

**Strides Pharma Global Pte. Limited**  
**Registration Number: 201322626C**

Annual Report  
Year ended 31 March 2020

## Directors' statement

We are pleased to submit this annual report to the member of the Company together with the audited financial statements for the financial year ended 31 March 2020.

In our opinion:

- (a) the financial statements set out on pages FS1 to FS58 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and the financial performance, changes in equity and cash flows of the Company for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

## Directors

The directors in office at the date of this statement are as follows:

Mr. Mohana Kumar Pillai	
Mr. Shashank Surendra Sinha	(Resigned on 20 January 2020)
Mr. Sandeep Rangnath Lavalekar	
Ms. Khoo Bee Hian	(Resigned on 13 February 2020)
Mr. Bharat Shah	(Resigned on 24 January 2020)
Dr. Kausalya Santhanam	(Appointed on 25 January 2020)
Dr. Raghunathan Ananthanarayanan	(Appointed on 30 January 2020)
Mr. Chia Loo Wai	(Appointed on 10 February 2020)

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in related corporations are as follows:

Name of directors and company in which interests are held	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of the year/date of appointment	At end of the year	At beginning of the year/date of appointment	At end of the year
<b>Ultimate holding company</b> Strides Pharma Science Limited				
<b>Ordinary shares</b>				
Mohana Kumar Pillai	130,850	150,000	175,000	175,000
Dr. Kausalya Santhanam (joint holding with Spouse)	—	—	1,000	1,000

Name of directors and company in which interests are held	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At beginning of the year	At end of the year	At beginning of the year	At end of the year
<b>Axis Dot Ventures Pte. Ltd.</b>				
<b>Ordinary shares</b>				
Mohana Kumar Pillai	1	1	-	-

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

### Share options

During the financial year, there were:

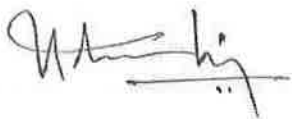
- (i) no options granted by the Company to any person to take up unissued shares in the Company; and
- (ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

### Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors



**Mohana Kumar Pillai**  
CEO & Managing Director



**Sandeep Rangnath Lavalekar**  
Director

14 August 2020



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## Independent auditors' report

Member of the Company  
Strides Pharma Global Pte. Limited

### Report on the audit of the financial statements

#### *Opinion*

We have audited the financial statements of Strides Pharma Global Pte. Limited ('the Company'), which comprise the statement of financial position as at 31 March 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS58.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ('the Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the financial position of the Company as at 31 March 2020 and of the financial performance, changes in equity and cash flows of the Company for the year ended on that date.

#### *Basis for opinion*

We conducted our audit in accordance with Singapore Standards on Auditing ('SSAs'). Our responsibilities under those standards are further described in the '*Auditors' responsibilities for the audit of the financial statements*' section of our report. We are independent of the Company in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ('ACRA Code') together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other information*

Management is responsible for the other information contained in the annual report. Other information comprises of the Directors' statement.

We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 management and directors for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Company's financial reporting process.

*Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements 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 SSAs 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 SSAs, 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, 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 controls.
- Obtain an understanding of internal controls 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 controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 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, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

  
KPMG LLP  
*Public Accountants and  
Chartered Accountants*

**Singapore**  
14 August 2020

**Statement of financial position**  
**As at 31 March 2020**

	Note	2020 US\$	2019 US\$
<b>Non-current assets</b>			
Plant and equipment	4	51,313,852	53,438,059
Right-of-use assets	5	15,795,396	–
Investments in subsidiaries	6	58,378,676	152,106,787
Investments in associate	7	2,450,000	–
Intangible assets	8	66,540,393	146,938,688
Trade and other receivables	9	73,005,147	18,963,486
Cash and cash equivalents	10	–	250,000
Other investments at FVTPL	12	2,339,719	6,853,803
Deferred tax assets	17	674,337	–
		<u>270,497,520</u>	<u>378,550,823</u>
<b>Current assets</b>			
Trade and other receivables	9	100,564,837	131,637,612
Cash and cash equivalents	10	8,205,360	22,478,100
Inventories	11	11,078,110	8,616,053
Prepayments		3,092,849	1,148,380
Other investments at FVTPL	12	15,790,878	18,857,080
		<u>138,732,034</u>	<u>182,737,225</u>
<b>Total assets</b>		<u>409,229,554</u>	<u>561,288,048</u>
<b>Equity</b>			
Share capital	13	178,616,656	178,616,656
Hedging reserve	13	(4,656,749)	(4,472,323)
Monies pending allotment	14	29,100,000	33,900,000
Retained earnings		5,178,373	19,827,437
<b>Total equity</b>		<u>208,238,280</u>	<u>227,871,770</u>
<b>Non-current liabilities</b>			
Bank loans	15	59,989,208	243,492,814
Derivative financial instruments	16	3,826,951	4,954,020
Deferred tax liabilities	17	–	990,968
Provisions		188,129	190,659
Lease liabilities	19	19,177,480	–
Other non-current liabilities		71,538	–
		<u>83,253,306</u>	<u>249,628,461</u>
<b>Current liabilities</b>			
Bank loans	15	27,625,000	25,965,000
Derivative financial instruments	16	1,262,888	–
Trade and other payables	18	88,425,079	57,815,901
Current tax liability		–	6,916
Lease liabilities	19	425,001	–
		<u>117,737,968</u>	<u>83,787,817</u>
<b>Total liabilities</b>		<u>200,991,274</u>	<u>333,416,278</u>
<b>Total equity and liabilities</b>		<u>409,229,554</u>	<u>561,288,048</u>

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

**Statement of profit or loss and other comprehensive income**  
**Year ended 31 March 2020**

	Note	2020 US\$	2019 US\$
Revenue	20	210,112,159	102,302,108
Other loss	21	(6,810,358)	(744,393)
Cost of goods sold and materials consumed*		(135,713,518)	(76,992,860)
Changes in inventories of finished goods, work-in-progress and goods-in-transit*		1,941,900	7,192,640
Employee benefits expenses	22	(6,742,979)	(506,423)
Selling and distribution expenses		(7,086,952)	(4,142,996)
Other operating expenses	23	<u>(12,409,363)</u>	<u>(5,991,100)</u>
<b>Profit before depreciation and amortisation, net finance costs, exceptional items and tax</b>		43,290,889	21,116,976
Depreciation and amortisation		(10,448,772)	(8,166,138)
Finance income		5,880,112	5,889,637
Finance costs		<u>(12,912,843)</u>	<u>(19,639,768)</u>
<b>Net finance costs</b>	24	(7,032,731)	(13,750,131)
<b>Profit/(Loss) before exceptional items and tax</b>		25,809,386	(799,293)
Exceptional items	25	(37,422,673)	(15,496,220)
<b>Loss before tax</b>		(11,613,287)	(16,295,513)
Tax expense	26	<u>(134,202)</u>	<u>(143,601)</u>
<b>Loss after tax</b>		<u>(11,747,489)</u>	<u>(16,439,114)</u>
<b>Other comprehensive income</b>			
<b>Items that are or may be reclassified subsequently to profit or loss:</b>			
Effective portion of changes in fair value of cash flow hedge		<u>(184,426)</u>	<u>(4,472,323)</u>
<b>Other comprehensive income, net of tax</b>		<u>(184,426)</u>	<u>(4,472,323)</u>
<b>Loss for the year, representing total comprehensive income for the year</b>		<u>(11,931,915)</u>	<u>(20,911,437)</u>

\* See Note 30 for details of re-presentation.

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



Statement of changes in equity  
Year ended 31 March 2020

	Note	Share capital US\$	Monies pending allotment US\$	Retained earnings US\$	Hedging reserve US\$	Total US\$
At 1 April 2018		113,442,177	55,575,177	37,711,906	—	206,729,260
Adjustment on initial application of FRS 115, net of tax		—	—	(1,445,355)	—	(1,445,355)
Adjusted balance at 1 April 2018		113,442,177	55,575,177	36,266,551	—	205,283,905
<b>Total comprehensive income for the year</b>		—	—	(16,439,114)	—	(16,439,114)
Loss for the year						
<b>Other comprehensive income</b>						
Effective portion of change in fair value of cash flow hedge		—	—	—	(4,954,020)	(4,954,020)
Tax on other comprehensive income		—	—	—	481,697	481,697
<b>Total comprehensive income for the year</b>		—	—	(16,439,114)	(4,472,323)	(20,911,437)
<b>Transactions with owner, recognised directly in equity</b>						
Contributions by and distributions to owners						
Refund of monies pending allotment	14	—	(5,250,698)	—	—	(5,250,698)
Monies pending allotment	14	—	48,750,000	—	—	48,750,000
Issuance of redeemable preference shares		65,174,479	(65,174,479)	—	—	—
<b>Total contributions by and distributions to owners</b>		65,174,479	(21,675,177)	—	—	43,499,302
At 31 March 2019		178,616,656	33,900,000	19,827,437	(4,472,323)	227,871,770

