in a joint operation*	1 January 2019
- Amendments to MFRS 112: *Income Taxes: Income tax consequences of payments on financial instruments classified as equity*	1 January 2019
- Amendments to MFRS 123: *Borrowing Costs: Borrowing costs eligible for capitalisation*	1 January 2019
IC Interpretation 23: *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 108: *Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material*	1 January 2020
Amendments to MFRS 101: *Presentation of Financial Statements: Definition of Material*	1 January 2020
Amendments to MFRS 3: *Business Combinations: Definition of a Business*	1 January 2020
MFRS 17: *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

2. Summary of significant accounting policies (cont'd.)

2.3 Standards and intepretations issued but not yet effective (cont'd.)

The directors expect that the adoption of the above amendments and standards will have no material impact on the financial statements in the period of initial application except as discussed below:

MFRS 16: *Leases*

MFRS 16 will replace MFRS 117 *Leases*, IC Interpretation 4 *Determining whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Lease-Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions), less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications.

Classification of cash flows will also be affected as operating lease payments under MFRS 117 are presented as operating cash flows, whereas under MFRS 16, the lease payments will be split into a principal (which will be presented as financing cash flows) and an interest portion (which will be presented as operating cash flows).

Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117. Lessors will continue to classify all leases using the same classification principle as in MFRS 117 and distinguish between two types of leases: operating and finance leases. MFRS 16 also requires lessees and lessors to make more extensive disclosures than under MFRS 117.

MFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted but not before an entity applies MFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.

The Company plans to assess the potential impact of MFRS 16 on its financial statements in year 2020.

2. Summary of significant accounting policies (cont'd.)

2.4 Foreign currency

(a) Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in United States Dollars ("USD"), which is also the Company’s functional currency.

(b) Foreign currency transactions

In preparing the financial statements of the Company, transactions in currencies other than the Company’s functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period.

2.5 Property, plant and equipment

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

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of plant and equipment are required to be replaced in intervals, the Company recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Summary of significant accounting policies (cont'd.)

2.5 Property, plant and equipment (cont'd.)

Leasehold land is depreciated over the period of the lease of 44 years. Work-in-progress included in property, plant and equipment is not depreciated as this asset is not available for use.

Depreciation of other property, plant and equipment is computed on a straight line basis to write off the cost of each asset to its residual value over the estimated useful lives of the assets, at the following annual rates:

Leasehold land	2.27%
Buildings	3%
Plant and machinery	5% to 5.88%
Catalyst	25%
Office equipment	15%
Furniture and fittings	10%
Motor vehicles	20%

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

2.6 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Company makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units ("CGU")).

2. Summary of significant accounting policies (cont'd.)

2.6 Impairment of non-financial assets (cont'd.)

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

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.7 Financial instruments

A financial instrument is recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Initial recognition and measurement

Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, any directly attributable transaction costs.

Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, whereby no adjustment is required if the period between performance and payment is one (1) year or less, are measured at the transaction price determined under MFRS 15: *Revenue from Contract with Customers* ("MFRS 15"), upon adoption of MFRS 9: *Financial instruments* ("MFRS 9").

2. Summary of significant accounting policies (cont'd.)

2.7 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Initial recognition and measurement (cont'd.)

Prior to 1 January 2018, trade receivables are carried at amortised cost.

Upon adoption of MFRS 9, trade receivables that do not contain a significant financing component or if the period between performance and payment is one (1) year or less under practical expedient of MFRS 15, are measured at the transaction price determined under MFRS 15.

Purchases or sales under a contract whose terms require delivery of financial assets within a time frame established by regulation or convention in the marketplace concerned (“regular way purchases”) are recognised on the trade date i.e. the date that the Company commits to purchase or sell the financial asset.

Classification and subsequent measurement

The Company determines the classification of financial assets at initial recognition.

In previous years, financial assets are classified as measured at: financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate.

