



**RHONE MA HOLDINGS BERHAD**  
(Company No. 1116225-A)



**ANNUAL REPORT 2017**



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PROXY FORM

# RHONE MA VALUES

## VISION

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To be an innovative leader in the provision of products, services and solutions.



## MISSION

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Providing customers with quality products and services through a dedicated qualified organisation committed to continuous improvement.

# CORE VALUES

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▶ **CUSTOMER**

Sensitive to the needs of customers to meet their expectations.

▶ **RESPECTING PEOPLE**

Prioritise communication, trust and needs of persons who are affected by our activities.

▶ **INTEGRITY**

Mutual trust to give our best in the way we act.

▶ **INNOVATION**

An environment that promotes creativity and breakthroughs in customer service.

▶ **EMPOWERMENT**

The authority given to perform functions given the knowledge, skills and competence.

▶ **TEAMWORK**

Working together to achieve objectives in our daily work.

▶ **PERFORMANCE**

Objectives and priorities prevail as a company culture.



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Hamzah Bin Mohd Salleh**  
Independent Non-Executive Chairman

**Dr. Lim Ban Keong**  
Group Managing Director

**Foong Kam Weng**  
Executive Director / Group Sales Director

**Dr. Yip Lai Siong**  
Executive Director /  
Group Marketing & Technical Director

**Martin Jeyaratnam A/L Thiagaraj**  
Independent Non-Executive Director

**Rahanawati Binti Ali Dawam**  
Independent Non-Executive Director

**Teoh Chee Yong**  
Independent Non-Executive Director

## COMPANY SECRETARIES

**Tai Yit Chan** (MAICSA 7009143)

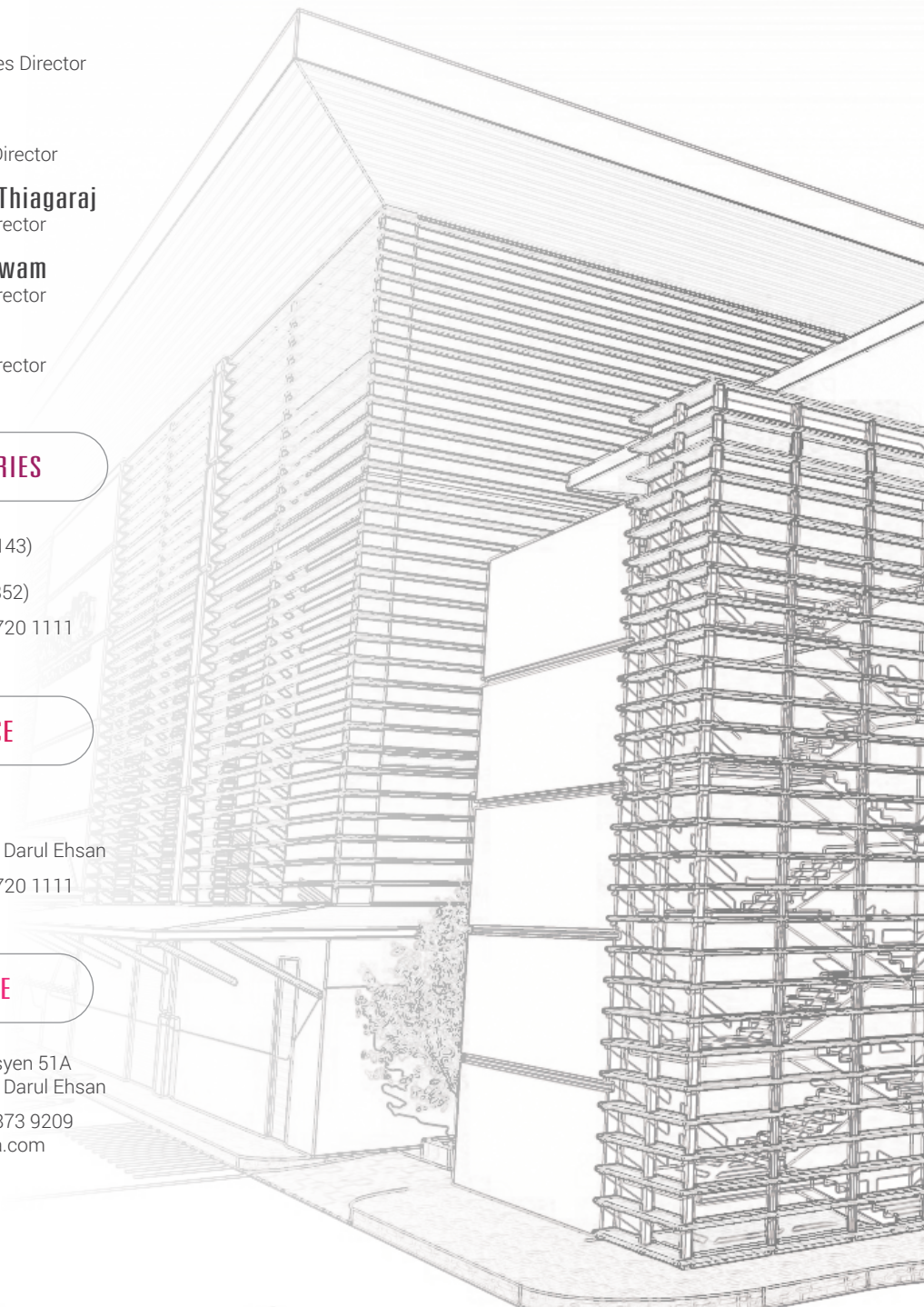
**Tan Ai Ning** (MAICSA 7015852)  
t (603) 7720 1188 f (603) 7720 1111

## REGISTERED OFFICE

Lot 6.05, Level 6, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya, Selangor Darul Ehsan  
t (603) 7720 1188 f (603) 7720 1111

## CORPORATE OFFICE

Lot 18A & 18B, Jalan 241, Seksyen 51A  
46100 Petaling Jaya, Selangor Darul Ehsan  
t (603) 7873 7355 f (603) 7873 9209  
e [customercareline@rhonema.com](mailto:customercareline@rhonema.com)  
w [www.rhonema.com](http://www.rhonema.com)



**AUDITORS**

**BDO (AF 0206)**  
 Level 8  
 BDO @ Menara CenTARA  
 360, Jalan Tuanku Abdul Rahman  
 50100 Kuala Lumpur  
**t** (603) 2616 2888 **f** (603) 2616 2970

**PRINCIPAL BANKERS**

**Public Bank Berhad (6463-H)**  
 Petaling Jaya New Town Branch  
 1, 3 & 5, Jalan 52/2  
 46200 Petaling Jaya, Selangor Darul Ehsan  
**t** (603) 7956 9924 **f** (603) 7956 1580

**HSBC Bank Malaysia Berhad (127776-V)**  
 No. 2, Leboh Ampang, 50100 Kuala Lumpur  
**t** (603) 2075 3000 **f** (603) 2070 1146

**HSBC Amanah Malaysia Berhad (807705-X)**  
 No. 2, Leboh Ampang, 50100 Kuala Lumpur  
**t** (603) 2075 3000 **f** (603) 2070 1146

**SHARE REGISTRAR**

**Boardroom Corporate Services  
 (KL) Sdn Bhd (3775-X)**  
 Lot 6.05, Level 6, KPMG Tower  
 8, First Avenue, Bandar Utama  
 47800 Petaling Jaya, Selangor Darul Ehsan  
**t** (603) 7720 1188 **f** (603) 7720 1111

**STOCK EXCHANGE LISTING**

**Main Market of Bursa Malaysia  
 Securities Berhad**  
 Stock Code: **5278**  
 Stock Name: **RHONEMA**



► Architectural drawing of future GMP-compliant plant in Nilai, Negeri Sembilan

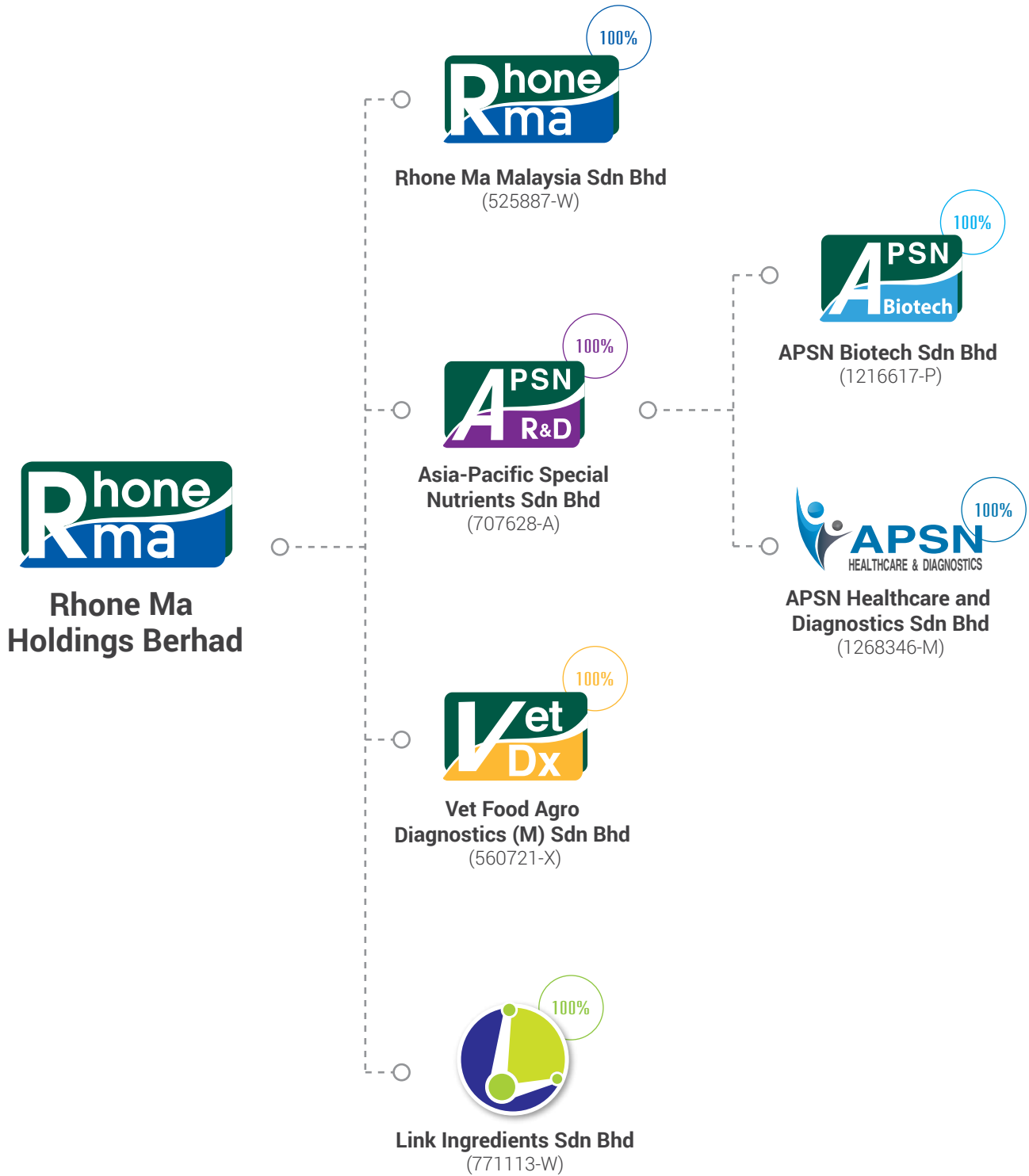
# GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER		2015	2016	2017
<b>OPERATING RESULTS</b>				
Revenue	RM'000	105,431	119,195	137,488
Profit before tax	RM'000	16,135	13,220	17,062
Net profit attributable to shareholders	RM'000	12,033	9,166	13,905
<b>FINANCIAL POSITION</b>				
Shareholders' equity	RM'000	55,605	95,163	102,428
Total assets	RM'000	83,656	120,206	130,963
Total borrowings	RM'000	8,014	5,244	8,116
<b>FINANCIAL RATIOS</b>				
Gearing ratio	times	0.14	0.06	0.08
Current ratio	times	2.87	4.61	4.64
<b>MARKET RATIOS</b>				
Earnings per share	sen	9.71	7.31	8.38
Net assets per share	sen	44.89	57.33	61.70
Dividend per share	sen	-	4.00	5.00 #