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

Statement of changes in equity (cont'd)  
Year ended 31 March 2020

	Note	Share capital US\$	Monies pending allotment US\$	Retained earnings US\$	Hedging reserve US\$	Total US\$
At 31 March 2019		178,616,656	33,900,000	19,827,437	(4,472,323)	227,871,770
Adjustment on initial application of FRS116, net of tax		-	-	(2,901,575)	-	(2,901,575)
Adjusted balance at 1 April 2019		178,616,656	33,900,000	16,925,862	(4,472,323)	224,970,195
<b>Total comprehensive income for the year</b>		-	-	(11,747,489)	-	(11,747,489)
Loss for the year		-	-	-	-	-
<b>Other comprehensive income</b>		-	-	-	(135,819)	(135,819)
Effective portion of change in fair value of cash flow hedge		-	-	-	(48,607)	(48,607)
Tax on other comprehensive income		-	-	-	(184,426)	(184,426)
<b>Total comprehensive income for the year</b>		-	-	(11,747,489)	(184,426)	(11,931,915)
<b>Transactions with owner, recognised directly in equity</b>		-	-	-	-	-
Contributions by and distributions to owners	14	-	(4,800,000)	-	-	(4,800,000)
Refund of monies pending allotment		-	(4,800,000)	-	-	(4,800,000)
<b>Total contributions by and distributions to owners</b>		178,616,656	29,100,000	5,178,373	(4,656,749)	208,238,280
At 31 March 2020		178,616,656	29,100,000	5,178,373	(4,656,749)	208,238,280

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

**Statement of cash flows**  
**Year ended 31 March 2020**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash flows from operating activities</b>		
Loss before tax	(11,613,287)	(16,295,513)
<b>Adjustments for:</b>		
Depreciation of plant and equipment	4,348,799	341,094
Depreciation of right-of-use assets	944,377	–
Amortisation of intangible assets	5,155,596	7,825,044
Impairment of investment in subsidiary	–	15,420,378
Write down of intellectual property rights	463,031	1,428,500
(Write-back)/Provision for doubtful debts	(231,971)	374,133
Loss on disposal of Australia business*	19,309,938	–
Loss on disposal of plant and equipment	486	–
Write-off of advance to supplier	181,450	–
Write-off of inventories	16,760,065	–
Bank loan interest expenses	8,542,910	12,902,824
Finance cost on lease liabilities	1,440,671	–
Guarantee commission	1,470,576	2,726,638
Gain of derivatives contracts	(53,263)	–
Loss on put option in equity investment	18,678	–
Gain on revaluation of mutual fund	(76,718)	–
Amortisation of loan upfront fee	1,036,112	3,883,105
Interest income	(5,880,112)	(5,889,637)
Other finance charges	422,574	127,201
	<u>42,239,912</u>	<u>22,843,767</u>
Changes in:		
- Trade receivables	(30,942,342)	(3,284,218)
- Inventories	(19,222,122)	(8,185,535)
- Other receivables	8,229,746	3,900,003
- Trade payables	29,209,348	7,856,569
- Other payables	(2,450,000)	–
Cash generated from operations	<u>27,064,542</u>	<u>23,130,586</u>
Tax paid	–	–
<b>Net cash generated from operating activities</b>	<u>27,064,542</u>	<u>23,130,586</u>

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

**Statement of cash flows (cont'd)**  
**Year ended 31 March 2020**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Cash flows from investing activities</b>		
Purchases of plant and equipment	(2,226,511)	(17,787,690)
Convertible notes issued by a related party	(915,649)	(352,433)
Proceed from disposal of Australia business*	191,908,226	—
Proceed from sale of plant and equipment	1,433	—
Loan to subsidiaries	(977,671)	(18,963,486)
Loan to equity investee	(1,003,332)	—
Purchases of intangible assets	(16,361,286)	(20,612,257)
Disposal of subsidiaries	—	5,066,155
Investments in subsidiaries	(1,992,281)	(3,808,410)
Investment in equity instrument	(2,358,397)	—
Withdrawal from/(Investments in) mutual funds	3,142,920	(18,857,080)
Interest received	5,880,112	5,889,637
<b>Net cash generated from/(used in) investing activities</b>	<u>175,097,564</u>	<u>(69,425,564)</u>
<b>Cash flows from financing activities</b>		
Withdrawal/(Placement) of pledged bank deposits	3,409,609	(613,794)
Advances for share capital from shareholder	—	48,750,000
Refund of share application money	(4,800,000)	(5,250,698)
Proceeds on borrowings from bank	17,000,000	32,702,342
Repayment of bank loan	(213,705,000)	(2,045,000)
Repayment of other finance charges	(4,874,759)	(127,201)
Payment of guarantee commission	(1,470,576)	(2,726,638)
Interest paid	(7,202,259)	(10,992,260)
Payment of lease liabilities	(1,632,252)	—
<b>Net cash (used in)/generated from financing activities</b>	<u>(213,275,237)</u>	<u>59,696,751</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<u>(11,113,131)</u>	<u>13,401,773</u>
Cash and cash equivalents at beginning of financial year	<u>17,802,534</u>	<u>4,400,761</u>
<b>Cash and cash equivalents at end of financial year</b> (Note 10)	<u>6,689,403</u>	<u>17,802,534</u>

\* See Note 25 for details of disposal of Australia business.

## **Notes to the financial statements**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 14 August 2020.

### **1 Domicile and activities**

Strides Pharma Global Pte. Limited (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 3 Tuas South Avenue 4, Singapore 637610.

The principal activities of the Company is to develop, manufacture and trade in pharmaceutical and ancillary products.

The principal activities of the subsidiaries are disclosed in Note 6 to the financial statements.

The immediate holding company is Strides Pharma Asia Pte. Ltd., incorporated in Singapore. The ultimate holding company is Strides Pharma Science Limited, which is incorporated in India, and listed in National Stock Exchange and Bombay Stock Exchange in India.

As the Company meets the exemption criteria in FRS 110 *Consolidated Financial Statements*, it does not need to prepare consolidated financial statements and it only presents the Company's separate financial statements. Consolidated financial statements prepared by the ultimate holding company Strides Pharma Science Limited are available from [www.strides.com](http://www.strides.com).

### **2 Basis of preparation**

#### **2.1 Statement of compliance**

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (FRSs).

This is the first set of the Company's annual financial statements in which FRS 116 *Leases* has been applied. Changes to significant accounting policies are described in Note 2.5.

#### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

#### **2.3 Functional and presentation currency**

The financial statements are presented in United States dollars, which is the Company's functional currency. All financial information presented in United States dollars have been rounded to the nearest dollar, unless stated otherwise.

## **2.4 Use of estimates and judgements**

The preparation of financial statements in conformity with FRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – useful lives of plant and equipment
- Note 6 – measurement of impairment loss relating to investment in subsidiaries
- Note 8 – useful lives of intangible assets and measurement of impairment of intangible assets
- Note 29 – measurement of impairment loss relating to financial assets

In the process of applying the Company's accounting policies, management is of the opinion that there is no instance of application of judgment which is expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations as described above.

### **Measurement of fair values**

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Group Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of FRS, including the level in the fair value hierarchy in which the valuations should be classified.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 29 – financial instruments

## **2.5 Changes in accounting policies**

### **New standards and amendments**

The Company has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 April 2019:

- FRS 116 Leases
- INT FRS 123 Uncertainty over Income Tax Treatments
- Long-term Interests in Associates and Joint Ventures (Amendments to FRS 28)
- Prepayment Features with Negative Compensation (Amendments to FRS 109)
- Previously Held Interest in a Joint Operation (Amendments to FRS 103 and 111)
- Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendment Amendments to FRS 12)
- Borrowing Costs Eligible for Capitalisation (Amendments to FRS 23)
- Plan, Curtailment or Settlement (Amendments to FRS 19)

Other than FRS 116, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

### **FRS 16 Leases**

The Company applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

### **Definition of a lease**

Previously, the Company determined at contract inception whether an arrangement was or contained a lease under INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Company now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

On transition to FRS 116, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under FRS 17 and INT FRS 104 were not reassessed for whether there is a lease under FRS 116. Therefore, the definition of a lease under FRS 116 was applied only to contracts entered into or changed on or after 1 April 2019.

*As a lessee*

As a lessee, the Company leases property. The Company previously classified leases as operating based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Company. Under FRS 116, the Company recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet. The Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

*Leases classified as operating leases under FRS 17*

Previously, the Company classified property leases as operating leases under FRS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 April 2019. Right-of-use assets are measured at their carrying amount as if FRS 116 had been applied since the commencement date, discounted using the applicable incremental borrowing rates at the date of initial application.

The Company has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Company used a number of practical expedients when applying FRS 116 to leases previously classified as operating leases under FRS 17. In particular, the Company:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

*Impact on financial statements*

*Impact on transition\**

On transition to FRS 116, the Company recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below.

	<b>1 April 2019</b> <b>US\$</b>
Right-of-use assets – property	16,739,773
Lease liabilities	(19,794,062)
Deferred tax assets	152,714
Retained earnings	2,901,575



\* For the impact of FRS 116 on profit or loss for the period, see Note 19. For the details of accounting policies under FRS 116 and FRS 17, see Note 3.12.

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using the applicable incremental borrowing rates at 1 April 2019. The weighted-average rate applied is 7%.

	<b>1 April 2019</b> US\$
Operating lease commitments at 31 March 2019 as disclosed under FRS 17 in the Company's financial statements	19,541,713
Extension options reasonably certain to be exercised	18,734,457
Discounted using the incremental borrowing rate at 1 April 2019	<u>(18,482,108)</u>
Lease liabilities recognised at 1 April 2019	<u>19,794,062</u>

### **3 Significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except as explained in Note 2.5, which addresses changes in accounting policies.