Upon adoption of MFRS 9, financial assets are classified as measured at: amortised cost, fair value through other comprehensive income ("FVTOCI") and FVTPL, as appropriate.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics evaluated using the Solely Payments of Principal and Interest ("SPPI") assessment and the Company’s business model for managing them.

2. Summary of significant accounting policies (cont'd.)

2.7 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Classification and subsequent measurement (cont'd.)

<u>Solely Payments of Principal and Interest ("SPPI") assessment</u>

For the purpose of this assessment, principal is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contract cash flows such that it would not meet this condition.

The Company also considers terms that limit the Company’s claim to cash flows from specified assets, contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable rate features, and prepayment and extension features.

<u>Business model assessment</u>

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The information considered include the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash ouflows, or realising cash flows through the sale of assets.

Other information considered includes how the performance of the portfolio is evaluated and reported to the Company’s management, the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed, and the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

2. Summary of significant accounting policies (cont'd.)

2.7 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Classification and subsequent measurement (cont'd.)

Business model assessment (cont'd.)

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets commencing in the current financial year are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as FVTPL. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method (see Note 2.7(iv)). Interest income and foreign exchange gains and losses are recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI")

This category comprises debt instruments where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt instruments are not designated as at FVTPL.

FVTOCI category also comprises investment in equity that are not held for trading, and the Company irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

2. Summary of significant accounting policies (cont'd.)

2.7 Financial instruments (cont'd.)

(i) Financial assets (cont'd.)

Classification and subsequent measurement (cont'd.)

Fair value through other comprehensive income ("FVTOCI") (cont'd.)

Financial assets categorised as FVTOCI are subsequently measured at fair value with unrealised gains and losses recognised directly in other comprehensive income and accumulated under FVTOCI reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

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

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss. The methods used to measure fair value are stated in Note 2.17.

In making the assessment, the Company considers terms that limit the Company's claim to cash flows from specified assets, contingent events that would change the amount or timing of cash flows, terms that may adjust the contractual coupon rate, including variable rate features, and prepayment and extension features.

2. Summary of significant accounting policies (cont'd.)

2.7 Financial instruments (cont'd.)

(ii) Financial liabilities

Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

In previous years, financial liabilities are classified as financial liabilities at fair value through profit or loss or at amortised cost, loans and borrowings (i.e. financial liabilities measured at amortised cost), as appropriate. Financial liabilities are recognised initially at fair value less, in the case of at amortised cost loans and borrowings, any directly attributable transaction costs.

Upon adoption of MFRS 9 in the current financial year, financial liabilities are classified as measured at: FVTPL or at amortised cost, as appropriate. Financial liabilities are recognised initially at fair value less, in the case of at amortised cost, any directly attributable transaction costs.

The Company determines the classification of financial liabilities at initial recognition.

Subsequent measurement

Financial liabilities at fair value through profit or loss ("FVTPL")

FVTPL category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

Amortised cost

Subsequent to initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest method (see Note 2.7(iv)).

Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

2. Summary of significant accounting policies (cont'd.)

2.7 Financial instruments (cont'd.)

(iii) Offsetting of financial instruments

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

(iv) Amortised cost of financial instruments

Amortised cost is computed using the effective interest method. This method uses effective interest rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument to the net carrying amount of the financial instrument. Amortised cost takes into account any transaction costs and any discount or premium on settlement.

(v) Derecognition of financial instruments

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or, the Company has transferred its rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement without retaining control of the asset or substantially all the risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss, except for equity investments at FVTOCI where the gain or loss are recognised in other comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liabilities extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss. In the case of waiver of debt from owners, the gain is recognised in equity as capital reserve.

2. Summary of significant accounting policies (cont'd.)

2.8 Impairment

(i) Financial assets, contract assets and finance lease receivable

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income ("FVTOCI"), contract assets and finance lease receivables.