# Of which 2.50 sen per share is subject to shareholders' approval at the forthcoming Annual General Meeting.



# CORPORATE STRUCTURE



# RHONE MA IN THE NEWS



主攻國內禽畜業

## 龍馬躍持續成長

文/董汪潔

隨著人口的增加，糧食需求自然增加，而禽畜產業與此亦保持密切的關聯。在傳統農耕的基礎上，現代化畜牧業的發展，使得肉類及蛋類供應量增加。龍馬躍在禽畜業的發展，亦可以從中受惠。龍馬躍公司董事兼執行總裁林文慶表示，龍馬躍在禽畜業的發展，亦可以從中受惠。

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### 羅馬較全面有優勢

林文慶表示，龍馬躍在禽畜業的發展，亦可以從中受惠。龍馬躍在禽畜業的發展，亦可以從中受惠。

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### Rhone Ma acquires factory building in Klang for RM5.6m

News Release 2018 | rhonema.com.my  
Published: 07/02/2018 10:00



AR

RHONEMA BERHAD (Rhone Ma Holdings Berhad) is acquiring a semi-detached factory at the Everlast Technology Park 13 in Klang for RM5.6m.

The newly-acquired industrial Rhone Ma Malaysia Sdn Bhd is buying the factory from property developer Klangring Development Sdn Bhd, the proposal is a filing with Straits Times.

With an total area of 1700 square meters, the factory comprises a concrete steel and a few empty office. It is located near a residential area completed this year.

Rhone Ma said the going plan to use the factory for storage of food ingredients should include to venture into the manufacturing of food ingredients in the future.

"The acquisition is in line with the group's future plans which include the expansion of the existing range of food ingredients as it allows the group to cater to the increasing storage needs of food ingredients," it said.

The acquisition, said Rhone Ma, will be financed through a combination of internally generated funds and bank borrowings.

Accounting the 90% or RM5.4m of the price is funded by borrowings and that the remainder had been completed by Dec 31, 2018. Its leverage would increase by 0.05 from 0.0626 before to 0.1126 after the RM5.6 million, while grossing would rise from 0.40 to 0.45.

As a result of the additional bank borrowings, Rhone Ma said funds available for working capital and other uses may be reduced and affect its cash flow position.

Rhone Ma is optimistic that the acquisition will meet their portfolio to its business.

## 龍馬躍控股559萬巴生購廠

(吉隆坡2日訊) 龍馬躍控股 (RHONEMA, 5278, 主要板貿)

業務，料可積極貢獻公司營運和未來盈利表現。

“這項收購活動符合公司未來計劃，包括擴展現有食材類別，並有助集團擴大食材所需庫存空間。”

同時，該公司將通過內部融資和銀行貸款籌集資金，假設有90%資金或相等于503萬令吉從銀行貸款取得，公司的負債率將從0.06倍增至0.11倍。

### Rhone Ma to distribute CEVA animal health products

CORPORATE NEWS

Tuesday, 2 Jan 2018

## 龍馬躍分銷法國CEVA產品

(吉隆坡2日訊) 龍馬躍控股 (RHONEMA, 5278, 主要板貿股) 簽署分銷協議，獲得法國普爾西藥公司在馬的獨家分銷權。

龍馬躍控股今日向交易所報備，由子公司 Rhone Ma (馬) 私人有限公司 (簡稱 RMM) · 昨日與 CEVA Sante Animal S.A. 和 CEVA Animal Health (馬) 私人有限公司簽約。

根據分銷協議，RMM 將負責在大馬分銷、推廣和銷售與豬相關的“CEVA”動物保健產品，期限為1月1日至2020年

## 龍馬躍獲詩華產品分銷權

(吉隆坡2日訊) 龍馬躍控股 (RHONEMA, 5278, 主要板貿股) 獲專有權，在我國分銷法國詩華動物保健公司 (Ceva Sante Animale SA) 相關產品。

龍馬躍控股向馬交所報備，由子公司龍馬躍大馬私人有限公司，與詩華動物保健公司及詩華物保健大馬私人有限公司簽署分銷協議。

在該協議下，龍馬躍大馬可在我國分銷、推廣及銷售詩華的動物保健產品，有效期從本月1日至2020年12月31日。

根據報備文件，龍馬躍控股相信這項分銷協議，將貢獻公司2018財年的盈利與每股淨資產。



# RHONE MA IN THE NEWS (CONTINUED)

## Rhone Ma to sell CEVA's swine-related animal health products in Malaysia

BY SAMANTHA HO

KUALA LUMPUR: Rhone Ma Holdings Bhd has secured rights for the exclusive distribution of France-based ZMSB Swine Health products in Malaysia.

It inked a distribution agreement with CEVA Santé Animale and CEVA Animal Health Malaysia Sdn Bhd on Monday, the group said in a filing with Bursa Malaysia yesterday.

"The distribution agreement with CEVA shall be renewed and continued for a successive period of one year, unless and until either party gives to the other, a written notice of termination."

search, development, production and marketing of pharmaceutical products and vaccines for companion animal, poultry, ruminants and swine. The agreement is expected to

bring positive returns to the group. The agreement is expected to mitigate the impact of the loss of revenue from the cessation of distribution of swine products from RMM's previous supplier," Rhone Ma added.

Shares in Rhone Ma settled at RM1.12 yesterday, up 3.5 per cent or 1.62%, to give the group a market capitalisation of RM1.02 billion.

## Rhone Ma sees positive returns from 2Q onwards

By Sarah Sze / The Edge Financial Daily  
May 26, 2017 08:36 am +08

KUALA LUMPUR: It's been close to five months Rhone Ma Holdings Bhd made its debut on Bursa and the animal health product manufacturer is keeping busy, having launched 14 products in quarter of 2016 (4Q16).

This is in addition to the variety of over 300 products Rhone Ma offers, comprising more than 50 for

## Immediate support for Rhone Ma at RM1.12, says AllianceDBS Research

rhonema.com | rhonema.com  
August 01, 2017 05:17 am +08

KUALA LUMPUR (Aug 3): AllianceDBS Research said Rhone Ma Holdings Bhd (Rhone Ma) had on Aug 2 tested previous day's low of RM7.17 before closing unchanged at RM1.12.

Today, the research house said Rhonema continued to trade below the moving average lines.

It added that the stock is likely to move between RM1.12 and RM1.25 in the

## Renewed buying interest emerged in Rhone Ma, says AllianceDBS Research

rhonema.com | rhonema.com  
August 25, 2017 02:58 am +08

KUALA LUMPUR (Aug 25): AllianceDBS Research said Rhone Ma Holdings Bhd (Rhone Ma) on Aug 24 crossed over the RM1.25 barrier to reach a high of RM1.29 before settling at RM1.12.

## 龙马跃分销 Zoetis 家禽产品

(吉隆坡 2 日讯) 龙马跃控股 (RHONEMA, 5278, 主板上市) 宣布, 与全球领先的动物保健产品公司 Zoetis 达成分销协议, 分销 Zoetis 的家禽产品。

的 Zoetis 动物保健产品, 合作期限从 4 月 1 日起至 2021 年 4 月 1 日, 期满后还可再自动展延 1 年。

龙马跃控股表示, 上述协议会贡献集团 2018 财年的营收, 进而提升净利润和每股净资产。

Zoetis 是一家国际机构, 主要涉及研究、发展、生产和销售陪伴动物药物产品及疫苗, 业务涉足超过 100 个国家。

Monday, 2 April 2018 | MYT 2:00 PM

## Rhone Ma enters distribution agreement with Zoetis



名称	RHONEMA 日线图
代码	5278
行业	医疗保健
上市日期	2016年12月12日
最新收盘价	RM1.12
最高价	RM1.29
最低价	RM0.95
成交量	1,234,567
市值	RM1.02 billion

左右開弓  
失分銷權衝擊短期 龍馬躍先跌後穩

【吉隆坡 2 日讯】龙马跃控股 (RHONEMA, 5278, 主板上市) 宣布, 与全球领先的动物保健产品公司 Zoetis 达成分销协议, 分销 Zoetis 的家禽产品。龙马跃控股表示, 上述协议会贡献集团 2018 财年的营收, 进而提升净利润和每股净资产。Zoetis 是一家国际机构, 主要涉及研究、发展、生产和销售陪伴动物药物产品及疫苗, 业务涉足超过 100 个国家。

## Rhone Ma inks deal for animal products

BY ERIKA BENJAMIN

KUALA LUMPUR: Rhone Ma Malaysia Sdn Bhd (RMM), a wholly-owned subsidiary of Rhone Ma Holdings Bhd (RMH) has entered into a distribution agreement with Zoetis Malaysia Sdn Bhd (ZMSB) for the distribution of ZMSB's animal health products related to poultry.

The distribution agreement allows RMM to distribute ZMSB's animal health products related to poultry in Malaysia and is effective from April 1, 2018 for a period of three years.

"The distribution of new poultry products in accordance with the distribution agreement will contribute to the revenue of RMM," it said.