#### **3.1 Subsidiaries**

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses. On disposal of an investment in subsidiary, the difference between net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

#### **3.2 Investments in associates**

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Company holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method. They are recognised at cost, which includes transaction costs.

#### **3.3 Foreign currency**

##### **Foreign currency transactions**

Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the reporting period, adjusted for effective interest and payments during the reporting period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

### 3.4 Financial instruments

#### (i) Recognition and initial measurement

##### Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

#### (ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets 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.

##### *Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is 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.

##### *Debt investments at FVOCI*

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- 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.

### ***Equity investments at FVOCI***

On initial recognition of an equity investment that is not held-for-trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

### ***Financial assets at FVTPL***

All financial assets not classified as measured at amortised cost or FVOCI 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 FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### **Financial assets: Business model assessment**

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 includes:

- 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 outflows or realising cash flows through the sale of the assets;
- 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;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; 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.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

### **Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest**

For the purposes 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 (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, 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 contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

#### **Non-derivative financial assets: Subsequent measurement and gains and losses**

##### ***Financial assets at FVTPL***

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

##### ***Financial assets at amortised cost***

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

##### ***Debt investments at FVOCI***

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.

##### ***Equity investments at FVOCI***

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

**Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised bank loans and trade and other payables.

**(iii) Derecognition**

**Financial assets**

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

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

**Financial liabilities**

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

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

**(iv) Offsetting**

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

**(v) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Company in the management of its short-term commitments.

(vi) **Derivative financial instruments and hedge accounting**

The Company holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Company designates certain derivatives as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

**Cash flow hedges**

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated cumulative gain or loss is reclassified from equity and included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated changes in fair value that were recognised directly in other comprehensive income are reclassified into profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

When the hedged item is a non-financial item, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

**(vii) Share capital**

*Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

*Preference share capital*

The Company's redeemable preference shares are classified as equity. Non-discretionary dividends and redemption in cash by the holders are subject to approval from the Board of Directors of the Company.

**(viii) Intra-group financial guarantees in the separate financial statements**

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'bank loans'.

**3.5 Plant and equipment**

**Recognition and measurement**

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

#### **Subsequent costs**

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

#### **Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment, unless it is included in the carrying amount of another asset. Construction-in-progress is not depreciated until the assets are ready for their intended use.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

- |                          |              |
|--------------------------|--------------|
| • Office equipment       | 3 - 5 years  |
| • Computer               | 3 years      |
| • Furniture and fixtures | 10 years     |
| • Motor Vehicles         | 8 years      |
| • Machinery              | 4 - 15 years |

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### **3.6 Intangible assets and goodwill**

#### **Goodwill**

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.



### Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised as an expense in profit or loss on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

The estimated useful lives for the current and comparative years are as follows:

- Intellectual property rights 5 - 20 years
- Software Licenses 5 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.7 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is determined on a weighted average basis, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

### 3.8 Impairment

#### (i) Non-derivative financial assets and contract assets

The Company recognises loss allowances for ECLs on:

- financial assets measured at amortised costs;
- debt investments measured at FVOCI; and
- intra-group financial guarantee contracts (FGC).

Loss allowances of the Company are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

#### *Simplified approach*

The Company applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

### ***General approach***

The Company applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, 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 includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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 (if any is held); or
- the financial asset remains outstanding for more than a reasonable range of past due days, taking into consideration historical payment track record, current macroeconomics situation as well as general industry trend.

The Company considers a contract asset to be in default when the customer is unlikely to pay its contractual obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

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

### ***Measurement of ECLs***

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

### ***Credit-impaired financial assets***

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt investments at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than a reasonable range of past due days;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

***Presentation of allowance for ECLs in the statement of financial position***

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

For debt investments at FVOCI, loss allowances are charged to profit or loss and recognised in OCI.

Loss allowances for FGC are recognised as a financial liability to the extent that they exceed the initial carrying amount of the FGC less the cumulated income recognised.

***Write-off***

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

**(ii) Non-financial assets**

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Company's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is 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, if no impairment loss had been recognised.

### **3.9 Employee benefits**

#### **Defined contribution plans**

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

#### **Employee leave entitlements**

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

#### **Short-term employee benefits**

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

### **3.10 Provisions**

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

### **3.11 Revenue**

#### *Sale of goods*

Revenue from sale of goods in the ordinary course of business is recognised when the Company satisfies a performance obligation (PO) by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods. The individual standalone selling price of a good that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Company expects to be entitled in exchange for transferring the promised goods. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Company does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

### **3.12 Lease**

The Company has applied FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under FRS 17 and INT FRS 104. The details of accounting policies under FRS 17 and INT FRS 104 are disclosed separately.

#### **Policy applicable from 1 April 2019**

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 April 2019.

#### **As a lessee**

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

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

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

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

The Company presents right-of-use assets and lease liabilities on the statement of financial position.

#### ***Short-term leases and leases of low-value assets***

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Leases - Policy applicable before 1 April 2019**

For contracts entered into before 1 April 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

#### **As a lessee**

Leases were classified as operating leases and were not recognised in the Company's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

### **3.13 Finance income and finance costs**

Interest income or expense is recognised on a time proportion basis, using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Bank charges are recognised in profit or loss in the period in which they are incurred.

### **3.14 Tax**

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.



Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

### **3.15 New standards and interpretations not adopted**

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 April 2019 and earlier application is permitted; however, the Company has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Company's financial statements.

- *Amendments to References to Conceptual Framework in FRS Standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 1 and FRS 8)
- *FRS 117 Insurance Contracts*

#### 4 Plant and equipment

Cost	Office equipment US\$	Computers US\$	Assets under construction US\$	Furniture and fixtures US\$	Motor vehicles US\$	Machinery US\$	Leased building (Factory) US\$	Total US\$
At 1 April 2018	1,048,048	127,230	34,739,395	43,216	239,770	63,506	—	36,261,165
Transfers	2,993,242	172,589	(49,909,143)	943,057	—	37,895,734	7,904,521	—
Additions	—	—	17,788,534	—	—	—	—	17,788,534
Disposals	(513)	—	—	—	—	(597)	—	(1,110)
At 31 March 2019	4,040,777	299,819	2,618,786	986,273	239,770	37,958,643	7,904,521	54,048,589
Transfers	1,659,598	91,985	(3,219,898)	68,192	—	1,171,775	228,348	—
Additions	—	—	2,226,511	—	—	—	—	2,226,511
Disposals	—	—	—	—	—	(2,104)	—	(2,104)
At 31 March 2020	5,700,375	391,804	1,625,399	1,054,465	239,770	39,128,314	8,132,869	56,272,996
<b>Accumulated depreciation</b>								
At 1 April 2018	193,421	31,077	—	5,475	38,839	890	—	269,702
Depreciation charge	195,845	43,554	—	6,174	29,972	57,532	8,017	341,094
Disposal	(239)	—	—	—	—	(27)	—	(266)
At 31 March 2019	389,027	74,631	—	11,649	68,811	58,395	8,017	610,530
Depreciation charge	802,935	123,703	—	102,361	29,971	2,865,577	424,252	4,348,799
Disposal	—	—	—	—	—	(185)	—	(185)
At 31 March 2020	1,191,962	198,334	—	114,010	98,782	2,923,787	432,269	4,959,144
<b>Carrying amounts</b>								
At 1 April 2018	854,627	96,153	34,739,395	37,741	200,931	62,616	—	35,991,463
At 31 March 2019	3,651,750	225,188	2,618,786	974,624	170,959	37,900,248	7,896,504	53,438,059
At 31 March 2020	4,508,413	193,470	1,625,399	940,455	140,988	36,204,527	7,700,600	51,313,852

**Assets under construction**

Assets under construction mainly consists of costs incurred for construction of new manufacturing and production facilities.

The contracted construction cost with sub-contractors, machinery, direct labour costs, rental charges, related professional fees and interest incurred from financing loan are capitalised as part of the cost of assets under construction.

The following expenses have been capitalised within assets under construction:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Machinery	1,528,737	2,679,745
IT Equipment/Software	459,763	1,292,363
Direct labour costs	160,796	4,448,078
Rental charges	–	2,477,174
Related professional fees	–	483,003
Interest expense (Capitalisation rate for 2019: 5.86%)	–	3,122,316
Others	77,215	3,285,855
	<u>2,226,511</u>	<u>17,788,534</u>

**5 Right-of-use assets**

	<b>2020</b>
	<b>US\$</b>
At 1 April 2019	–
Recognition of right-of-use asset on initial application of FRS116	16,739,773
Adjusted balance at 1 April 2019	16,739,773
Depreciation charge	(944,377)
At 31 March 2020	<u>15,795,396</u>

**6 Investments in subsidiaries**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Unquoted equity shares, at cost	<u>58,378,676</u>	<u>152,106,787</u>

**Unquoted equity shares, at cost**

The movements of unquoted equity shares, at cost are as follows:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
At 1 April	152,106,787	168,784,910
Subscription of additional shares	1,992,281	3,808,410
Refund of share application money	–	(21,702)
Disposal of shares	(95,720,392)	(5,044,453)
Impairment losses	–	(15,420,378)
At 31 March	<u>58,378,676</u>	<u>152,106,787</u>

Management has determined the recoverable amount of the Company's investment in Strides Pharma (Cyprus) Limited from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rate and long-term growth rate. Management estimates discount rates using weighted average cost of capital adjusted for premiums and discounts, depending on the asset's specific risk compared to the risk of the overall enterprise. The long-term growth rate of 3% is estimated based on the expected overall economic growth, industry factors and inflation. This rate does not exceed the average long-term growth rate for the relevant markets.