The Company measures loss allowances on debt securities at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, other debt securities for which credit risk has not increased significantly since initial recognition and finance lease receivables, which are measured as 12 month expected credit loss.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is past due.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

2. Summary of significant accounting policies (cont'd.)

2.8 Impairment (cont'd.)

(i) Financial assets, contract assets and finance lease receivable (cont'd.)

<u>Measurement of expected credit losses ("ECL")</u>

Expected credit losses are measured as a function of probability of default and loss given default. Probability of default is the likelihood of default over a particular time horizon and is derived using external credit ratings, if they are available, or internal credit ratings based on quantitative or qualitative information for the counterparty. Loss given default is the assumption of the proportion of financial asset that cannot be recovered by conversion of collateral to cash or by legal process, and is assessed based on the Company's historical experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

(ii) Other assets

The carrying amounts of other assets, other than inventories, deferred tax assets and non-current assets or disposal groups classifies as held for sale are reviewed at each reporting date to determine whether there is any indication of impairment.

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

A cash-generating unit is the smallest identifiable asset group that generates cash flows from continuing use that are largely independent from other assets and groups. An impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

2. Summary of significant accounting policies (cont'd.)

2.8 Impairment (cont'd.)

(ii) Other assets (cont'd.)

The recoverable amount is the greater of the asset's fair value less cost to sell and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed in the subsequent period. In respect of other assets, impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at banks, and deposits with a licensed bank.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand and at banks and short-term deposits with a maturity of three months or less.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

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

2. Summary of significant accounting policies (cont'd.)

2.11 Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

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

2.12 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

2. Summary of significant accounting policies (cont'd.)

2.13 Employee benefits

(a) 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 ebsences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-cumulating compensated absences such as sick leave are recognised when the absences occur.

(b) Defined contribution plans

The Company participates in the national pension scheme as defined by the law of the country in which it has operation. The Company makes contributions to the Employee Provident Fund in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2.14 Revenue from contracts with customers

The Company recognises revenue from contracts with customers based on the five-step model as set out below:

(i) Identify contract with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.

(ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

(iii) Determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

(iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

2. Summary of significant accounting policies (cont'd.)

2.14 Revenue from contracts with customers (cont'd.)

The Company recognises revenue from contracts with customers based on the five-step model as set out below: (cont'd.)

(v) Recognise revenue when (or as) the Company satisfies a performance obligation

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

(i) Do not create an asset with an alternative use to the Company and have an enforceable right to payment for performance completed to-date; or

(ii) Create or enhance an asset that the customer controls as the asset is created or enhanced; or

(iii) Provide benefits that the customer simultaneously receives and consumes as the Company performs.

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

The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of goods

The Company contracts with its customers for sales of petrochemical products. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally upon the transfer of significant risks and rewards of ownership of the goods to the customer. Payment is generally due within 30 to 90 days from transfer of risks and rewards. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2. Summary of significant accounting policies (cont'd.)

2.14 Revenue from contracts with customers (cont'd.)

(b) Interest income

Interest income is recognised using the effective interest rate.

2.15 Income tax

(i) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

(ii) Deferred tax

Deferred tax is provided for using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

2. Summary of significant accounting policies (cont'd.)

2.15 Income tax (cont'd.)

(ii) Deferred tax (cont'd.)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(iii) Goods and Services Tax ("GST")

The net amount of GST, being the difference between output and input of GST, payable to or receivable from the respective authorities at the reporting date, is included in trade and other payables or trade and other receivables in the statement of financial position.

Legislation to implement Malaysia’s new Sales and Service Tax (“SST”) and repeal the GST has received Royal Assent and was published in the official gazette on 28 August 2018 (the Sales Tax Act, the Service Tax Act and the GST Repeal Act). The GST ended on 31 August 2018, and the SST applies as from 1 September 2018.

2.16 Share capital

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

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2.17 Fair value measurements

The Company measures its financial instruments, such as derivatives, at fair value at each reporting date. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 22.