# BOARD OF DIRECTORS



**FRONT**

from left to right

**Dr. Yip Lai Siong**  
Executive Director /  
Group Marketing &  
Technical Director

**Dr. Lim Ban Keong**  
Group Managing Director

**Dato' Hamzah Bin Mohd Salleh**  
Independent Non-Executive Chairman

**Foong Kam Weng**  
Executive Director /  
Group Sales Director

**BACK**

from left to right

**Teoh Chee Yong**  
Independent Non-Executive Director

**Rahanawati Binti Ali Dawam**  
Independent Non-Executive Director

**Martin Jeyaratnam A/L Thiagaraj**  
Independent Non-Executive Director

# DIRECTORS' PROFILE

## DATO' HAMZAH BIN MOHD SALLEH

Independent Non-Executive Chairman



Dato' Hamzah, a Malaysian male aged 69, was appointed to the Board on 1 April 2015. He graduated with a Diploma in Management from Malaysian Institute of Management in 1980. Subsequently in 1989, he obtained a Master of Business Administration from University of Bath, United Kingdom.

Dato' Hamzah articulated at Price, Waterhouse & Co. (now known as PricewaterhouseCoopers) in 1969. He left Price, Waterhouse & Co. as an Audit Assistant in 1974 to join Pillar Naco Malaysia Sdn Bhd, a company involved in the fabrication of architectural metal as the Finance and Administration Manager in 1975. In 1981, he left Pillar

Naco Malaysia Sdn Bhd and joined Pernas Sime Darby group where he held several senior managerial positions within the Pernas Sime Darby group and the Sime Darby group of companies. His last position was the General Manager of Sime Swede Distribution Services Sdn Bhd before he left in September 1994. He joined Malaysia Aica Berhad (now known as Sunsuria Berhad) as an Executive Director in 1995 and was redesignated as a Non-Executive Director in January 1997. Dato' Hamzah resigned as a Non-Executive Director of Malaysia Aica Berhad in 2001.

In April 1996, Dato' Hamzah was appointed as a Non-Executive Director of Spanco Sdn Bhd, a company involved in providing fleet management services and he subsequently joined Spanco Sdn Bhd as an Executive Director in February 1997. Currently, Dato' Hamzah is the Chief Executive Officer of Spanco Sdn Bhd. He is also a director of PRG Holdings Berhad which is listed on Bursa Malaysia Securities Berhad and various other private limited companies.

Dato' Hamzah does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# DIRECTORS' PROFILE (CONTINUED)

## DR. LIM BAN KEONG

Group Managing Director



Dr. Lim, a Malaysian male aged 46, was appointed to the Board on 1 April 2015. He graduated from Universiti Putra Malaysia with a Doctor of Veterinary Medicine in 1997. He is a veterinary surgeon registered with the Malaysian Veterinary Council since 1997 and a member of the Veterinary Association Malaysia since 1998.

Dr. Lim began his career as Technical Sales Executive at Pahang Pharmacy Sdn Bhd in 1997 where he was responsible for providing veterinary services and promoting veterinary products to swine and poultry farms. He left Pahang Pharmacy Sdn Bhd in 1998 and joined

Rhone-Poulenc Malaysia Sdn Bhd (which was subsequently known as Rhodia Malaysia Sdn Bhd in 1998) as a Techno-Commercial Executive in the animal health division. He was in charge of the product portfolio covering veterinary pharmaceutical and biological products during his tenure with Rhodia Malaysia Sdn Bhd. Subsequently in 2000, he left Rhodia Malaysia Sdn Bhd and joined Rhone Ma Malaysia Sdn Bhd which acquired the animal health division of Rhodia Malaysia Sdn Bhd. Since then, Dr. Lim has been the Techno-Commercial Manager of Rhone Ma Malaysia Sdn Bhd and was subsequently promoted to General Manager in 2010 and assumed the role of Managing Director in 2013.

Currently, Dr. Lim is our Group Managing Director where he is responsible for the overall management of our Group's operations, strategic planning and development of our business strategies.

Dr. Lim does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# DIRECTORS' PROFILE (CONTINUED)

## FOONG KAM WENG

Executive Director / Group Sales Director



Mr. Foong, a Malaysian male aged 57, was appointed to the Board on 1 April 2015. He graduated with a Degree of Bachelor of Science from the Department of Animal Husbandry, College of Agriculture, National Chung-Hsing University, Taiwan in 1983.

Mr. Foong joined Sin Kian Huat Farming Sdn Bhd in 1984 as a Farm Manager where he was responsible for the management of the farm. In 1987, he left Sin Kian Huat Farming Sdn Bhd and joined Pfizer Private Limited as a Sales Representative in the animal health division and

was responsible for the sales activities in Selangor and East Coast of Peninsular Malaysia. He left Pfizer Private Limited in 1991 and joined Rhone-Poulenc Malaysia Sdn Bhd (which was subsequently known as Rhodia Malaysia Sdn Bhd in 1998) as a Techno-Commercial Executive in the animal health division where he was in charge of the sales activities in Malaysia, Singapore and Brunei. In 2000, Mr. Foong left Rhodia Malaysia Sdn Bhd and established Rhone Ma Malaysia Sdn Bhd, which acquired the animal health division of Rhodia Malaysia Sdn Bhd. Since then, he has been the Sales Manager of Rhone Ma Malaysia Sdn Bhd and was subsequently promoted to Director of Sales in 2010.

Currently, Mr. Foong is our Group Sales Director where he is responsible for the sales and business development activities of our Group.

Mr. Foong does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# DIRECTORS' PROFILE (CONTINUED)

## DR. YIP LAI SIONG

Executive Director / Group Marketing & Technical Director



Dr. Yip, a Malaysian female aged 55, was appointed to the Board on 1 April 2015. She graduated from National Taiwan University with a Bachelor of Veterinary Medicine in 1987. Dr. Yip is also a veterinary surgeon registered with the Malaysian Veterinary Council, an Accredited Veterinarian (Scope of Services - Management Biologic and Veterinary Drugs) by Department of Veterinary Service, Malaysia and a life member of the Veterinary Association Malaysia since 2013.

Dr. Yip started her career with Che Dar Pharmaceutical Co. in Taiwan as a Technical Coordinator in 1987 where she was responsible for technical support and laboratory testing. She then returned to Malaysia and joined Coopers Animal Health (M) Sdn Bhd as a Sales and Technical Coordinator in 1989 and was promoted to Field Service Manager in 1991. During her tenure with Coopers Animal Health (M) Sdn Bhd, she was responsible for the provision of technical services and veterinary services to customers

as well as for the sales of the company's animal health products. In 1993, she joined Sanofi (Malaysia) Sdn Bhd as a Technical Executive and was promoted to Technical Manager before she left the company in 1995. She then joined Rhone-Poulenc Malaysia Sdn Bhd (which was subsequently known as Rhodia Malaysia Sdn Bhd in 1998) as a Techno-Commercial Manager in 1995, where she was responsible for the marketing of avian biological and pharmaceutical products and providing veterinary advisory services to the customers. In 2000, she left Rhodia Malaysia Sdn Bhd and joined Rhone Ma Malaysia Sdn Bhd which acquired the animal health division of Rhodia Malaysia Sdn Bhd. Since then, Dr. Yip has been the Senior Techno-Commercial Manager of Rhone Ma Malaysia Sdn Bhd prior to her promotion as the Technical Service Director in 2010.

Currently, Dr. Yip is our Group Marketing & Technical Director where she is primarily responsible for the marketing, technical and research and development functions of our Group, including providing technical advice and support as well as establishing and executing our branding strategy.

Dr. Yip does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. She has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.



# DIRECTORS' PROFILE (CONTINUED)

## MARTIN JEYARATNAM A/L THIAGARAJ

Independent Non-Executive Director



Mr. Martin, a Malaysian male aged 71, was appointed to the Board on 1 April 2015. He obtained a Diploma in Accounting and Auditing from the English Association of Accountants and Auditors, United Kingdom in 1978 and is a member of the Malaysian Institute of Management since 1991. Mr. Martin is also the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and the Nominating Committee.

In 1967, Mr. Martin began his career as an Assistant Accountant at May & Baker Ltd and was promoted to Accounts Manager in 1970 where he was responsible for the accounting matters of the company. In 1976, subsequent to various mergers and acquisitions, May & Baker Ltd became Rhodia Malaysia Sdn Bhd and he was promoted to Finance Manager in charge of the financial matters of the company prior to his retirement in 2000. Subsequent to his retirement, Mr. Martin provided consultancy services in the areas of administrative and general corporate matters to Rhone Ma Malaysia Sdn Bhd from 2009 to 2014.

Mr. Martin does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# DIRECTORS' PROFILE (CONTINUED)

## RAHANAWATI BINTI ALI DAWAM

Independent Non-Executive Director



Pn. Rahanawati, a Malaysian female aged 65, was appointed to the Board on 1 April 2015. She graduated with a Bachelor of Laws (Hons) from University of Buckingham, United Kingdom in 1983. Subsequently in 1998, Pn. Rahanawati obtained a Master of Laws from University of Malaya. Pn. Rahanawati is also the Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and the Remuneration Committee.

Pn. Rahanawati began her legal career as a Legal Officer at Syarikat Perumahan Pegawai Kerajaan Sdn Bhd in 1985. She left the company as the Head of Legal Unit before she joined Sentosa Corporation Berhad (then a public listed company) in 1993 as Group Legal Adviser and Company Secretary where she was responsible for the corporate and legal matters of the company. In 1997, she left Sentosa Corporation Berhad and she was admitted to the Malaysian Bar in 1998. Pn. Rahanawati joined the legal firm, Abu Talib Shahrom as an associate in the same year. Currently, Pn. Rahanawati is a senior partner of Abu Talib Shahrom and heads the corporate practice group of the firm. She is also a director of Hektar Asset Management Sdn Bhd, the Manager of Hektar Real Estate Investment Trust which is listed on Bursa Malaysia Securities Berhad and various other private limited companies.

Pn. Rahanawati does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. She has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# DIRECTORS' PROFILE (CONTINUED)

## TEOH CHEE YONG

Independent Non-Executive Director



Mr. Teoh, a Malaysian male aged 47, was appointed to the Board on 1 April 2015. He graduated from Universiti Utara Malaysia with a Bachelor of Accountancy (Hons) in 1996 and is a Chartered Accountant of the Malaysian Institute of Accountants since 1999. Mr. Teoh is also the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and the Nominating Committee.