The Company prepares cash flow forecasts for next 5 years based on factors such as expected impact on cash flows from sale of new products, market expansion brought by agreement with new distributor and negotiated agreements with suppliers to achieve cost savings.

The rate used to discount the forecast cash flows is 11.04% (2019:14.84%).

As at 31 March 2020, based on the key assumptions, Management has determined a recoverable amount that is US\$501,729 higher (2019: US\$15,234,027 lower) than the cost of investment.

In 2019, impairment on investment in subsidiaries comprise impairment loss on investment in Strides Pharma (Cyprus) Limited of US\$15,234,027 due to cost of investment exceeding recoverable amounts, Generic Partners UK Limited of US\$186,278, and Generic Partners (South Africa) (Pty) Ltd. of US\$73 due to changes in business plans during the year whereby Management intends to wind down these subsidiaries. The impairment loss was recorded in exceptional items (see Note 25) in the statement of profit or loss and other comprehensive income.

Details of the Company's subsidiaries at 31 March are as follows:

Name of subsidiaries	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held	
			2020 %	2019 %
Strides Pharma (Cyprus) Limited	Trading of pharmaceutical products	Cyprus	100	100
Strides Arcolab (Australia) Pty Limited*	Investment holding	Australia	—	99.9999
Generic Partners Holding Co. Pty. Ltd.*	Investment holding	Australia	—	51
Generic Partners (International) Pte. Ltd.	Acquiring and holding entities and supply and distribution of pharmaceutical products	Singapore	100	51
Strides Shasun Latina, SA de CV,	Trading of pharmaceutical products	Mexico	80	80
Arrow Life Sciences (Malaysia) SDN. BHD.	Trading of pharmaceutical products	Malaysia	100	100

Name of subsidiaries	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held	
			2020 %	2019 %
Strides Pharma Canada Inc.	Trading of pharmaceutical products	Canada	100	100
Strides Vivimed Pte Ltd	Trading of pharmaceutical products	Singapore	100	100
Strides Pharma Therapeutics Singapore Pte Ltd**	Engage in R&D process and development of pharmaceutical products	Singapore	—	100
Generic Partners (South Africa) (Pty) Ltd**	Trading of pharmaceutical products	South Africa	—	100
Generic Partners UK Ltd	Licensing and supply of pharmaceutical products	United Kingdom	100	100
Generic Partners (R&D) Pte. Ltd.	R&D of pharmaceutical products and leasing of intangible assets and trading of pharmaceutical products	Singapore	100	19
Strides Nordic ApS	Develop and commercialise pharmaceutical drugs and associated business	Denmark	100	—
Strides Netherlands B.V***	Wholesale of pharmaceutical products	Netherlands	100	—
Strides Pharma Science Pty Ltd	Intellectual property holding company	Australia	100	—

\* These subsidiaries were divested during the year as part of the disposal of Australia business (see Note 25 for details).

\*\* These subsidiaries were de-registered during the year.

\*\*\* This subsidiary was newly incorporated during the year and is pending for capital infusion.

## 7 Investments in associate

	2020 US\$	2019 US\$
Investments in associate	2,450,000	—

Details of the Company's associate at 31 March is as follow:

Name of associate	Principal activity	Country of incorporation	Proportion of ownership interest and voting power held	
			2020 %	2019 %
Sihuan Strides (HK) Limited	Trading of pharmaceutical products	Hong Kong	49	—

## 8 Intangible assets

	Goodwill US\$	Intellectual property rights US\$	Intangible assets under development US\$	Software licenses US\$	Total US\$
<b>Cost</b>					
At 1 April 2018	49,500,959	80,278,877	15,183,366	87,672	145,050,874
Additions	—	13,037,554	4,742,963	83,492	17,864,009
Transfers	—	1,915,699	(1,915,699)	—	—
Write off	—	(470,509)	(1,197,112)	—	(1,667,621)
Transfer from Vivimed*	—	2,491,425	256,823	—	2,748,248
At 31 March 2019	49,500,959	97,253,046	17,070,341	171,164	163,995,510
Additions**	—	7,966,671	21,463,618	—	29,430,289
Transfers	—	2,184,268	(3,528,747)	1,344,479	—
Write off	—	—	(463,031)	—	(463,031)
Disposal of Australia business**	(49,500,959)	(66,046,151)	(51,624)	—	(115,598,734)
At 31 March 2020	—	41,357,834	34,490,557	1,515,643	77,364,034
<b>Accumulated amortisation</b>					
At 1 April 2018	—	9,462,694	—	8,205	9,470,899
Amortisation	—	7,807,189	—	17,855	7,825,044
Write off	—	(239,121)	—	—	(239,121)
At 31 March 2019	—	17,030,762	—	26,060	17,056,822
Amortisation	—	5,117,137	—	38,459	5,155,596
Disposal of Australia business**	—	(11,388,777)	—	—	(11,388,777)
At 31 March 2020	—	10,759,122	—	64,519	10,823,641
<b>Carrying amounts</b>					
At 1 April 2018	49,500,959	70,816,183	15,183,366	79,467	135,579,975
At 31 March 2019	49,500,959	80,222,284	17,070,341	145,104	146,938,688
At 31 March 2020	—	30,598,712	34,490,557	1,451,124	66,540,393

\* The Company acquired the business of its subsidiary, Strides Vivimed Pte Limited in March 2019. This included intellectual properties transferred to the Company.

\*\* During the year, the Company disposed its Australia business (see Note 25 for details). As part of the disposal, goodwill and intellectual property rights relating to the acquired Aspen Mauritius Business was disposed. Separately, intangible asset under development valued at US\$13,069,003 was transferred from the buyer (Arrotex Australia Group Pty Ltd) as part of the sale consideration.

### Write off

Management has written off intangible assets for commercial reasons. They do not expect to be able to recover the carrying amount from future sales relating to these assets.

### Amortisation

The intangible assets except goodwill relates to dossiers, sale, marketing and distribution rights of certain pharmaceutical products, and have finite useful lives of 5 to 20 years, over which the assets are amortised.

As at 31 March 2020, the Company is in the process of obtaining regulatory approval for the sale of the pharmaceutical products for which the intangible assets under development relates to. Accordingly, no amortisation expense has been charged in 2020 and 2019 as the intangible assets under development are not ready for their intended use.

## 9 Trade and other receivables

	2020 US\$	2019 US\$
<b>Non-current</b>		
Loans to subsidiaries	1,499,645	3,749,787
Loan to other related party	16,191,370	15,213,699
Deferred consideration	54,982,573	–
Other receivables	331,559	–
	<u>73,005,147</u>	<u>18,963,486</u>
<b>Current</b>		
Trade receivables	16,389,750	7,045,424
Amount due from ultimate holding company (trade)	352,736	–
Amount due from immediate holding company (non-trade)	66,263	–
Amounts due from subsidiaries (trade)	302,921	–
Amounts due from subsidiaries (non-trade)	2,660,281	1,252,237
Amounts due from other related parties (trade)	70,811,092	49,636,762
Amounts due from other related parties (non-trade)	1,616,449	4,933,913
Loans to subsidiaries	–	66,750,504
Loan to other related party	1,003,332	–
Other receivables	7,362,013	2,018,772
	<u>100,564,837</u>	<u>131,637,612</u>
	<u>173,569,984</u>	<u>150,601,098</u>

### Non-trade amounts due from immediate holding company, subsidiaries and other related parties

The non-trade amounts due from immediate holding company, subsidiaries and other related parties are unsecured, interest free and repayable on demand.

### Loans to subsidiaries

As at 31 March 2020, loans to subsidiaries comprise of a loan to Strides Arcolab (Australia) Pty Limited of US\$Nil (2019: US\$66,750,504) and Strides Pharma (Cyprus) Limited of US\$1,499,645 (2019: US\$3,749,787).

In 2019, the loan to Strides Arcolab (Australia) Pty Limited is unsecured, bears interest at Bank Bill Swap Bid Rate (BBSY) plus 500 basis points per annum with final maturity on 28 March 2023. The loan was settled as part of the sale of Australia business for the year ended 31 March 2020.

The loan to Strides Pharma (Cyprus) Limited is unsecured, bears interest at 600 basis points per annum and is repayable on demand. The loan is not expected to be recovered within the next 12 months.

### Loans to other related parties

As at 31 March 2020, loans to other related parties comprise of a loan to Strides Arcolab International Ltd of US\$16,191,370 (2019: US\$15,213,699) and Fairmed Healthcare AG of US\$1,003,332 (2019: US\$Nil).

The loan to Strides Arcolab International Ltd is unsecured, bears interest at 650 basis points per annum with final maturity on 11 January 2024. The loan is not expected to be recovered within the next 12 months.

The loan to Fairmed Healthcare AG is unsecured, bears interest at 760 basis points per annum with final maturity on 16 September 2020. The loan is expected to be recovered within the next 12 months.