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

(i) In the principal market for the asset or liability; or
(ii) In the absence of a principal market, in the most advantageous market for the asset or liability.

2. Summary of significant accounting policies (cont'd.)

2.17 Fair value measurements (cont'd.)

The principal or the most advantageous market must be accessible to by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

3. Significant accounting judgement and estimate

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

3. Significant accounting judgement and estimate (cont'd.)

3.1 Judgements made in applying accounting policies

There were no significant judgements made in applying the accounting policies of the Company which may have significant effects of the amounts recognised in the financial statements.

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be 17 to 20 years. 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, therefore, future depreciation charges could be revised.

(b) Provision for expected credit loss of trade and other receivables

The Company uses a provision matrix to calculate ECLs for trade and others receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward- looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

3. Significant accounting judgement and estimate (cont'd.)

3.2 Key sources of estimation uncertainty (cont'd.)

(b) Provision for expected credit loss of trade and other receivables (cont'd.)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to the changes in circumstances and of forecast economic conditions. The Company’s historical credit loss experience and forecast of economic conditions may also not be representative of customer’s actual default in the future. The information about the ECLs on the Company’s trade receivables is disclosed in Note 23(a).

4. Revenue

	2019 USD	2018 USD
Sale of goods	42,405,896	51,656,711

5. Other income

	2019 USD	2018 USD
Sale of scrap materials	7,440	11,645
Interest income	22,696	11,192
Insurance compensation on damaged property, plant and equipment	524,507	3,585
Miscellaneous income	-	716
	554,643	27,138

6. Finance costs

	2019 USD	2018 USD
Cost of fund on:		
Shareholders' advances		
- Interest expenses	-	425,544
Others	75,486	171,077
	75,486	596,621

7. Profit before tax

The following items have been included in arriving at profit before tax:

	2019 USD	2018 USD
Auditors' remuneration:		
Current year	22,452	22,452
Underprovided in prior year	300	6,325
Employee benefits expense (Note 8)	2,033,991	2,047,048
Depreciation of property, plant and equipment (Note 11)	3,126,995	3,231,895
Net realised foreign exchange loss	215,262	894,921

8. Employee benefits expense

	2019 USD	2018 USD
Salaries and wages	1,800,392	1,778,236
Defined contribution plan	128,221	130,568
Social security costs	18,004	17,077
Other benefits	87,374	121,167
	2,033,991	2,047,048

Included in employee benefits expense of the Company is salary and other emoluments paid to the executive directors of the Company amounting to USD270,288 (2018: USD162,814) as further disclosed in Note 9.

9. Directors' remuneration

	2019 USD	2018 USD
Executive:		
Salaries and other emoluments	263,799	156,246
Defined contribution plan	6,489	6,568
	270,288	162,814
Non-executive:		
Fees	36,967	3,809
Other benefit	26,866	33,381
Total directors' remuneration (Note 8)	334,121	200,004

10. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 March 2019 and 2018 are:

	2019 USD	2018 USD
Current income tax:		
Malaysian income tax	418,243	2,701
Deferred tax (Note 18):		
Relating to origination of temporary differences	570,389	1,632,004
Under/(over)provision in respect of prior years	2,098	(273,262)
	572,487	1,358,742
Income tax expense recognised in profit	990,730	1,361,443

Reconciliation between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 March 2019 and 2018 is as follows:

	2019 USD	2018 USD
Profit before tax	3,732,604	5,563,536
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	895,825	1,335,249
Adjustments:		
Non-deductible expenses	92,807	299,456
Under/(over)provision of deferred tax in prior years	2,098	(273,262)
	990,730	1,361,443