Mr. Teoh started his career as an Audit Assistant at Ernst and Young in 1996 where he was involved in the statutory audit of private and public limited companies. He then joined NEC Computers (Malaysia) Sdn Bhd as a Senior

Regional Accountant in 1999 and was responsible for the accounting and finance functions of the company. In 2001, he joined Visa Worldwide Pte Ltd in Singapore where he held various regional roles including Manager for internal audit, treasury and taxation, Senior Manager for financial reporting, management reporting and finance operations and Finance Controller for business and functional divisions. He left the company as a Senior Business Leader, Head of Sales Support for Asia Pacific, Central Europe, Middle East and Africa in 2010. Mr. Teoh returned to Malaysia to join CIMB Bank Berhad in 2011 as a Vice President for Business Planning at Group Cards and Personal Financing Division where he was responsible for business planning activities covering the ASEAN markets. He left CIMB Bank Berhad in 2012 and joined RHB Banking Group in the same year. Mr. Teoh is currently the Head of Group Procurement and Services at RHB Banking Group and also sits on the board of several private limited companies.

Mr. Teoh does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# KEY MANAGEMENT

The profiles of Dr. Lim Ban Keong, Foong Kam Weng and Dr. Yip Lai Siong have been detailed out in the Directors' Profile section of this Annual Report while the profiles of the other key management of our Group are as follows:

## CALVIN CHAN YAN SAN

Group Finance Director



Calvin Chan, a Malaysian male aged 48, is primarily responsible for the financial and accounting functions of our Group. He graduated from the University of New South Wales, Australia with a Bachelor of Commerce in 1992. He is a Certified Practising Accountant of CPA Australia since 1996 and a Chartered Accountant of the Malaysian Institute of Accountants since 1997.

He began his career in 1993 with Arthur Andersen & Co. as an Audit Assistant where he was responsible for statutory audit of private and public limited companies, internal audit review and fraud investigation exercise. He left Arthur Andersen & Co. as a Manager in 2000 to join

Federal Paint Factory Sdn Bhd as a Finance Manager. In 2001, he was promoted to Chief Executive Officer cum Finance Manager where he was responsible for overseeing the company's marketing and business development activities, implementation of approved development plans and policies as well as handling all matters pertaining to accounting and finance. He then joined Prestasi Flour Mill (M) Sdn Bhd in 2004 as the Financial Controller where he was responsible for all accounting and finance matters of the company. In 2005, he joined Furniweb Industrial Products Berhad (now known as PRG Holdings Berhad) as Group Financial Controller and was promoted to Chief Financial Officer in 2008. During his tenure with Furniweb Industrial Products Berhad, he was responsible for numerous functions within the company including accounting, finance, human resource, administration and information technology matters. He left Furniweb Industrial Products Berhad and joined our Group as Finance Director in 2014.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# KEY MANAGEMENT (CONTINUED)

## GOH WEE CHONG

Group General Manager - Operations



Goh Wee Chong, a Malaysian male aged 59, is responsible for the overall general administrative and operational functions including human resources, warehouse, logistics, commercial services, laboratory, GMP-compliant manufacturing activities and product quality assurance of our Group. He obtained a Certificate in Human Resource Management from Universiti Malaya in 1999.

He began his career as an Accounts Clerk at Tan Chong Motor Assembly Berhad in 1979 where he was responsible for the payroll function. After leaving Tan Chong Motor Assembly Berhad in 1980, he joined Hock Lee Rubber Sdn Bhd as a Marketing Executive where he was involved in the marketing of crepe rubber sole. In 1981, he joined Klenco Sdn Bhd as an Administration

Officer where his responsibilities included preparation of financial accounts, warehousing and general office administration. He then left to join AdVision Sdn Bhd in 1984 as an Accounts Executive and was in charge of the company's accounts and general administration. After a short stint with AdVision Sdn Bhd, he left to join Rhone-Poulenc Malaysia Sdn Bhd (then known as M & B (Malaysia) Sdn Bhd) in the same year. From 1984 to 2009, he held the positions of Accounts Executive, Office Assistant, Human Resource Executive and Human Resource Manager in Rhone-Poulenc Malaysia Sdn Bhd (which was subsequently known as Rhodia Malaysia Sdn Bhd) where he was mainly involved in the human resource functions including payroll, office administration and statutory compliance matters of the companies and providing regional support for human resource projects in the Asian region. In 2009, he left Brenntag Malaysia Sdn Bhd (formerly known as Rhodia Malaysia Sdn Bhd) as a Human Resource Manager. He then joined our Group in 2010 as the Human Resources and Administration Manager and was promoted to General Manager - Operations in 2014.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# KEY MANAGEMENT (CONTINUED)

## DR. LIM HANG CHERN

Head of Business Development



Dr. Lim Hang Chern, a Malaysian male aged 38, is in charge of technical advisory, marketing and business development of feed additive products in Malaysia. He graduated from Universiti Putra Malaysia with a Doctor of Veterinary Medicine in 2004. He is also a veterinary surgeon registered with the Malaysian Veterinary Council and an Accredited Veterinarian (Scope of Services - Management Biologic and Veterinary Drugs) by Department of Veterinary Service, Malaysia.

He began his career in 2004 as a Veterinarian at Y.S.P. Industries (M) Sdn Bhd where he was responsible for providing technical support to customers and treatment to livestock. In 2005, he joined our Group as a Techno-Commercial Representative and was responsible for providing technical support and sales services to our customers. He was then promoted to Assistant Business Development Manager and Business Development Manager in 2008 and 2009 respectively, where he was responsible for assisting in new product development and providing technical services to customers. He was promoted to Techno-Commercial Manager of Rhone Ma Malaysia Sdn Bhd in 2010, Senior Techno-Commercial Manager in 2015 and subsequently to Head of Business Development of our Group in 2018.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any personal interest in any business arrangement involving the Company. He has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2017.

# CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I have the pleasure of presenting to you the Annual Report and Audited Financial Statements of Rhone Ma Holdings Berhad for the Financial Year Ended 31 December 2017.



## OVERVIEW

Our inaugural year as a listed entity have been eventful. We began 2017 with the addition of a new wholly-owned subsidiary, APSN Biotech Sdn Bhd, which was incorporated on 20 January 2017 to manage the trading of biotechnology and animal health products, specifically feed additives.

In addition, we had also embarked on our business expansion plans as communicated during our Initial Public Offering campaign. On 21 July 2017, we conducted a private groundbreaking ceremony at our new warehouse site in Kapar, Selangor and commenced construction of the warehouse which is expected to be completed in the third quarter of 2018.

In August 2017, we acquired a semi-detached factory located at Sungai Kapar Indah, Kapar, Selangor for RM5.59 million. The acquisition of the factory which has a land area of approximately 1,750 square meters and built up area of approximately 1,358 square meters is in line with our business plan to expand our existing range of food ingredients. The factory is currently used to store our food ingredients.

Aside from these developments, we continue to establish a strong foothold in the animal health and nutrition industry. We are pleased to announce that our wholly-owned subsidiary, Rhone Ma Malaysia Sdn Bhd ("RMM") was included as part of the Bioeconomy Transformation Programme in August 2017 for production and commercialisation of bio-based animal health products. The Bioeconomy Transformation Programme is part of the economic transformation programme established in 2012 to

# CHAIRMAN'S STATEMENT (CONTINUED)

further develop the bio-based industry in Malaysia. As a Group that aspires to be at the forefront of the industry over the long run, we are honoured to have been included in the programme and contribute to the development of our industry and the nation.

In September 2017, our wholly-owned subsidiary, Asia-Pacific Special Nutrients Sdn Bhd, which specialises in research and development activities related to animal health, food safety and agriculture, was awarded the Bioeconomy Excellence Award 2017 under the healthcare bio category. The award which was presented by the Malaysian Bioeconomy Development Corporation is in recognition of our continuous commitment to develop new concepts and innovations in bio-based fields as a BioNexus company.

Meanwhile, we have also obtained the planning approval for the construction of our new Good Manufacturing Practice (GMP)-compliant plant in Nilai, Negeri Sembilan and have commenced earthworks.

As much as we had our ups, we had also experienced challenges during the year. The amendment to the distribution agreement between RMM and Merial Societe Par Actions Simplifree ("Merial") which came into effect in December 2017 had resulted in our Group ceasing distribution of all Merial products except for companion animals products after 30 March 2018.

However, this challenge did not daunt us as we increased our efforts to market and sell other products, particularly in-house manufactured products, and expand our market share in regional markets. In January 2018, RMM signed a new exclusive distributorship agreement with Ceva Sante Animale S.A. and Ceva Animal Health Malaysia Sdn Bhd to distribute, promote and sell their swine related animal health products in Malaysia. Further to that, RMM also entered into a distribution

agreement with Zoetis Malaysia Sdn Bhd in April 2018 for the distribution of their animal health products related to poultry in Malaysia. The new distribution agreements are expected to contribute positively towards the Group's earnings for the financial year ending 31 December 2018.

## FINANCIAL PERFORMANCE

The Group recorded revenue of approximately RM137.49 million for the financial year ended 31 December 2017, an increase of approximately RM18.29 million or 15.35% from the previous financial year. This was largely due to the increase in revenue from animal health products and food ingredients by approximately RM9.47 million and RM6.84 million respectively.

The Group also recorded higher profit before tax of approximately RM17.06 million, an increase of approximately RM3.84 million or 29.06% for the financial year ended 31 December 2017. However, it should be noted that the profit before tax for the financial year ended 31 December 2016 would have been approximately RM17.36 million after adjusting for the one-off charge of the Group's listing expenses amounting to approximately RM4.14 million. The comparatively lower profit before tax for the financial year ended 31 December 2017, was mainly attributed to the reduction in overall gross profit margin and the increase in operating expenses.

As at 31 December 2017, the total equity attributable to shareholders at the Group level stood at approximately RM102.43 million, contributing to net assets per share of 61.70 sen.



# CHAIRMAN'S STATEMENT (CONTINUED)

## PROSPECTS

The animal health and nutrition market in Malaysia is expected to grow to RM1.66 billion in 2018, from RM1.58 billion in 2017 and continue to grow up to RM1.84 billion in 2020, representing a Compound Annual Growth Rate of 5.21% from 2017 to 2020. This growth bodes well for us as we continue to grow and sustain our business through the expansion of our product range which includes new pharmaceuticals and feed additives developed by our in-house research and development centre and new products from our principals.

Not only that, as the consumption of processed food continues to expand over the last few decades, and the trend is likely to persist moving forward, we are optimistic that we will be able to grow our food ingredients business alongside the industry. In line with this, we had acquired a semi-detached factory in Kapar, Selangor as we continue to expand our existing product range from third party international manufacturers and ingredients producers.

As the global economic growth is expected to experience an upswing in 2018, we will continue to work relentlessly to leverage on this by focusing on improved productivity, quality services and product range to enhance our competitive edge. Barring any unforeseen circumstances, we believe that the Group's prospects for the financial year ending 31 December 2018 remains positive.

## DIVIDENDS

Our decent performance this year was in part attributed to the continued support and confidence of our shareholders.

As a token of our appreciation, the Board of Directors has recommended a final single tier dividend of 2.5 sen per share for the financial year ended 31 December 2017. This proposal is pending shareholders' approval at the forthcoming Annual General Meeting of the Company.