### Deferred consideration

The deferred consideration pertains to a component of the sales proceeds from the disposal of Australia business that is receivable in March 2023. The deferred consideration is not expected to be recovered within next 12 months.

## 10 Cash and cash equivalents

	2020 US\$	2019 US\$
<b>Non-current</b>		
Deposits pledged	–	250,000
<b>Current</b>		
Cash at bank	6,684,184	17,798,670
Deposits pledged	1,515,957	4,675,566
Cash on hand	5,219	3,864
	<u>8,205,360</u>	<u>22,478,100</u>
Cash and cash equivalents	8,205,360	22,728,100
Less: Pledged bank deposits	(1,515,957)	(4,925,566)
Cash and bank balances in the statement of cash flows	<u>6,689,403</u>	<u>17,802,534</u>



The Company's deposits pledged earn interest ranging from 1.4% to 2.1% (2019: 1.3% to 1.8%) per annum and for terms less than twelve months.

The deposits pledged are for the bank loans (Note 15) undertaken by the Company.

## 11 Inventories

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Finished goods	996,590	6,918,509
Goods-in-transit	8,135,830	47,341
Work-in-progress	188,920	413,590
Raw materials	1,710,803	1,043,445
Others	45,967	193,168
	<u>11,078,110</u>	<u>8,616,053</u>

During the year, inventories written off amounted to US\$16,760,065 (2019: US\$Nil), of which, US\$16,283,302 relates to withdrawal of product (see Note 25 for details).

## 12 Other investments at FVTPL

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Non-current</b>		
Investment in unquoted shares – equity instrument	2,339,719	–
Convertible notes	–	6,853,803
	<u>2,339,719</u>	<u>6,853,803</u>
<b>Current</b>		
Investment in mutual funds	<u>15,790,878</u>	<u>18,857,080</u>

### Investment in unquoted shares – equity instrument

On 9 September 2019, the Company purchased shares in Fairmed Healthcare AG, an entity incorporated in Switzerland. Subsequent to the year end, the Company gained controlling interest in Fairmed Healthcare AG, thereby making it a subsidiary of the Company.

### Convertible notes

On 10 August 2016, the Company entered into a convertible note facility agreement with Generic Partners (R&D) Pte Ltd (“GP R&D”) for a total facility of AU\$10,000,000 (equivalent to US\$7,628,065). In 2019, GP R&D further issued convertible notes amounting to AU\$499,976 (equivalent to US\$352,433).

The Company has the option but is not obliged to convert the notes into shares. The notes are convertible at 1 share per US\$1 note. The conversion date is on 10 July 2025 or upon the Company acquiring 100% of its partially owned subsidiaries, whichever is earlier. If the conversion does not occur, GP R&D should repay the Company 10% of the face value of each note in respect of which conversion has not occurred each month commencing on the initial repayment date until such time as the face value has been repaid in full. The convertible note carries fixed interest at 10% per annum payable together with the principal. In 2019, interest amounting to US\$643,201 was accrued.

During the year, the convertible notes were disposed as part of the disposal of Australia business (see Note 25 for details).

#### **Investment in mutual funds**

Investment in mutual funds comprise of an investment made in Easterngate Soaring Dragon 2 SP on 29 March 2019. As at 31 March 2020, the investment is made up of 157,143 units (2019: 188,571) amounting to US\$15,790,878 (2019: US\$18,857,080). The investment bears variable interest of 3 month LIBOR plus 365 basis points per annum with the schedule redemption date on March 2026. The issuer may, at any time, by giving written notice to the Company of not less than 30 business days prior to each quarter end of its intention to make a full or partial redemption at the start of the next quarter.

Movements in investment in mutual funds during the year are as follows:

	<b>2020</b> <b>US\$</b>
At 1 April	18,857,080
Redeemed during the year	(3,142,920)
Fair value adjustment	76,718
At 31 March	15,790,878

### **13 Share capital and other reserves**

	2020		2019	
	Number of ordinary shares	US\$	Number of ordinary shares	US\$
<b>Fully paid ordinary shares, with no par value:</b>				
At 1 April and 31 March	500,000	394,500	500,000	394,500
<b>Redeemable preference shares</b>				
At 1 April	228,933	178,222,156	140,778	113,047,677
Issued during the year	—	—	88,155	65,174,479
At 31 March	228,933	178,222,156	228,933	178,222,156
		178,616,656		178,616,656

All shares rank equally with regard to the Company's residual assets, except that preference shareholders participate only to the extent of the face value of the shares.

**Fully paid ordinary shares, with no par value**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

**Redeemable preference shares**

In 2019, the Company has issued 88,155 RPS of S\$1,000 each (approximately US\$739 each) for a total of US\$65,174,479 out of the monies pending allotment as at 31 March 2018.

The RPS carries non-cumulative dividends at an annual rate of 12% of the issue price per share in preference to the ordinary shares, payable out of the distributable profits of the financial year, subject to approval by the ordinary shareholders at a general meeting. The RPS do not carry voting rights, except in certain circumstances where:

- any such period as the preferential dividend or any part thereof remains in arrear and unpaid, such period starting from a date not more than 12 months, or such lesser period as the article may provide, after the due date of the dividend;
- upon any resolution which varies the rights attached to the RPS; or
- upon any resolution of winding of the Company.

Subject to the terms set out in the Company's Articles of Association, the RPS may be redeemed at issue price at the option of either the Company or the holder of the RPS, subject to approval from the Board of Directors of the Company.

**Hedging reserve**

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability.

**Capital management**

The capital structure of the Company consists of issued capital, monies pending allotment and retained earnings.

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

## 14 Monies pending allotment

In 2020, the Company received US\$Nil (2019: US\$48,750,000) from immediate holding company towards share application money, further the Company refunded US\$4,800,000 (2019: US\$5,250,698) to immediate holding company out of the monies pending allotment as at 31 March 2019.

## 15 Bank loans

	2020 US\$	2019 US\$
Bank loans	87,960,000	284,665,000
Less: Upfront fee	(345,792)	(15,207,186)
	<u>87,614,208</u>	<u>269,457,814</u>
Less: Amount due for settlement within 12 months (shown under current liabilities)	(27,625,000)	(25,965,000)
Amount due for settlement after 12 months	<u>59,989,208</u>	<u>243,492,814</u>

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	2020 US\$	2019 US\$
Beginning of financial year	269,457,814	234,917,367
Changes from financing cash flows		
- Proceeds on borrowings from bank	17,000,000	32,702,342
- Repayment of bank loans	(213,705,000)	(2,045,000)
Total changes from financing cash flows	<u>(196,705,000)</u>	<u>30,657,342</u>
Non-cash changes		
- Amortisation of loan upfront fee	918,927	3,883,105
- Write off of loan upfront fee	13,942,467	-
Total non-cash changes	<u>14,861,394</u>	<u>3,883,105</u>
End of financial year	<u>87,614,208</u>	<u>269,457,814</u>

In FY2018, the Company obtained a loan facility of US\$45 Million (US\$20 Million short term loan towards cash flow mismatch and US\$25 Million term loan towards capital expenditure incurred in past and future) which was fully drawn down in FY2019. The loan bears a variable interest rate at 6 month LIBOR plus 300 basis points per annum. During the year, the Company repaid the short term while the term loan is repayable in 16 quarterly structured instalments starting 15 months after the date of first disbursement, i.e. on 14 February 2019. As at 31 March 2020, the outstanding loan is US\$20.96 Million and the outstanding term is 11 instalments. The loan is secured with first *pari passu* charge on all current assets and fixed assets including intangibles of the Company.

In FY2019, the Company obtained a term loan facility of US\$100 Million which was fully drawn down in that year. The loan bears a variable interest rate at 6 month LIBOR plus 230 basis points per annum. During the year, the Company repaid US\$50 Million and the balance loan of US\$50 Million is repayable in 12 half yearly structured instalments starting 30 months after the date of first disbursement, with first instalment due on 3 July 2020. The last instalment is due on 4 July 2026. As at 31 March 2020, the outstanding loan is US\$50 Million and the outstanding term is 12 instalments. The loan is secured with first pari passu charge on all current assets and fixed assets including intangibles of the Company and Strides Pharma Asia Pte. Ltd. The is also secured with first pari passu charge on fixed assets including intangibles and second pari passu charge on current assets of the ultimate holding company.

During the year, the Company obtained a short term loan facility of US\$17 Million for working capital requirements. The loan bears a variable interest rate at 3 month LIBOR plus 300 basis points per annum. The Company has fully drawn down the short term loan as at 31 March 2020 and the loan is repayable within the next 12 months. The loan is secured with first *pari passu* charge on all current assets and fixed assets including intagibles of the Company present and future.

The Company's bank loans are secured over certain bank deposits of the Company (Note 10) and guaranteed by the ultimate holding company and the immediate holding company.

The bank loans are subject to compliance with certain financial covenants by the Company on a standalone and consolidated basis as well as and its ultimate holding company on a consolidated basis. The directors have assessed the compliance with these financial covenants and concluded that those covenants are being complied with.