Domestic income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

11. Property, plant and equipment

	Leasehold land USD	Buildings USD	Plant and machinery USD	Catalyst USD	Office equipment USD	Furniture and fittings USD	Motor vehicles USD	Work-in-progress USD	Total USD
Cost:									
At 1 April 2017	1,518,543	1,101,655	35,225,115	2,734,494	58,616	20,638	61,504	6,752	40,727,317
Additions	-	-	613,010	1,151,922	14,953	1,932	-	823,647	2,605,464
At 31 March 2018 and 1 April 2018	1,518,543	1,101,655	35,838,125	3,886,416	73,569	22,570	61,504	830,399	43,332,781
Additions	-	17,209	276,574	1,345,349	28,277	8,122	45,417	6,079,883	7,800,831
Write off	-	-	-	(1,503,971)	-	-	-	-	(1,503,971)
Reclassification	-	605,696	6,304,586	-	-	-	-	(6,910,282)	-
At 31 March 2019	1,518,543	1,724,560	42,419,285	3,727,794	101,846	30,692	106,921	-	49,629,641
Accumulated depreciation:									
At 1 April 2017	205,131	212,879	10,027,917	1,521,063	21,888	3,720	5,125	-	11,997,723
Depreciation charge for the year (Note 7)	34,188	36,722	2,291,570	845,486	9,511	2,117	12,301	-	3,231,895
At 31 March 2018 and 1 April 2018	239,319	249,601	12,319,487	2,366,549	31,399	5,837	17,426	-	15,229,618
Depreciation charge for the year (Note 7)	34,189	45,920	2,334,178	682,306	11,859	2,520	16,023	-	3,126,995
Write off	-	-	-	(1,503,971)	-	-	-	-	(1,503,971)
At 31 March 2019	273,508	295,521	14,653,665	1,544,884	43,258	8,357	33,449	-	16,852,642

11. Property, plant and equipment (cont'd.)

	Leasehold land USD	Buildings USD	Plant and machinery USD	Catalyst USD	Office equipment USD	Furniture and fittings USD	Motor vehicles USD	Work-in-progress USD	Total USD
Net carrying amount:									
At 31 March 2018	1,279,224	852,054	23,518,638	1,519,867	42,170	16,733	44,078	830,399	28,103,163
At 31 March 2019	1,245,035	1,429,039	27,765,620	2,182,910	58,588	22,335	73,472	-	32,776,999

The Company's leasehold land and buildings are pledged for bank facilities (Note 17).

The cash outflows on acquisition of property, plant and equipment amounted to USD7,800,831 (2017: USD2,605,464). Net carrying amount of property, plant and equipment held under hire purchase arrangements is USDNil (2017: USD44,078)

12. Inventories

	2019 USD	2018 USD
At cost		
Chemicals	359,569	184,750
Consumables	1,110,151	994,349
Packing materials	96,112	78,033
Work-in-progress	759,461	520,759
Finished goods	89,658	186,998
	2,414,951	1,964,889

During the year, the amount of inventories recognised as an expense in cost of sales of the Company was USD27,336,317 (2018: USD32,883,217).

13. Trade and other receivables

	2019 USD	2018 USD
Trade receivables		
Third parties	5,050,466	8,149,638
Amount due from ultimate holding company	884,351	192,600
	5,934,817	8,342,238
Other receivables		
Deposits	29,419	26,922
Sundry debtors	12,224	22,499
Amount due from ultimate holding company	82,180	584,790
Others	176,529	1,097,808
Goods and Services Tax ("GST") receivables	530,972	1,379,026
	831,324	3,111,045
Total trade and other receivables	6,766,141	11,453,283
Add: Cash and bank balances (Note 14)	3,305,181	446,150
Less: GST receivables	(530,972)	(1,379,026)
Total financial assets carried at amortised cost	9,540,350	10,520,407

13. Trade and other receivables (cont'd.)

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day (2018: 30 to 90 day) terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Ageing analysis of trade receivables

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

	2019 USD	2018 USD
Neither past due nor impaired	5,934,817	8,342,238

Receivables that are neither past due nor impaired

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

None of the Company's trade receivables that are neither past due nor impaired and past due but not impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Company has no trade receivables that are past due at the reporting date but not impaired.