## ACKNOWLEDGEMENT

As a Group, our overarching long-term commitment is to continue executing our business strategies aimed to generate profitable growth for the Group, improve earning resiliency and enhance shareholders' value. We are optimistic that we will be able to achieve these objectives largely due to the support and hard work of the various people around us whom I would like to acknowledge.

I would like to take this opportunity to extend my warmest gratitude to our shareholders, customers, suppliers, business associates and the various governmental bodies for their unrelenting support and confidence in the Group.

On behalf of the Board, I would also like to extend my heartfelt appreciation to our Management and staff for their unwavering commitment, diligence and perseverance for the past year.

I would also like to extend my admiration and thanks to my fellow members of the Board for their contribution and enlightened counsel in the pursuit of our goals.

**Dato' Hamzah Bin Mohd Salleh**

Independent Non-Executive Chairman

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATIONS

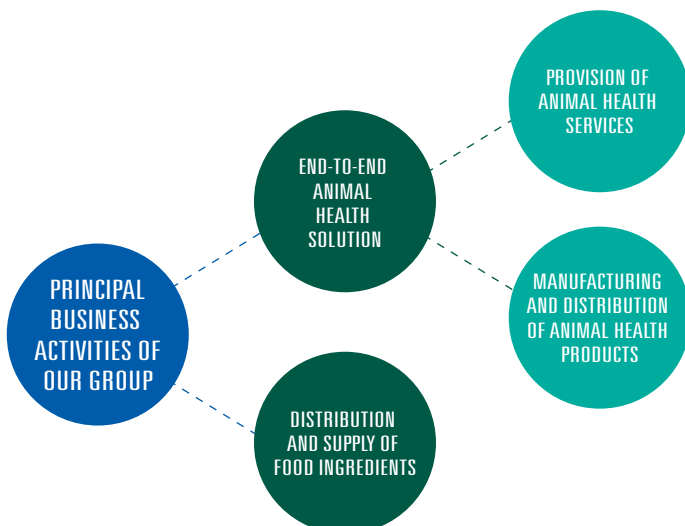
### Business Activities

The Rhone Ma Holdings Berhad group of companies is primarily an end-to-end animal health solution provider, integrating the provision of animal health services as well as the manufacturing and distribution of animal health products focused mainly on the livestock industry.

The animal health services provided by our Group consist of the provision of veterinary advisory and consultation services, diagnostic laboratory analyses as well as research and development ("R&D") services whereas the animal health products offered include vaccines, pharmaceuticals and feed additives which are either locally manufactured or sourced from third party international manufacturers. Our Group manufactures selected pharmaceuticals and feed additives at our own Good Manufacturing Practice ("GMP")-compliant plant. In addition, we also carry out repackaging and relabeling of products sourced from third parties at our GMP-compliant plant to cater to the local market as well as to meet the regulations of the local authorities.

Our Group is also involved in the distribution and supply of food ingredients to bakeries, food manufacturers, as well as producers of confectioneries, ice creams, sauces and snacks in Malaysia.

The business activities of our Group are depicted in the diagram below:



Our revenue is derived mainly from the provision of end-to-end animal health solution comprising the provision of animal health services and the manufacturing and distribution of animal health products. For the financial year ended ("FYE") 31 December 2017, our animal health services accounted for approximately 1.87% and 3.43% of our Group's total revenue and total gross profit respectively whereas our animal health products accounted for approximately 73.88% and 86.52% of our Group's total revenue and total gross profit respectively.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

In addition, distribution and supply of food ingredients accounted for approximately 24.25% of our Group's total revenue and 10.05% of our Group's total gross profit for the FYE 31 December 2017.

## Location of Operations

Our Group's head office, in-house R&D centre and manufacturing plant are currently located in Petaling Jaya, Selangor whereas our two warehouses are situated in Petaling Jaya and Kapar, both of which are in Selangor.

Due to the shortage of storage space, our Group also engages two third party logistics companies for their warehouse facilities in Klang, Selangor and rents a warehouse in Petaling Jaya, Selangor.

## Distribution

Our Group's distribution network spans throughout the country and comprises direct and indirect channels.

Direct distribution network refers to the distribution of our products directly to end-customers which include farms and integrators, veterinary product manufacturers, veterinary clinics, pet shops and feed mills. This provides us the opportunity to work closely with our customers to obtain feedback on their requirements in order to improve our services and products.

Indirect distribution network refers to the distribution of our products through intermediaries such as dealers, wholesalers and retailers which will then rely on their own distribution network to reach the end-customers. This will effectively expand our Group's market coverage.

## Key Markets

Our Group's revenue is primarily generated from Malaysia which accounted for approximately 96.89% of our total revenue for the FYE 31 December 2017, whilst the remaining 3.11% revenue was derived from overseas markets which include Thailand, Indonesia, Brunei, Taiwan, the Philippines, Vietnam and Singapore. Revenue from overseas mainly comprised export of animal health products.

## Objectives and Strategies

Our Group's vision is to be an innovative leader in the provision of products, services and solutions to the animal health and food ingredients industries. We are heading towards this vision by providing our customers with quality products and services through a dedicated qualified organisation committed to continuous improvement by promoting productivity, efficiency, communication, professionalism, training, technology and innovation.

Moving forward, we have in place business and expansion plans that are focused on the following areas:

- (i) Expansion of our production capacity through the construction of a new GMP-compliant plant in Nilai, Negeri Sembilan which will allow us to increase our production volume and to cater to the increasing demand of our in-house manufactured products;
- (ii) Expansion of our product range which includes new in-house developed animal health products, new animal health products from international manufacturers, as well as new food ingredient products from various producers;
- (iii) Expanding our market presence in the existing regional markets and to develop new markets; and

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(iv) Construction of a new warehouse in Kapar, Selangor to cater to our increasing storage needs for both animal health products and food ingredients in line with the expected increase in our business volume from our customers.

## Highlights of Financial Information for the Past Three Financial Years

### Financial information

Description	2015 RM	2016 RM	2017 RM
Revenue	105,431,499	119,195,312	137,488,068
Profit before tax	16,134,533	13,220,330	17,062,206
Finance costs	187,227	326,320	315,482
Net profit attributable to shareholders	12,032,929	9,165,825	13,905,375
Shareholders' equity	55,604,607	95,163,053	102,428,428
Total assets	83,656,080	120,205,722	130,963,020
Total borrowings	8,013,580	5,243,625	8,116,278
Gearing ratio (times)	0.14	0.06	0.08
Current ratio (times)	2.87	4.61	4.64
Earnings per share (sen)	9.71	7.31	8.38
Net assets per share (sen)	44.89	57.33	61.70
Dividend per share (sen)	-	4.00	5.00 #

# Of which 2.50 sen per share is subject to shareholders' approval at the forthcoming Annual General Meeting.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Share performance

	2016 <sup>(1)</sup>	2017
Year high	RM1.02	RM1.47
Year low	RM0.81	RM0.76
Year close	RM0.985	RM0.965
Total trading volume for the financial year	109.12 million	165.32 million
Market capitalisation as at 31 December	RM163.51 million	RM160.19 million

Note:

(1) Share performance information is only available from 19 December 2016 pursuant to the listing of and quotation for the Company's shares on the Main Market of Bursa Malaysia Securities Berhad. The issue price of the Company's initial public offering was RM0.75 per share.

## REVIEW OF FINANCIAL RESULTS

### Revenue

The details of revenue generated from our services/products are set out in the table below:

Revenue	2016		2017	
	RM	%	RM	%
Animal health services	589,775	0.49	2,573,076	1.87
Animal health products	92,111,394	77.28	101,576,505	73.88
Food ingredients	26,494,143	22.23	33,338,487	24.25
<b>Total</b>	<b>119,195,312</b>	<b>100.00</b>	<b>137,488,068</b>	<b>100.00</b>

Revenue generated from animal health products is our Group's main source of income, contributing between 77.28% and 73.88% of our total revenue for the FYE 31 December 2016 and the FYE 31 December 2017 respectively. The animal health products provided by our Group comprising vaccines, pharmaceuticals and feed additives are mainly sourced from international animal health product manufacturers. Our Group also manufactures pharmaceuticals and feed additives with our own brand names at our GMP-compliant plant.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our Group's revenue is predominantly generated from Malaysia which accounted for 96.89% of our total revenue for the FYE 31 December 2017. Revenue contribution from exports, which is mainly comprised of sale of animal health products, had increased marginally to 3.11% in the FYE 31 December 2017 as compared to 2.12% for the previous financial year due mainly to higher demand from our existing markets in Thailand and Indonesia as well as our new market in Taiwan.

## Animal health services

Revenue from animal health services which is derived from Vet Food Agro Diagnostics Sdn Bhd increased by approximately RM1.98 million during the FYE 31 December 2017. The revenue generated from this segment for the previous financial year represents sales from three months' operations as the business was only acquired by the Company on 29 September 2016 in conjunction with our listing exercise.

## Animal health products

The details of the revenue generated from animal health products are set out below:

Revenue	2016		2017	
	RM	%	RM	%
Vaccines	41,743,218	45.32	44,803,271	44.11
Pharmaceuticals	22,229,236	24.13	26,886,619	26.47
Feed additives	28,138,940	30.55	29,886,615	29.42
<b>Total</b>	<b>92,111,394</b>	<b>100.00</b>	<b>101,576,505</b>	<b>100.00</b>

The sale of animal health products recorded a growth of approximately RM9.47 million or 10.28% as compared to the previous financial year. The increase was due to the following:

- Increase in revenue generated from vaccines of approximately RM3.06 million or 7.33% which was mainly contributed by the increase in the sale of Sprintvac products of approximately RM1.67 million, Vaxxitek of approximately RM0.61 million, Avinev products of approximately RM0.41 million and Pestiffa of approximately RM0.36 million;
- Increase in revenue generated from pharmaceuticals by approximately RM4.66 million or 20.95% which was mainly contributed by an increase in the sale of NextGard products of approximately RM1.69 million, Ivomec injection products of approximately RM0.49 million, Heparanol of approximately RM0.29 million, Biodyl of approximately RM0.25 million, Frontline products of approximately RM0.23 million and Rhonamox WSP products of approximately RM0.20 million; and
- Increase in revenue generated from feed additives by approximately RM1.75 million or 6.21% as a result of an increase in the sale of Pearl Lipid products of approximately RM1.19 million, Citrex powder of approximately RM0.91 million and Myco-AD products of approximately RM0.78 million which compensated for the decrease in sale of Nystatin FG of approximately RM1.27 million.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Food ingredients

Revenue generated from food ingredients increased by approximately RM6.84 million or 25.83% as compared to the previous financial year due mainly to increase in demand from new customers as well as existing customers.