## 16 Derivative financial instruments

	Assets US\$	Liabilities US\$
<b>31 March 2020</b>		
<b>Non-current</b>		
<i>Cash flow hedge</i>		
- Interest rate swaps	—	3,826,951
<b>Current</b>		
<i>Cash flow hedge</i>		
- Interest rate swaps	—	1,262,888
	—	5,089,839
<b>31 March 2019</b>		
<b>Non-current</b>		
<i>Cash flow hedge</i>		
- Interest rate swaps	—	4,954,020
	—	4,954,020

Outstanding derivative financial instruments amounting to US\$5,089,839 (2019: US\$4,954,020) comprise interest rate swaps to hedge floating interest rate borrowings with final repayment dates between November 2022 and March 2026.

## 17 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2020 US\$	2019 US\$	2020 US\$	2019 US\$
Plant and equipment	—	—	671,430	373,955
Intangible assets other than goodwill	—	—	373,772	1,872,678
Lease liability	239,208	—	—	—
Tax losses	1,047,242	773,968	—	—
Derivative financial instruments	433,089	481,697	—	—
Deferred tax assets/liabilities	1,719,539	1,255,665	1,045,202	2,246,633
Set off of tax	(1,045,202)	(1,255,665)	(1,045,202)	(1,255,665)
Net deferred tax (assets)/liabilities	674,337	—	—	990,968

Movements in temporary differences during the year are as follows:

	At 1 April 2018 US\$	Recognised in profit or loss (Note 26) US\$	Recognised in other comprehen- sive income US\$	At 31 March 2019 US\$	Recognised in profit or loss (Note 26) US\$	Recognised in other comprehen- sive income US\$	Others* US\$	At 31 March 2020 US\$
Plant and equipment	(15,967)	(357,988)	—	(373,955)	(297,475)	—	—	(671,430)
Intangible assets other than goodwill	(1,313,097)	(559,581)	—	(1,872,678)	(203,410)	—	1,702,316	(373,772)
Lease liability	—	—	—	—	86,493	—	152,714	239,207
Tax losses	—	773,968	—	773,968	273,274	—	—	1,047,242
Derivative financial instruments	—	—	481,697	481,697	—	(48,607)	—	433,090
	(1,329,064)	(143,601)	481,697	(990,968)	(141,118)	(48,607)	1,855,030	674,337

\* US\$1,702,316 pertains to the sale of intangible assets as part of the disposal of Australia business. The amount was recognised in profit or loss under exceptional items (see Note 25 for details). US\$152,714 pertains to adjustment on initial application of FRS116 on 1 April 2019 (see Note 2.5 for details).

## 18 Trade and other payables

	2020 US\$	2019 US\$
<b>Non-current</b>		
Other non-current liabilities	71,538	—
<b>Current</b>		
Trade payables	4,044,448	733,085
Amount due to ultimate holding company (trade)	42,911,677	31,909,765
Amount due to ultimate holding company (non-trade)	13,599,813	9,913,409
Amount due to immediate holding company (non-trade)	—	3,243,016
Amount due to subsidiaries (trade)	2,652,748	—
Amount due to subsidiaries (non-trade)	2,769,065	3,083,609
Amount due to other related parties (trade)	9,295,461	1,092,016
Amount due to other related parties (non-trade)	6,868,158	1,416,724
Other payables	2,007,119	2,268,941
Accruals	4,269,292	3,812,565
Advances from customers	7,298	342,771
	<u>88,425,079</u>	<u>57,815,901</u>

The non-trade amounts due to ultimate holding company, immediate holding company, subsidiaries and other related parties are unsecured, interest free and repayable on demand.

## 19 Lease

### Leases as lessee (FRS 116)

The Company leases property. The lease typically run for a period of 25 years, with an option to renew the lease after that date. Lease payments are renegotiated before the renewal of the leases to reflect market rentals. The Company is restricted from entering into any sub-lease arrangements.

The plant lease was entered into before 1 April 2019. Previously, these leases were classified as operating leases under FRS 17.

Information about leases for which the Company is a lessee is presented below.

### Right-of-use assets

Right-of-use assets and its movements during the year related to leased property are presented as Right-of-use assets (see Note 5).

**Amounts recognised in profit or loss**

	<b>Plant premises US\$</b>
<b>2020 – Leases under FRS 116</b>	
Interest on lease liabilities	1,440,671
Expenses relating to short-term leases	<u>23,792</u>
<b>2019 – Operating leases under FRS 17</b>	
Lease expense	<u>40,808</u>

**Amounts recognised in statement of cash flows**

	<b>Plant premises 2020 US\$</b>
<b>Total cash outflow for leases</b>	<u>1,632,252</u>

**20 Revenue**

	<b>2020 US\$</b>	<b>2019 US\$</b>
Sale of goods	<u>210,112,159</u>	<u>102,302,108</u>

**Sale of goods**

<b>Nature of goods</b>	The Company develops, manufactures and sells pharmaceutical and ancillary products to distributors.
<b>When revenue is recognised</b>	Revenue is recognised when goods are delivered to the customers and all criterias for acceptance have been satisfied.
<b>Significant payment terms</b>	Invoices issued upon delivery of goods are due within 30 to 180 days.
<b>Obligations for returns and refunds, if any</b>	The company sells its products to the customers with a right to return the goods within the specified period of time. If the probability of acceptance by the customer is uncertain, recognition of revenue is deferred till the expiry of right to return or acceptance by the customer whichever is earlier.



**Disaggregation of revenue from contracts with customers**

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets.

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Primary geographical markets</b>		
Africa	2,784,038	2,007,290
Australia	20,552,601	12,875,759
Asia	2,823,601	563,435
United States of America	162,474,475	83,723,033
Europe	20,374,985	3,132,591
Canada	979,959	—
Middle East	122,500	—
	<u>210,112,159</u>	<u>102,302,108</u>

**21 Other loss**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Intercompany foreign currency exchange loss, net	(8,006,375)	(6,406,528)
Other foreign currency exchange gain/(loss), net	562,571	(321,425)
Support service income	556,723	325,531
Gain on sale of investment in subsidiary	—	104,058
Gain on sale of intellectual property to other related party	—	3,448,671
Gain on fair valuation of mutual fund	76,718	—
Other operational income	5	2,105,300
	<u>(6,810,358)</u>	<u>(744,393)</u>

**22 Employee benefits expenses**

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Staff costs	6,329,044	482,076
Contributions to defined contribution plans	413,935	24,347
	<u>6,742,979</u>	<u>506,423</u>

Employee benefits expenses excludes direct labour costs amounting to US\$160,796 (2019: US\$4,448,078) capitalised in assets under construction (see Note 4).

## 23 Other operating expenses

	2020 US\$	2019 US\$
Power, fuel and water	1,033,868	207,427
Lease expense	—	40,808
Expenses relating to short-term leases	23,792	—
Repair and maintenance-buildings	26,701	—
Repair and maintenance-machinery	1,109,291	14,204
Repair and maintenance-others	642,137	14,270
Insurance	181,707	115,446
Rates and taxes	637,646	33,345
Communication charges	53,336	4,081
Travelling and conveyance	230,378	17,232
Printing and stationery	41,968	2,074
Sales commission	(84,509)	26,205
Royalty expenses	217,576	332,592
Support service fees	1,102,975	878,304
Legal and Professional	1,107,420	273,420
Audit fees	76,966	83,607
Regulatory fees	1,773,433	1,735,009
Failure to supply	589,871	—
Provision for bad debts, net of reversal and write-off	(50,521)	374,133
Write down of intellectual property rights	463,031	1,428,500
Loss on sale of assets	—	871
Consumables	485,563	36,231
Research and development expenses	2,410,629	369,663
Others	336,105	3,678
	<u>12,409,363</u>	<u>5,991,100</u>

## 24 Net finance costs

	2020 US\$	2019 US\$
<b>Finance income</b>		
Interest income on loans to subsidiaries	1,318,084	4,945,943
Interest income on loans to related parties	981,003	856,900
Interest income on promissory notes	2,460,085	—
Interest income on investment at FVTPL	1,052,650	—
Bank interest income	68,290	86,794
	<u>5,880,112</u>	<u>5,889,637</u>
<b>Finance costs</b>		
Interest expenses on bank loans	8,542,910	12,902,824
Guarantee Commission	1,470,576	2,726,638
Amortisation of loan upfront fee	1,036,112	3,883,105
Interest on lease liabilities	1,440,671	—
Bank charges	773	1,313
Others	421,801	125,888
	<u>12,912,843</u>	<u>19,639,768</u>

## 25 Exceptional items

	2020	2019
	US\$	US\$
Impairment loss on investment in subsidiaries	–	15,420,378
Withdrawal of product (a)	17,983,302	–
Loss on disposal of Australia business (b)	19,309,938	–
Others	129,433	75,842
	37,422,673	15,496,220

- (a) On 31 March 2020, US Food and Drug Administration (USFDA or the Agency) issued letters to all manufacturers of Ranitidine across dosage forms requesting withdrawal of all prescription (Rx) and over-the-counter (OTC) ranitidine drugs from the market immediately. This step was based on their ongoing investigation of the N-Nitrosodimethylamine (NDMA) impurity in ranitidine medications. As a result, effective 1 April 2020, the Company has ceased further distribution of the product and is currently in the process of withdrawing the product from the market.