(b) Other receivables

Amount due from ultimate holding company

The amount is unsecured, non-interest bearing and are repayable on demand.

14. Cash and bank balances

	2019 USD	2018 USD
Cash in hand and at banks	62,707	90,003
Deposits with a licensed bank	3,242,474	356,147
Cash and bank balances	3,305,181	446,150

14. Cash and bank balances (cont'd.)

Deposits with a licensed bank amounted to USD390,648 (2018: USD356,147) are pledged for bank guarantee facilities.

For the purpose of statement of cash flows, cash and cash equivalents comprise of the following at reporting date:

	2019 USD	2018 USD
Cash in hand and at banks	3,305,181	446,150
Less: Deposits with a licensed bank more than 3 months	(390,648)	(356,147)
Cash and cash equivalents	2,914,533	90,003

15. Share capital

	2019 USD	2018 USD
At 1 April 2018/2017	12,712,881	3,125,000
Issued during the year	-	9,587,881
At 31 March	12,712,881	12,712,881

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

16. Trade and other payables

	2019 USD	2018 USD
Trade payables		
Third parties	8,221,473	5,441,784
Amount due to holding company	500,000	650,000
	8,721,473	6,091,784
Other payables		
Accruals	17,870	45,487
Other payables	412,427	297,489
	430,297	342,976
Total trade and other payables	9,151,770	6,434,760
Add: Borrowings (Note 17)	7,650,000	10,418,250
Total financial liabilities carried at amortised cost	16,801,770	16,853,010

16. Trade and other payables (cont'd.)

(a) Trade payables

These amounts are non-interest bearing. Trade payables are normally settled on 30 to 90 day (2018: 30 to 90 day) terms.

(b) Other payables

In prior year, included in other payables was USD18,267 which related to interest payable on shareholders' advances.

17. Borrowings

	Maturity	2019 USD	2018 USD
Current			
Secured:			
Obligation under finance lease (Note 21)	-	-	12,305
Letter of credit	-	-	1,126,320
Bills discounting	-	-	1,597,676
		-	2,736,301
Unsecured:			
Advance from a third party	2020	1,115,609	-
		1,115,609	2,736,301
Non-current			
Unsecured:			
Obligation under finance lease (Note 21)	-	-	31,949
Advance from a third party	2021 - 2023	6,534,391	7,650,000
		6,534,391	7,681,949
Total borrowings		7,650,000	10,418,250

17. Borrowings (cont'd.)

The remaining maturities of the loans and borrowings as at 31 March 2019 are as follows:

	2019 USD	2018 USD
On demand or within one year	1,115,609	2,736,301
More than 1 year and less than 2 years	1,196,366	1,252,305
More than 2 years and less than 5 years	5,338,025	6,429,644
	7,650,000	10,418,250

(a) Advance from a third party (non-current)

The amount is unsecured, non-interest bearing and is repayable over 8 half yearly instalments repayable coming August 2019, except for advance of USD1,100,000 which bears interest amounting to USD216,000.

(b) Letter of credit

The facility bears interest at 4% per annum and secured by the following:

(i) Letter of credit from reputed banks acceptable to the bank.

(ii) Documents of title to goods along with invoice, bills of exchange drawn and shipped under letter of credit.

(c) Bills discounting

The facility bears interest at 4% per annum with margin 10% of the bills and secured by documents of title to goods along with invoice, bills of exchange drawn on approved parties.

The facility is secured by the following:

(i) Corporate guarantee by ultimate holding company and holding company.

(ii) A registered debenture over the Company's entire fixed and floating assets, movable and immovable, both present and future.

(iii) A first party first legal charge over the land and building belonging to the Company erected on PN7606, Lot 3351 Mukim Teluk Kalung and District of Kemaman, Terengganu.