## Cost of Sales

The details of cost of sales of our services/products are set out in the table below:

Cost of sales	2016		2017	
	RM	%	RM	%
Animal health services	295,000	0.35	1,213,899	1.24
Animal health products	59,616,613	71.15	67,350,802	68.78
Food ingredients	23,881,878	28.50	29,364,047	29.98
<b>Total</b>	<b>83,793,491</b>	<b>100.00</b>	<b>97,928,748</b>	<b>100.00</b>

## Animal health services

The cost of sales of animal health services mainly comprised consumables used in diagnostic laboratory analysis including test kits, chemicals and lab testing fee.

## Animal health products

Cost of sales attributable to animal health products accounted for more than 68.00% of our Group's total cost of sales for the past two financial years. The cost of sales for animal health products mainly comprised cost of goods sold, cost of manufacturing, customs duties and handling charges and other costs. Cost of manufacturing predominantly consists of cost of raw materials whereas other costs mainly consist of consumables used and lab testing fee.

The cost of sales of animal health products increased by approximately RM7.73 million or 12.97% as compared to the FYE 31 December 2016. This is consistent with the increase in revenue of animal health products of 10.28% as well as the increase in average price charged by our suppliers.

## Food ingredients

Cost of sales incurred for food ingredients mainly comprised cost of products sold, customs duties and handling charges.

The cost of sales of food ingredients increased by approximately RM5.48 million or 22.96% as compared to the FYE 31 December 2016 due primarily to increased purchases of food ingredients in line with the increase in revenue of food ingredients of 25.83% during the financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Gross Profit

The details of gross profit ("GP") and GP margin of our services/products are set out in the table below:

GP	2016		2017	
	RM	%	RM	%
Animal health services	294,775	0.83	1,359,177	3.43
Animal health products	32,494,781	91.79	34,225,703	86.52
Food ingredients	2,612,265	7.38	3,974,440	10.05
<b>Total</b>	<b>35,401,821</b>	<b>100.00</b>	<b>39,559,320</b>	<b>100.00</b>

GP margin	2016	2017
	%	%
Animal health services	49.98	52.82
Animal health products	35.28	33.69
Food ingredients	9.86	11.92
<b>Group GP margin</b>	<b>29.70</b>	<b>28.77</b>

Our Group's overall GP and GP margin for the financial years under review were affected mainly by changes in quantity and selling price of our products, the purchase price of the products and fluctuation of foreign currency exchange arising from the purchases.

Our Group's GP increased from approximately RM35.40 million for the FYE 31 December 2016 to approximately RM39.56 million for the FYE 31 December 2017, representing an increase of approximately RM4.16 million or 11.74%. This was due primarily to the increase in GP from our animal health products which contributed 86.52% to our Group's total GP for the current financial year.

However, our Group's GP margin had decreased from 29.70% for the FYE 31 December 2016 to 28.77% for the FYE 31 December 2017 due primarily to the decrease in the GP margin of animal health products and the increase in revenue contribution of food ingredients which generates a lower GP margin.

## Animal health services

GP from animal health services of approximately RM1.36 million for the FYE 31 December 2017 was significantly higher than the GP of approximately RM0.29 million for the previous financial year. The GP generated from this segment for the previous financial year represents GP from three months' operations as the business was only acquired by the Company on 29 September 2016. The high GP margin of animal health services was due mainly to the nature of its business which only required minimal cost of sales.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Animal health products

GP from animal health products had increased by approximately RM1.73 million or 5.33% as compared to the FYE 31 December 2016.

Despite the increase in GP, GP margin of animal health products had decreased marginally by 1.59% as compared to the previous financial year due mainly to the increase in average price charged by our suppliers and the inability to transfer the entire increase in product cost to our customers.

## Food ingredients

GP of food ingredients had increased by approximately RM1.36 million or 52.15% as compared to the FYE 31 December 2016 due to the 25.83% increase in revenue during the FYE 31 December 2017 and the resulting achievement of economies of scale as a result of bulk purchases. This had also resulted in the increase in GP margin of food ingredients by 2.06% as compared to the previous financial year.

## Operating Expenses

Distribution costs increased from approximately RM7.51 million for the FYE 31 December 2016 to approximately RM9.02 million for the FYE 31 December 2017. This is in line with the growth in revenue of approximately 15.35% during the financial year. Distribution costs as a percentage of revenue of 6.56% for the current financial year was relatively consistent with the 6.30% in the FYE 31 December 2016.

Administration expenses increased from approximately RM11.55 million for the FYE 31 December 2016 to approximately RM14.70 million for the FYE 31 December 2017, as a result of the increase in revenue during the current financial year. Administration expenses as a percentage of revenue of 10.69% for the FYE 31 December 2017 was slightly higher compared to the 9.69% in the previous financial year due mainly to additional professional fees incurred such as outsourced internal audit function and engagement of public relations consultants.

Finance costs decreased marginally from approximately RM0.33 million for the FYE 31 December 2016 to approximately RM0.32 million for the current financial year. Despite the obtaining a new term loan of RM4.42 million for the acquisition of the warehouse in Sungai Kapar Indah, Kapar, Selangor during the second half of 2017, repayment of our existing borrowings contributed towards the lower finance costs.

## Profit Before Tax

Our Group's profit before tax ("PBT") of approximately RM17.06 million for the FYE 31 December 2017 was approximately RM3.84 million or 29.06% higher than the PBT of approximately RM13.22 million for the FYE 31 December 2016. Our PBT margin improved by approximately 1.32% from 11.09% for the FYE 31 December 2016 to 12.41% for the FYE 31 December 2017. However, it should be noted that the PBT for the FYE 31 December 2016 was inclusive of a one-off charge of listing expenses which amounted to approximately RM4.14 million.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

For information purposes only, the Group's PBT for the FYE 31 December 2016 after adjusting for the one-off charge of listing expenses is as follows:

	<b>RM</b>
PBT for the FYE 31 December 2016	13,220,330
Add: Listing expenses	4,140,908
PBT for the FYE 31 December 2016 (excluding listing expenses)	<b>17,361,238</b>

When compared with the adjusted PBT of approximately RM17.36 million for the FYE 31 December 2016, the Group's PBT of approximately RM17.06 million for the current financial year was approximately RM0.30 million lower. This was due mainly to the reduction in overall GP margin and the increase in operating expenses as documented above.

## Taxation

The effective tax rate of the Group for the FYE 31 December 2017 was approximately 18.50%. It was lower than the statutory tax rate of 24.00% due primarily to the BioNexus status of one of our subsidiaries, Asia-Pacific Special Nutrients Sdn Bhd, whereby it was granted 100% tax exemption on qualifying activities for a period of ten years from its first year of statutory income in the year of assessment 2011.

## Assets

### Trade receivables

Trade receivables of approximately RM30.06 million as at 31 December 2017 was approximately RM4.17 million higher compared to the previous financial year. This was due primarily to higher sales during the current financial year. The normal credit term granted to our customers ranges from 30 days to 90 days. The trade receivables turnover period of 80 days for the current financial year is the same as was recorded for the previous financial year.

### Inventories

Inventories of approximately RM28.30 million as at 31 December 2017 was approximately RM4.54 million higher than at the end of the previous financial year. The inventories turnover period of 106 days for the current financial year is consistent with the 104 days recorded for the previous financial year and is in line with our normal inventory holding period of 90 days to 120 days. It is our Group's general practice to maintain a sustainable level of inventories to support our business operations and to reduce the lead time in delivery of our products to the customers.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Cash and bank balances

Our Group has been financing our operations via a combination of internally generated funds and bank borrowings. Our principal utilisation of funds has been for working capital and purchase of property, plant and equipment. As at 31 December 2017, our Group has cash and bank balances of approximately RM33.97 million which includes the balance of approximately RM19.90 million from the proceeds of our Initial Public Offering that we have yet to utilise.

## Liabilities

### Trade payables

Trade payables of approximately RM14.90 million as at 31 December 2017 was approximately RM0.27 million higher than the trade payables as at 31 December 2016. The trade payables turnover period of 56 days for the current financial year is lower than the 64 days recorded for the previous financial year, but is within the credit term granted by our suppliers which ranges from 30 days to 90 days. Our Group believes that timely settlement with suppliers will benefit our Group in terms of favourable pricing from our suppliers. As such, this has resulted in a decrease in our trade payables turnover period.

Notwithstanding the funding gap between the collection and payment cycle, evidenced by the longer trade receivables turnover as compared to the trade payables turnover, our Group does not encounter any cash flow problems as we maintain a healthy level of working capital and has sufficient funding facilities in place.

## Capital Structure and Capital Resources

### Borrowings

Our Group's borrowings of approximately RM8.12 million as at 31 December 2017 were all denominated in Ringgit Malaysia and comprised of term loans and hire purchase that were mainly utilised to finance the acquisition of the land in Kapar, Selangor, acquisition of our warehouse in Sungai Kapar Indah, Kapar, Selangor and purchase of motor vehicles. As at 31 December 2017, our Group has unutilised banking facilities of approximately RM13.34 million. The Group remains prudent in maintaining a sound financial position that enables us to execute our plans over the coming years. Our Group's debt to equity ratio as at 31 December 2017 had increased marginally to 0.08 times compared to the ratio of 0.06 times as at 31 December 2016 due mainly to a new term loan of RM4.42 million being obtained for the acquisition of the warehouse in Sungai Kapar Indah, Kapar, Selangor.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Capital expenditure

Capital expenditure incurred by our Group for the FYE 31 December 2017 amounted to approximately RM12.46 million and consists of the following:

Description	RM
Warehouse in Sungai Kapar Indah, Kapar, Selangor	5,780,638
Warehouse in Gopeng, Perak	1,759,611
Motor vehicles	78,000
Laboratory equipment	43,143
Office and computer equipment	222,650
Product applicator and vaccination equipment	202,192
Capital work in progress relating to construction of warehouse in Kapar, Selangor	3,765,375
Capital work in progress relating to construction of GMP-compliant plant in Nilai, Negeri Sembilan	185,742
Capital work in progress relating to acquisition of shop houses in Kuching, Sarawak	250,448
Others	176,817
<b>Total</b>	<b>12,464,616</b>

The capital commitments of the Group that have been approved and contracted for as at the end of the FYE 31 December 2017 were as follows:

Description	Capital commitment RM
Construction of warehouse in Kapar, Selangor	7,696,000
Acquisition of shop houses in Kuching, Sarawak	1,951,200
Acquisition of GMP plant and equipment	5,426,417
<b>Total</b>	<b>15,073,617</b>

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Known Trends and Events

The main factors that have affected and are expected to continue to affect our Group's operations and profits include, but are not limited to, the following:

(i) Competitive advantages and key strengths

We are an end-to-end animal health solution provider that is able to provide a customised animal health solution with our extensive range of animal health services and products to meet the needs and requirements of our customers. Further, our business operations are supported by our in-house R&D centre which provides us the platform to expand our product range and continuously develop new products as well as to improve our existing products. In addition, our Group is led by an experienced management team that will provide the basis for our Group's continuing growth and success.