Pursuant to the above, the Company has estimated the probable sales returns of Ranitidine from the customers and pharmacies. This withdrawal required the Company to record an additional sales return provision of US\$7,780,277 which was recorded within revenues with the corresponding impact on cost of goods sold of US\$5,748,729. Further, the Company also wrote down all its existing inventories related to the product and that along with the cost of the products sold corresponding to the expected returns and expected costs of withdrawal cumulatively aggregating to US\$17,983,302 has been classified as an exceptional item.

- (b) In 2019, the Board of Directors had proposed to divest the Company's equity interest in the Australia business to Dennis Bastas - Executive Chairman of Arrow Pharmaceuticals Pty Limited, Australia (Arrow).

On July 10, 2019, the Company completed the divestment of its Australia business for a consideration of AU\$406 Million (approximately US\$281 Million) (including a deferred consideration of AU\$106 Million (approximately US\$73 Million)) reduced by the bank debt settlement of AU\$22.47 Million (approximately US\$15.54 Million). Additionally, the Company has retained global access to IP's of over 140 products and has concurrently entered into a preferred supply agreement with Arrotex.

The transaction has resulted in a net loss of US\$19,309,938 comprising of gain on sale of investment of US\$11,569,327 and loss on sale of asset of US\$30,879,265.

## 26 Tax expense

	2020	2019
	US\$	US\$
<b>Current tax expense</b>		
Current year	–	–
Over provision in prior years	(6,916)	–
	<u>(6,916)</u>	<u>–</u>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	141,118	143,601
	<u>141,118</u>	<u>143,601</u>
<b>Total tax expense</b>	<u>134,202</u>	<u>143,601</u>
 <i>Reconciliation of effective tax rate</i>		
Loss before tax	<u>(11,613,287)</u>	<u>(16,295,513)</u>
Tax calculated using Singapore tax rate of 17% (2019: 17%)	(1,974,259)	(2,770,237)
Non-deductible expenses	1,808,843	3,800,839
Tax-exempt income	(2,185,994)	(190,122)
Effect of applying 5% tax rate under Development and Expansion Incentive Scheme	2,998,328	(848,489)
Current-year losses for which no deferred tax asset is recognised	–	254,833
Recognition of tax effect of previously unrecognised tax losses	(236,475)	–
Over provision in prior years	(6,916)	–
Others	(269,325)	(103,223)
	<u>134,202</u>	<u>143,601</u>

The Economic Development Board (“EDB”) granted the Company a Development and Expansion Incentive (“DEI”) for qualifying activities subject to fulfilment of certain conditions, for a period of five years commencing 1 July 2014. Under the DEI status, incremental income earned over the average income base from qualifying DEI activities is taxed at a concessionary tax rate of 5%.

Subject to the agreement by the tax authorities, at the end of the reporting period, the Company has unutilised capital allowances of US\$25,674,335 (2019: US\$15,479,354).

## 27 Related parties transactions

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

***Key management personnel compensation***

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

Key management personnel compensation comprised:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Short-term benefits	862,298	859,389
Post-employment benefits	15,716	12,792
	<hr/>	<hr/>

***Other related party transactions***

Other than disclosed elsewhere in the financial statements, the transactions with related parties are as follows:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Ultimate holding company</b>		
Sales of goods	352,736	—
Support service fees	(139,199)	(143,212)
Royalty expense	—	(332,592)
Guarantee commission expense	(1,470,576)	(2,726,638)
Purchases of inventories	(122,417,998)	(75,779,740)
Purchases of plant & equipment	(13,256)	(1,286,666)
Purchases of intangible assets	(12,496,784)	(10,545,206)
Research and development expenses	—	(48,000)
Freight charges	(143,806)	(60,064)
Travel expenses	(145,927)	(133,448)
Packing cost	(45,000)	—
Reimbursement of royalty fees incurred on behalf	9,445	—
Reimbursement of failure to supply expenses incurred on behalf	1,614	—
	<hr/>	<hr/>
<b>Immediate holding company</b>		
Rimbursement of expenses incurred on behalf	89,970	—
	<hr/>	<hr/>
<b>Subsidiaries</b>		
Sale of goods	3,375,841	12,977,238
Purchase of intangible assets	(913,000)	(914,024)
Support service income	155,542	201,519
Purchase of inventories	(4,560,159)	—
Regulatory fees	(310,512)	—
Freight charges	(6,045)	—
	<hr/>	<hr/>

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
<b>Other related parties</b>		
Sales of goods	146,590,257	63,328,626
License fee income	1,200,000	-
Purchase of inventories	(15,046,342)	-
Purchases of intangible assets	-	(70,940)
Support service fees	(963,776)	(735,092)
Support service income	127,758	124,012
Sale of investment in subsidiary	-	104,058
Research and development expenses	(326,940)	-
Products withdrawal expenses	(1,700,000)	-
Travel expenses	(1,886)	-
Freight charges	(10,481)	-
	<u>146,590,257</u>	<u>63,328,626</u>

## 28 Commitments

### *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements is as follows:

	<b>2020</b>	<b>2019</b>
	<b>US\$</b>	<b>US\$</b>
Capital commitments in respect of plant and equipment	<u>1,136,254</u>	<u>629,399</u>

Capital commitments pertain to the purchases with the suppliers that the Company has committed to spend in the near future arising from the construction of manufacturing and production facilities.

### *Operating leases*

Non-cancellable operating lease rentals are payable as follows:

	<b>2019</b>
	<b>US\$</b>
Within one year	1,870,116
After one year but within five years	7,670,741
After five years	10,000,856
	<u>19,541,713</u>

Operating lease payments represent rentals payable by the Company for its office and factory premises.

For factory premise, lease is negotiated for a term of 25 years and rental is fixed for an average of 3 years.

## **29 Financial instruments**

### **Financial risk management**

#### **Overview**

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

- credit risk
- liquidity risk
- market risk

The Company does not have a formal risk management policies and guidelines. However, the Board of Directors reviews and agrees policies for managing each of these risks and they are summarised below.

#### **Credit risk**

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

The carrying amount of financial assets in the statement of financial position represents the Company's maximum exposure to credit risk, before taking into account any collateral held. The Company does not hold any collateral in respect of its financial assets.

#### ***Trade and other receivables***

##### ***Risk management policy***

The Company has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Cash is placed with banks and financial institutions which are regulated.

At the end of the reporting period, there were non-trade amounts due from the immediate holding company, subsidiaries and other related parties amounting to US\$66,263 (2019: US\$Nil), US\$2,660,281 (2019: US\$1,252,237) and US\$1,616,449 (2019: US\$4,933,913) as well as loans to subsidiaries and other related party amounting to US\$1,499,645 (2019: US\$70,500,291) and US\$17,194,702 (2019: US\$15,213,699) respectively. There were also convertible notes and other receivables of US\$Nil (2019: US\$6,853,803) and US\$7,693,572 (2019: US\$2,018,772) respectively. The directors are of the opinion that these counterparties are not expected to have a significant risk of loss due to good credit records.

#### ***Impairment losses***

Trade receivables that are neither past due nor impaired are substantially companies with good collection track records with the Company.

A summary of the Company's exposure to credit risk for trade receivables is as follows:

Receivables measured at lifetime ECL Trade receivables	2020		2019	
	Credit impaired US\$	Not credit impaired US\$	Credit impaired US\$	Not credit impaired US\$
Not past due	—	60,007,833	—	34,870,770
Past due within 3 months	—	8,755,595	—	6,694,012
Past due 3 to 6 months	—	1,895,424	—	498,974
Past due over 6 months	—	17,271,572	—	15,021,596
	—	87,930,424	—	57,085,352
Loss allowance	—	(73,925)	—	(403,166)
	—	87,856,499	—	56,682,186

The carrying amount of the Company's top 5 (2019: 5) customers consists of 89% (2019: 64%) of the total trade receivables balance as at 31 March 2020.

*Expected credit loss assessment*

The Company uses an allowance matrix to measure the ECLs of trade receivables from certain customers where there is no credit ratings (or equivalent) available and the Company believes the credit ratings may not be reflective of the expected risk of default for these customers.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the age of customer relationship.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 31 March 2020:

	Weighted average loss rate %	Gross carrying amount US\$	Impairment loss allowance US\$	Credit Impaired
<b>2020</b>				
Not past due	—	60,007,833	—	No
1 – 30 days	—	4,638,733	—	No
31 – 90 days	—	4,116,862	—	No
91 – 180 days	—	1,895,424	—	No
181 – 365 days	—	3,022,611	—	No
>365 days	0.52	14,248,961	73,925	No
		87,930,424	73,925	
<b>2019</b>				
Not past due	—	34,870,770	—	No
1 – 30 days	—	5,561,087	—	No
31 – 90 days	—	1,132,925	—	No
91 – 180 days	—	498,974	—	No
181 – 365 days	—	330,845	—	No
>365 days	2.74	14,690,751	403,166	No
		57,085,352	403,166	



Loss rates are based on actual credit loss experience over prior years adjusted for current conditions and the Company's view of economic conditions over the expected lives of the receivables only if these factors have a significant impact to the credit loss. As of 2020, no scalar factors has been applied.