17. Borrowings (cont'd.)

(d) Obligations under finance lease

These obligations were secured by a charge over the leased assets (Note 14) and were fully settled during the year. The weighted average effective interest as at 31 March 2018 was 3.11% per annum.

Reconcilation of movement of liabilities to cash flows arising from financing activities

	At 1 April 2018 USD	Repayments USD	At 31 March 2019 USD
Obligation under finance lease	44,254	(44,254)	-
Letter of credit	1,126,320	(1,126,320)	-
Bills discounting	1,597,676	(1,597,676)	-
Advance from a third party	7,650,000	-	7,650,000
	10,418,250	(2,768,250)	7,650,000

18. Deferred tax

	2019 USD	2018 USD
At 1 April 2018/2017	3,410,623	2,051,881
Recognised in profit or loss (Note 10)	572,487	1,358,742
At 31 March	3,983,110	3,410,623

Presented after appropriate offsetting as follows:

	2018 USD	2017 USD
Deferred tax assets	(558,824)	(1,007,885)
Deferred tax liabilities	4,541,934	4,418,508
	3,983,110	3,410,623

18. Deferred tax (cont'd.)

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets:

	Unabsorbed capital allowances USD
At 1 April 2018	(1,007,885)
Recognised in profit or loss	449,061
At 31 March 2019	(558,824)
At 1 April 2017	(1,076,805)
Recognised in profit or loss	68,920
At 31 March 2018	(1,007,885)

Deferred tax liabilities:

	Property, plant and equipment USD
At 1 April 2018	4,418,508
Recognised in profit or loss	123,426
At 31 March 2019	4,541,934
At 1 April 2017	3,128,686
Recognised in profit or loss	1,289,822
At 31 March 2018	4,418,508

19. Retained earnings

The Company may distribute dividends out of its retained earnings as at 31 March 2019 and 31 March 2018 under the single-tier system.

20. Related party disclosures

(a) Sale and purchase of goods

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Company and related parties took place at terms agreed between the parties during the financial year:

	2019 USD	2018 USD
Sale of finished goods to ultimate holding company	3,681,096	4,488,046
Purchase of goods and services from ultimate holding company	1,575,930	799,024
Interest expenses on advances from holding and ultimate holding companies	-	425,544

(b) Compensation of key management personnel

Key management personnel are defined as persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director of the Company.

	2019 USD	2018 USD
Short-term employee benefits	270,288	187,829

Included in compensation of key management personnel is:

	2019 USD	2018 USD
Directors' remuneration (Note 9)	270,288	162,814

21. Commitments

Finance lease commitments

The Company has finance leases for certain items of motor vehicles (Note 11). These leases do not have terms of renewal, but have purchase options at nominal values at the end of the lease term.

	2019 USD	2018 USD
Minimum lease payments:		
Not later than 1 year	-	13,096
More than 1 year and less than 2 years	-	13,096
More than 2 years and less than 5 years	-	22,616
Total minimum lease payments	-	48,808
Less: Amounts representing finance charges	-	(4,554)
Present value of minimum lease payments	-	44,254
Present value of payments:		
Not later than 1 year	-	12,305
More than 1 year and less than 2 years	-	11,629
More than 2 years and less than 5 years	-	20,320
Present value of minimum lease payments	-	44,254
Less: Amount due within 12 months (Note 17)	-	(12,305)
Amount due after 12 months (Note 17)	-	31,949

The finance lease liabilities born an average interest rate at the reporting date of Nil% (2018: 3.11%) per annum.

22. Fair values of financial instruments

Determination of fair value

Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The following are the classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Trade and other receivables	13
Trade and other payables	16
Borrowings (current and non-current)	17

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short-term nature and insignificant impact of discounting.

The carrying amounts of the current and non-current portion of borrowings are reasonable approximation of fair values due to insignificant impact of discounting.

23. Financial risk management objectives and policies

The Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk.

It is, and has been throughout the current and previous financial year, the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Company does not apply hedge accounting.