(ii) Industry outlook

The general outlook of the overall animal health and nutrition market is dependent on the derived demand from the livestock industry leading to correlating growth patterns for the animal health and nutrition market. It is also influenced by scientific advancement of animal health and nutrition products.

The general outlook of the overall food ingredients market is dependent on factors such as the changing eating habits caused by fundamental societal changes, growth of the Halal food industry, as well as Malaysia's growing population.

(iii) Dependency on the livestock industry

The animal health and nutrition market is highly dependent on the development and growth of the livestock industry as the animal health products are critical to the operations of a livestock farm in ensuring proper nutrition, health and hygiene of livestock. As such, our business operations are significantly reliant on the performance of the livestock industry in particular, the demand of poultry and swine. Any changes or adverse conditions affecting the livestock industry may have a material adverse effect on the business and financial performance of our Group.

(iv) Impact of foreign exchange rate

Our revenue is primarily denominated in Ringgit Malaysia where only 2.04% of our sales were transacted in United States Dollar ("USD") for the FYE 31 December 2017. Our purchases are primarily denominated in foreign currency as majority of our purchases are from France, Italy, USA and China. For the FYE 31 December 2017, approximately 94.64% of our purchases were transacted in USD and Euro. As such, our Group's financial position and results of operations may be affected by foreign currency fluctuations. Loss on foreign currency exchange for the FYE 31 December 2017 amounted to approximately RM0.27 million.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## REVIEW OF OPERATING ACTIVITIES

### Distribution agreements

On 12 December 2017, Rhone Ma Malaysia Sdn Bhd ("RMM"), a subsidiary of the Company, received a signed amendment dated 8 December 2017 to the distribution agreement dated 7 November 2000 between RMM and Merial Societe Par Actions Simplifiee ("Merial") (as amended on 31 July 2001, 31 January 2003, 6 June 2003 and 23 July 2014) to replace the current products list with a new products list which excludes swine, poultry, ruminant and veterinary public health products ("Amendment").

RMM had been the distributor of Merial products comprising products for swine, poultry, ruminant and companion animals as well as veterinary public health products. Pursuant to the Amendment, RMM was required to sell all remaining inventory of the excluded swine, veterinary public health and ruminant products by 31 December 2017 and sell all remaining inventory of the excluded poultry products by 30 March 2018. RMM will continue to distribute companion animal products of Merial.

On 1 January 2018, RMM entered into a distribution agreement with Ceva Sante Animale S.A. and Ceva Animal Health Malaysia Sdn Bhd (collectively referred to as "Ceva") for the exclusive distribution of Ceva's animal health products related to swine ("Ceva Agreement"). Ceva Sante Animale S.A. is an international corporation engaged in research, development, production and marketing of pharmaceutical products and vaccines for companion animal, poultry, ruminant and swine with presence in 45 countries.

The Ceva Agreement allows RMM to distribute, promote and sell Ceva's animal health products related to swine in Malaysia and is valid from 1 January 2018 until 31 December 2020. The Ceva Agreement shall be renewed and continue in full force and effects for a successive periods of one year unless and until either party gives to the other written notice of termination at least three months prior to the end of the initial term or any successive one-year period.

On 1 April 2018, RMM signed a distribution agreement with Zoetis Malaysia Sdn Bhd. ("ZMSB") for the distribution of ZMSB's animal health products related to poultry ("ZMSB Agreement"). ZMSB is a subsidiary company of Zoetis Inc. which is a leading animal health company with more than 60 years of experience in animal health and with sales of its products in more than 100 countries.

The ZMSB Agreement allows RMM to distribute ZMSB's animal health products related to poultry in Malaysia and is effective from 1 April 2018 for a period of three years. Thereafter, it shall be automatically extended for a further period of one year ("Extension Term") and the parties may further extend the term of the ZMSB Agreement by providing written notice prior to the expiration of the Extension Term on mutually agreed new terms and conditions.

The Ceva Agreement and ZMSB Agreement are expected to contribute positively towards the Group's earnings and net assets per share for the financial year ending 31 December 2018 and the contributions from the agreements are expected to mitigate the impact of the loss of revenue from the discontinuation of distribution of swine and poultry products from Merial.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Business and expansion plans

With our Group's business and expansion plans in place, our results of operations in the coming future may be affected by the following factors:

- Expansion of our production capacity through the construction of a new GMP-compliant plant in Nilai, Negeri Sembilan. Once completed, the plant will allow us to increase our production volume and to cater to the increasing demand of our products. We have obtained the planning approval from the relevant authorities and have commenced earthworks.
- Expansion of our product range which includes in-house development of new products and introduction of new products from our principals. This will allow us to cater to a wider pool of customers with different needs and requirements.
- Extending our reach into regional markets of which our Group has a presence and the development of new markets. We expect to broaden our customer base geographically and to increase our revenue stream from regional markets. The Group's export revenue of approximately RM4.27 million for the FYE 31 December 2017 was approximately RM1.74 million higher compared to the export revenue of approximately RM2.53 million recorded in the previous financial year. Higher sales to Thailand, Indonesia, Brunei and Vietnam, as well as penetration into Taiwan contributed to the overall increase in export revenue.
- Completion of our new warehouse in Kapar, Selangor which will be used as our main distribution center where our products could be stored instead of employing multiple warehouses. This will provide us easy access to our products, timely delivery of products to our customers leading to customer satisfaction and improvement on the efficiency of our operations. The construction of the new warehouse is estimated to be completed by the third quarter of 2018.

## Other developments

During the FYE 31 December 2017, our Group acquired a semi-detached factory in Sungai Kapar Indah, Kapar, Selangor which is currently being used as warehouse for food ingredients.

Our Group also acquired a light industrial factory in Gopeng, Perak which we plan to utilise as warehouse and base for markets in the northern region of Peninsular Malaysia.

In addition, our Group also entered into an agreement to acquire two shop houses currently under construction in Kuching, Sarawak which will be used as warehouse and base for markets in East Malaysia.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## ANTICIPATED OR KNOWN RISKS

### Credit Risk and Default in Payment by Our Customers

Generally, the credit terms granted to our customers range from 30 days to 90 days. Our customers have varying degrees of credit risk profiles which exposes us to the risk of non-payment by them. In the event that our customers default on their payments, our operating cash flows, financial condition and results of operations could be materially and adversely affected.

We are aware of our exposure to credit risk and we mitigate this by putting in place credit management policies in our Group through the application of credit approval, credit limit and monitoring procedures on an on-going basis. We perform credit evaluations on our customers and an appropriate credit limit is then allocated to each customer based on our assessment of their risk level. In addition, we also emphasise on close monitoring and collection of accounts on an on-going or monthly basis to minimise the risk of default.

Although there has been no material collection problem for trade receivables or material bad debts written off in the past, there is no guarantee that our customers will be able to fulfill their debt obligations as and when the debts become due or that our Group will not encounter collection problems in the future. Any default or delay in our collection of debts which lead to impairment losses on trade receivables or bad debts may have an impact on our financial performance.

### Foreign Currency Fluctuation Risk

The majority of our purchases and some of our sales are transacted in foreign currencies, primarily in USD and Euro. As such, we are exposed to foreign currency fluctuation risk. Any unfavourable fluctuations in foreign exchange rates may have an adverse impact on our financial performance and profitability.

For the FYE 31 December 2017, approximately 2.04% of our sales were transacted in USD whereas approximately 94.64% of our purchases were transacted in USD and Euro. Our Group does not enter into any financial instruments to hedge against any foreign currency fluctuation in terms of our sales in foreign currency as the transactions are not significant. In terms of our purchases in foreign currency, our Group will continuously monitor the foreign currency fluctuations and enter into foreign exchange spot contracts to hedge against the foreign currency fluctuation risk, as and when necessary.

Despite our efforts to minimise the foreign currency risk, there can be no assurance that any future significant fluctuation in foreign currency will not have an impact on the financial performance of our Group.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## FORWARD-LOOKING STATEMENT

### Outlook

The continued expansion of our capacity and operations through our future plans would provide a platform to grow and sustain our business amidst the favourable outlook of the animal health and nutrition market and food ingredients market in Malaysia.

The Group will continually adjust its operations to keep pace with the rapidly changing business environment while ensuring our key market positions are well defended. The Board and the management team are determined to focus on maintaining profitability through tight cost controls and efficient productivity.

Our Directors are confident that with the Group's strong foundation, together with the commitment of our people and with prudent business management values in place, the Group is well positioned to tackle the challenges ahead and perform within expectations.

### Dividend

In considering the level of dividend, if any, upon recommendation by our Directors, we intend to take into account various factors including:

- (i) Our expected results of operations;
- (ii) Required and expected interest expense and taxation, cash flows, our profits and return on equity and retained earnings;
- (iii) Our projected levels of capital expenditure and other investment plans;
- (iv) The prevailing interest rates and yields of the financial market;
- (v) The level of our cash, marketable financial assets and level of indebtedness; and
- (vi) Maintaining adequate reserves for the future growth of our Group.

In line with this, the Board of Directors proposed a final dividend of 2.5 sen per ordinary share for the FYE 31 December 2017. This proposal is pending our shareholders' approval at the forthcoming Annual General Meeting of the Company. Including the interim dividend of 2.5 sen per ordinary share paid on 13 February 2018, the proposed final dividend will bring the total dividends for the FYE 31 December 2017 to 5.0 sen per ordinary share.

# SUSTAINABILITY STATEMENT

## CREATING VALUE FOR ALL: OUR SUSTAINABILITY APPROACH

At Rhone Ma, we are committed to operate our business taking into consideration the economic, environmental and social (“EES”) risks and opportunities alongside financial implications in accordance with the Sustainability Reporting Guide issued by Bursa Malaysia Securities Berhad. We strive to achieve a sustainable long term balance between meeting our business goals and preserving the environment and have developed our sustainability strategy after identifying areas where we are able to implement our skills, experience and financial ability to make a positive difference. The foundation of our approach includes having standards, processes and tools in place to manage the safety of our people, the surrounding community and the environment.

In addition to this, we are also guided by a corporate governance system with a control structure designed to facilitate a clearly defined decision making process, business execution system and supervisory system. The system is overseen and guided by the Board of Directors who ensures

that the principles and best practices in corporate governance are observed and practiced throughout our Group.

Our Board of Directors is supported and assisted by an able management team through an open working relationship which is pivotal in achieving our business plan, creating shareholder value and growing our business. We have worked consistently to integrate corporate responsibility and sustainability across every aspect of our business. It guides our decision making, long term strategies, as well as investments to ensure we not only continue to deliver growth in our business but also simultaneously add value to our stakeholders across the value chain.