**Movements in allowance for impairment in respect of trade receivables**

The movement in the allowance for impairment in respect of trade receivables during the year is as follows:

	<b>Lifetime ECL</b> <b>US\$</b>
At 1 April 2018 per FRS 39	–
Adjustment on initial application of FRS 109	–
At 1 April 2018 per FRS 109	–
Impairment loss recognised	403,166
At 31 March 2019 per FRS 109	403,166
At 1 April 2019 per FRS 109	403,166
Reversal of impairment loss	(231,971)
Amount written off during the year	(97,270)
At 31 March 2020 per FRS 109	73,925

There were no significant changes in the gross carrying amounts of trade receivables contributing to the changes in the impairment loss allowance during 2020.

***Cash and cash equivalents***

The Company held cash and cash equivalents of US\$8,205,360 at 31 March 2020 (2019: US\$22,728,100) – these figures represent their maximum credit exposures on these assets. The cash and cash equivalents are held with bank and financial institution counterparties which are regulated.

**Liquidity risk**

The Company maintains sufficient cash and cash equivalents, internally generated cash flows and financing from bank to finance their activities.

All financial assets and liabilities are repayable on demand or due within one year from the end of the reporting period, except for a loan due from a subsidiary amounting to US\$1,499,645 (2019: US\$3,749,787), a pledged bank deposit amounting to US\$Nil (2019: US\$250,000), and bank loans amounting to US\$59,989,208 (2019: US\$243,492,814) as disclosed in Notes 9, 10 and 15 respectively.

The Company has contractual commitments with contracts to purchase plant and equipment (Note 28).

At the end of the reporting period, the contractual cash flows of the Company's current financial liabilities approximately the carrying values and they are expected to be settled within the next twelve months.

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting arrangements:

	Carrying amount US\$	Contractual cash flows US\$	Within 1 year US\$	2 -5 years US\$	After 5 year US\$
<b>2020</b>					
<b>Non-derivative financial liabilities</b>					
Bank loans and trade and other payables*	176,103,527	(176,449,320)	(116,042,782)	(50,406,538)	(10,000,000)
Lease liabilities	<u>19,602,481</u>	<u>(35,049,143)</u>	<u>(1,782,138)</u>	<u>(5,530,844)</u>	<u>(27,735,161)</u>
<b>Derivative financial instruments</b>					
Interest rate swaps used for hedging (net-settled)	<u>5,089,839</u>	<u>(5,089,839)</u>	<u>(1,262,888)</u>	<u>(3,652,863)</u>	<u>(174,088)</u>
<b>2019</b>					
<b>Non-derivative financial liabilities</b>					
Bank loans and trade and other payables *	<u>326,930,944</u>	<u>(342,138,130)</u>	<u>(83,438,130)</u>	<u>(167,580,000)</u>	<u>(91,120,000)</u>
<b>Derivative financial instruments</b>					
Interest rate swaps used for hedging (net-settled)	<u>4,954,020</u>	<u>(4,954,020)</u>	<u>(81,722)</u>	<u>(3,116,744)</u>	<u>(1,755,554)</u>

\* Excludes advances from customers.

#### **Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

#### **Currency risk**

##### *Risk management policy*

The Company is exposed to transactional foreign currency on cash and cash equivalents, trade and other receivables and trade and other payables that are denominated in a currency other than United States dollar ("US\$"). The Company monitors its net exposure to these foreign currencies to ensure it remains insignificant.

*Exposure to currency risk*

The Company's exposures to foreign currency at the end of the reporting period are as follows:

	2020			2019		
	Assets US\$	Liabilities US\$	Net US\$	Assets US\$	Liabilities US\$	Net US\$
Australia dollar	61,455,243	(7,481,539)	53,963,704	83,437,068	(3,924,177)	79,512,891
Euro	2,163,662	(2,202,690)	(39,028)	651,526	(132,205)	519,321
Singapore dollar	1,388,961	(21,763,085)	(20,374,124)	479,919	(2,688,290)	(2,208,371)
Canadian dollar	520,701	(1,334,483)	(813,782)	693,531	(1,380,593)	(687,062)
Sterling pound	—	(1,709,158)	(1,709,158)	—	(89,613)	(89,613)
Malaysian ringgit	11,676	(3,994)	7,682	12,939	—	12,939
Vietnam dong	797	—	797	191	—	191
South Africa Rand	5,067	(5,050)	17	—	—	—

*Sensitivity analysis*

A 1% strengthening/(weakening) of United States dollar against the following currencies at the reporting date would have increased/(decreased) equity and profit or loss before income tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Profit/(loss)	
	2020 US\$	2019 US\$
Australia dollar	(539,637)	(795,129)
Euro	390	(5,193)
Singapore dollar	203,741	22,084
Canadian dollar	8,138	6,871
Sterling pound	17,092	896
Malaysian ringgit	(77)	(129)
Vietnam dong	(8)	(2)
South Africa Rand	—	—
	<u>(310,361)</u>	<u>(770,602)</u>

*Interest rate risk*

*Risk management policy*

The Company is exposed to interest rate risk on the borrowings made by the Company at variable interest rates. The Company limits the exposure to interest rate fluctuations by entering into interest rate swap contracts.

The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Company assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

*Exposure to interest rate risk*

At the reporting date, the interest rate profile of the interest-bearing financial instruments, as reported to the management, was as follows:

	Nominal amount	
	2020 US\$	2019 US\$
<b>Fixed rate instruments</b>		
Financial assets	17,880,178	29,442,115
Financial liabilities	(66,710,000)	(99,059,246)
	<u>(48,829,822)</u>	<u>(69,617,131)</u>
<b>Variable rate instruments</b>		
Financial assets	–	59,561,616
Financial liabilities	(21,250,000)	(185,605,754)
	<u>(21,250,000)</u>	<u>(126,044,138)</u>

*Cash flow sensitivity analysis for variable rate instruments*

A change of 50 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency exchange rates, remain constant.

	Profit or loss	
	50 bp increase US\$	50 bp decrease US\$
<b>31 March 2020</b>		
Variable rate instruments	(106,250)	106,250
<b>31 March 2019</b>		
Variable rate instruments	(630,221)	630,221

**Hedge accounting**

*Cash flow hedges*

At 31 March 2020, the Company held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Maturity		
	Less than one year	1 to 5 years	More than five years
<b>2020</b>			
<b>Interest rate risk</b>			
<b>Interest rate swaps</b>			
Net exposure (in US\$)	9,500,000	47,210,000	10,000,000
Average fixed interest rate (in %)	5.71	5.71	5.71
<b>2019</b>			
<b>Interest rate risk</b>			
<b>Interest rate swaps</b>			
Net exposure (in US\$)	3,613,219	96,224,409	49,221,618
Average fixed interest rate (in %)	6.29	6.29	6.29

The amounts at the reporting date relating to items designated as hedged items were as follows.

	<b>Change in value used for calculating hedge ineffectiveness US\$</b>	<b>Cash flow hedge reserve US\$</b>
<b>31 March 2020</b>		
<b>Interest rate risk</b>		
Variable rate instruments	<u>(5,089,839)</u>	<u>(4,656,749)</u>
<b>31 March 2019</b>		
<b>Interest rate risk</b>		
Variable rate instruments	<u>(4,954,020)</u>	<u>(4,472,323)</u>



The following table provides a reconciliation by risk category of components of equity and analysis of OCI items, net of tax, resulting from cash flow hedge accounting.

	<b>Hedging reserve US\$</b>
<b>Balance at 1 April 2018</b>	–
<b>Cash flow hedges</b>	
Change in fair value:	
Interest rate risk	(4,954,020)
Amount reclassified to profit or loss:	
Interest rate risk	–
Tax on movements on reserves during the year	481,697
<b>Balance at 31 March 2019</b>	<u>(4,472,323)</u>
<b>Balance at 1 April 2019</b>	(4,472,323)
<b>Cash flow hedges</b>	
Change in fair value:	
Interest rate risk	(135,819)
Amount reclassified to profit or loss:	
Interest rate risk	–
Tax on movements on reserves during the year	(48,607)
<b>Balance at 31 March 2020</b>	<u>(4,656,749)</u>

#### **Classifications and fair values of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, including fair value gains and losses, are recognised.

The categorisations of financial assets that are measured at FVOCI/FVTPL in the fair value hierarchy are as follows:

- Interest rate swaps are categorised as level 2 with its fair value measured using the swap model. The fair value is calculated as the present value of the estimated future cash flows discounted using a yield curve from similar sources which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps; and
- Investment in mutual funds and convertible notes are categorised as level 2 with its fair value measured by comparing to current or recent quoted prices for identical securities in markets that are not active.

The classifications of financial assets that are not measured at fair value and have carrying amounts which are a reasonable approximation of fair value, are as follows:

- Trade and other receivables and cash and cash equivalents are classified as financial assets at amortised cost.

All financial liabilities that are not measured at fair value and have carrying amounts which are a reasonable approximation of fair value are classified as financial liabilities at amortised cost.

**30 Comparative information**

Certain changes have been made to the comparative of the statement of profit or loss and other comprehensive income to conform to the current year's classification as follows:

	<b>As previously stated 2019 US\$</b>	<b>Reclassification US\$</b>	<b>As restated 2019 US\$</b>
<b>Statement of profit or loss and other comprehensive income</b>			
Cost of materials consumed	(69,800,220)	69,800,220	—
Cost of goods sold and materials consumed	—	(76,992,860)	(76,992,860)
Changes in inventories of finished goods, work-in-progress and goods-in-transit	—	7,192,640	7,192,640