The following sections provide details regarding the Company's exposure to the above mentioned financial risks and the objective, policies and process for the management of these risks.

23. Financial risk management objectives and policies (cont'd.)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables.

The Company's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Company trades only with recognised and creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Any receivables having significant balances past due more than 30 days, which are deemed to have higher default risk, are monitored individually.

The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

<u>Exposure to credit risk</u>

The Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial assets.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable values. A significant portion of these receivables are due from regular customers of the Company. The Company uses ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 30 days, which are deemed to have higher credit risk, are monitored individually.

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

23. Financial risk management objectives and policies (cont'd.)

(a) Credit risk (cont'd.)

Credit risk concentration profile

The Company has no significant concentrations of credit risk that may rise from exposure from a single debtor or to groups of debtors.

Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 13. Deposits with a licensed bank that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13.

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Company manages liquidity risk by obtaining funding from its holding and ultimate holding companies to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due.

23. Financial risk management objectives and policies (cont'd.)

(b) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Company's liabilities at the reporting date based on contracted undiscounted repayment obligations.

	2019 (USD)		
	On demand or within one year	Over one year	Total
Financial liabilities:			
Trade and other payables	9,151,770	-	9,151,770
Borrowings	1,115,609	6,534,391	7,650,000
Total undiscounted financial liabilities	10,267,379	6,534,391	16,801,770

	2018 (USD)		
	On demand or within one year	Over one year	Total
Financial liabilities:			
Trade and other payables	6,434,760	-	6,434,760
Borrowings	2,736,301	7,681,949	10,418,250
Total undiscounted financial liabilities	9,171,061	7,681,949	16,853,010

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Company’s and the Company financial instruments will fluctuate because of changes in market interest rates.

The Company's primary interest rate risks relate to interest-bearing debts. The investment in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits.

The Company's exposure to interest rate risk arises primarily from its borrowings. The Company's policy is to manage interest cost using a mix of fixed and floating rate debts.

23. Financial risk management objectives and policies (cont'd.)

(c) Interest rate risk (cont'd.)

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting year, if United States Dollars ("USD") interest rates had been 100 (2018: 100) basis points higher with all other variables held constant, the Company's profit of tax would have been USDNil (2018: USD27,683) higher, arising mainly as a result of higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(d) Foreign currency risk

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

The Company has transactional currency exposures arising from other than sales or purchases that are denominated in a currency other than the functional currency of the Company which is USD. The foreign currency in which these transactions are denominated is Ringgit Malaysia ("RM").

All of the Company's sales are denominated in foreign currency. Other than that, all the costs incurred by the Company are denominated in its functional currency. The foreign currency fluctuation risk is minimised by the prompt collection from its customers.

The Company also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances ("RM") amounted to USD29,169 (2018: USD87,780).

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Company's profit net of tax to a reasonably possible change in the RM exchange rates against the respective functional currencies of the Company, with all other variables held constant.

		Profit net of tax	
		2019	**2018**
		USD	**USD**
RM/USD	- strengthened 3% (2018: 3%)	242,026	(5,300)
	- weakened 3% (2018: 3%)	(242,026)	5,300

24. Capital management

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

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 March 2019 and 31 March 2018.

The Company monitors capital using a gearing ratio, which is the net debt divided by total equity plus net debt. The Company includes within its net debt, trade and other payable and borrowings, less cash and bank balances. Capital of the Company represents the total equity.

The debt to equity ratio as at 31 March 2019 and 31 March 2018 are as follows:

	Note	2019 USD	2018 USD
Borrowings	17	7,650,000	10,418,250
Trade and other payables	16	9,151,770	6,434,760
Less: Cash and bank balances	14	(3,305,181)	(446,150)
Net debt		13,496,589	16,406,860
Equity attributable to owners of the Company		24,585,275	21,843,401
Equity and net debt		38,081,864	38,250,261
Gearing ratio		35%	43%

25. Authorisation of financial statements for issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 April 2019.