The objective of our Sustainability Statement is to provide our shareholders with a holistic report on all aspects of our business. The three strategic pillars of our sustainability approach are Maximising Value to Society, Preserving the Environment and Supporting Our People and Our Community.



# SUSTAINABILITY STATEMENT (CONTINUED)

## FIRST PILLAR: MAXIMISING VALUE TO SOCIETY





# SUSTAINABILITY STATEMENT (CONTINUED)



## Community Investment

At Rhone Ma, we believe in giving back to the society and have ingrained this value throughout the Group. In order to achieve this, our employees participate in charity programmes involving the community around us through visits to homes for the less fortunate and underprivileged, as well as through contributions. In 2017, our employees visited the Siddharta Care Centre, the Trinity Children Centre Home, the Sungai Way Old Folks Home and Rumah Kasih Harmoni to spend quality time as well as to provide assistance, comfort and motivation to the less fortunate. We also contributed to Dignity for Children and Desa Amal Jireh during the year.

As a key player in the animal health and nutrition industry, our Group had also contributed to the annual Dogathon charity event which was aimed at promoting awareness on stray animals and responsible pet ownership, and also to highlight the role of the veterinary profession in society. In addition, we had also contributed to the CP Treasure Run 2017, an annual charity run organised by Charoen Pokphand Group Malaysia to celebrate health, happiness and giving back to the community while simultaneously initiating and implementing social and community development.

Aside from these efforts, we are also a firm believer of the importance of education in advancing growth in the society at large. Education provides many opportunities that will ultimately bring about social changes which contribute to the development of the nation. With this in mind, we sponsored three academic awards for Universiti Putra Malaysia and two academic awards for Universiti Malaysia Kelantan for studies in the veterinary field. We also hosted students from the School of Architecture, Building and Design of Taylor's University at the site of our new warehouse in Kapar, Selangor for their academic project of experiencing construction.



# SUSTAINABILITY STATEMENT (CONTINUED)

## Indirect Economic Impact

In the interest of contributing to the growth and development of the society, we have contributed to direct job creation by providing employment for the local community at the location we operate in. During the year, we had also provided internship opportunities for a total of 14 students studying in biotechnology, science and pharmaceutical courses in local private and public universities to provide hands-on learning opportunities through a structured programme.

## SECOND PILLAR: PRESERVING THE ENVIRONMENT

We understand the importance of protecting the environment while operating our business. This means protecting the future by making the right choices in an environment where water is increasingly scarce, natural resources are constrained and biodiversity is declining. All of these elements are vital for feeding a growing world population and for the development of our Group. Moreover, climate change may exacerbate our planet's environmental challenges. Rhone Ma is therefore committed to fully comply with the Department of Environment's regulatory and licensing requirements.

Furthermore, we also subscribe to a scheduled toxic waste disposal procedure operated by Kualiti Alam Sdn Bhd to assist in the proper handling, storage and disposal of all hazardous waste generated on-site. At the same time, we have also embarked on a rainwater harvesting system to conserve water in our new construction projects. Through the system, accumulated rainwater will be filtered, stored and recycled for daily gardening and cleaning use.

## THIRD PILLAR: SUPPORTING OUR PEOPLE AND OUR COMMUNITY

### Diversity

We embrace diversity and inclusion at every level of the Group and take pride in having a workforce that reflects the community which we live in. The different background, opinions, experiences and perspectives of our employees make us a stronger business and help to foster a truly collaborative and inclusive workplace.

As an equal opportunity employer, we consider all qualified applicants for employment without regard to race, religion, age and gender. We incorporate diversity throughout our business to leverage our skills, drive business success and maximise the benefits derived from a diverse workforce. It is also worth mentioning that our Board of Directors is comprised of two female and five male directors aged between 46 and 71 with all races being well represented.





# SUSTAINABILITY STATEMENT (CONTINUED)



## Human Rights

At Rhone Ma, aside from focusing on the business and growth of our organisation, we are also focused on protecting our employees' welfare which includes their health and wellbeing. Hence, we have instilled work-life practices as part of our Group culture. Our Sports Club organises a host of activities such as bowling, badminton and futsal competitions which receive warm support from our employees. Besides, we also organise corporate gatherings as a platform for our employees to get together and unwind.



# SUSTAINABILITY STATEMENT (CONTINUED)



## Recognising Long Serving Employees

The Group's Long Service Awards celebrate and commemorate the contribution, loyalty and long term commitment of long serving employees. To acknowledge their contribution and faithfulness to the Group, the awards are given annually to employees who attain their career milestones of every ten years of service.



# SUSTAINABILITY STATEMENT (CONTINUED)

## Occupational Safety and Health

As a responsible employer, we have an obligation to ensure the safety and health of our employees by minimising or preventing their exposure to occupational risks which could result in occupational accidents or diseases.

Our Occupational Safety, Health & Environment Policy pledges a strong commitment for the provision of a safe and healthy working environment for our employees and others who may be affected by our activities. We have set up an Integrated Quality and Occupational Health & Safety ("IQOHS") Committee to provide a safe and conducive environment to prevent work related accidents, injuries and ill health amongst our employees, contractors and others.

The IQOHS Committee is chaired by an Executive Director and its members include employees from various sections of the organisation. It ensures that all initiatives implemented on safety and health are in compliance with the Occupational Safety and Health Act 1994 and other legal requirements. In order to raise awareness on maintaining safety at the

workplace, fire drills and spillage control are conducted on a periodic basis and briefings in relation to evacuation procedures are given to employees.

Emergency Preparedness and Response Teams are set up under the purview of the IQOHS Committee to provide a quick response to ensure business continuity and to attend to incidents such as fire, spillage and other emergencies. Trainings are given to members of the teams to ensure they are equipped to handle emergencies such as the use of fire and safety equipment, administration of first aid, CPR, handling spills, as well as other measures to be taken during an emergency.

As part of our Employee Health Programme, Rhone Ma also provides an opportunity for all our employees to be immunised annually with flu vaccination.





# SUSTAINABILITY STATEMENT (CONTINUED)

## Labour Practices

As part of our efforts to continuously empower our employees, we provide them with access to opportunities for long term personal and professional development. These opportunities include on-the-job trainings as well as coaching and mentoring initiatives by leaders. In addition, our employees are also required to attend trainings relevant to their areas of work at least once a year. Our employees are also given exposure through attendance at trainings and exhibitions abroad which serve as a platform to enhance their level of competency and assist in their career development.

## Anti-Competitive Behaviour

As a business entity, we are steadfast in our belief of ethical business practices which also include anti-competitive behaviour. We understand that although unfair business practices exist, we at Rhone Ma are advocates of fair competition. This is because we believe that anti-competitive behavior is more likely to reduce competition and lead to higher prices, reduced quality or levels of service, or less innovation.

## Anti-Corruption

Our Group's long-standing commitment to doing business with integrity means avoiding corruption in any form including bribery and complying with anti-corruption laws. At Rhone Ma, we provide guidance to our employees on how to conduct business in a fair, ethical and legal manner through our Code of Conduct and Code of Ethics.

## Product and Services Responsibility

In the commercial world, the importance of retaining existing customers and expanding business is paramount. Hence, customer relationship management is integral to us as it helps us gain an insight into the behaviour of our customers and enables us to modify our business operations to ensure that our customers are served in the best possible way. In order to achieve this, we conduct our customer satisfaction survey annually and have implemented adverse reaction procedures as well as product traceability and recall procedures.

A good traceability system is vital in the event of a necessary recall of potentially dangerous products from the market and will ultimately protect our customers. Having said this, we understand the importance of transparency in product information and labelling as it enhances traceability. In keeping with the transparency, we ensure that all of our product information and labelling adhere to the guidelines set out by the Department of Veterinary Services and the Department of Chemistry Malaysia.

## Society

Being involved in the animal health and nutrition industry in Malaysia, we have a responsibility to contribute towards the growth of the. On this note, one of our staff has been involved as part of a committee of the Malaysia Animal Health and Nutrition Industries Association ("MAHNIA") for the registration of veterinary products in Malaysia. We also have one of our veterinarians sitting on the technical committee of the Federation of Livestock Farmers' Association of Malaysia ("FLFAM") to provide advice on matters relating to the industry.

# SUSTAINABILITY STATEMENT (CONTINUED)

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## MOVING FORWARD

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Sustainability continues to be at the heart of Rhone Ma's strategy. Ours is a long term business and we believe that our Group will only prosper in the long run if we operate prudently and fulfill a positive role in society. Having said that, we will continue to set out a more comprehensive strategy for the coming years, integrating our ambition to be a safe, strong and successful business with our aspiration to be a good corporate citizen.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## INTRODUCTION

The Board of Directors (“the Board”) of Rhone Ma Holdings Berhad recognises the importance of corporate governance and is committed to ensure that the principles and best practices in corporate governance as set out in the Malaysian Code on Corporate Governance (“the Code”) are observed and practised throughout the Company and its subsidiaries (collectively referred to as “the Group”) so that the affairs of the Group are conducted with integrity and professionalism with the objective of safeguarding shareholders’ investment and ultimately enhancing shareholders’ value.

This statement outlines the following principles and recommendations which the Group has comprehended and applied with the best practices outlined in the Code:

- Board Leadership and Effectiveness
- Effective Audit and Risk Management
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

The Board will continue to take measures to improve compliance with the principles and recommended best practices in the ensuing years.

## BOARD LEADERSHIP AND EFFECTIVENESS

The Board has considered and discussed a wide range of matters during the financial year ended 31 December 2017, including strategic decisions and the reviewing of risk associated matters in the business. The Board is aware that decisions made for the business of the Group would affect a broad range of our stakeholders. While the Board sought to ensure that the decisions were taken in a way that was fair and consistent with the Group’s values, the Board also recognised the importance of balancing these with the need to support the long-term future of the business.

During the year, the Board undertook a review and updated its Board Charter and policies to reflect the revised regulatory expectations. These authoritative documents serve to guide the governance and conduct of the Board and its committees.

Moving forward, the Board, being in line with the national target of having 30% women on the boards of listed issuers, will maintain a register of potential directors which include high-calibre female candidates and appoint them when the need arise.

Further details on how the Board operates effectively and is collectively responsible for the long-term sustainable success of the Group can be obtained in the Statement on Corporate Governance set out on pages 51 to 68 of this Annual Report.

## EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Committee played a key role in ensuring integrity and transparency of corporate reporting. The Audit and Risk Management Committee’s role is to review and challenge Management to ensure that appropriate disclosures of accounting treatment and accounting policies are made. The Audit and Risk Management Committee has a duty to provide assurance to the Board that robust risk management, controls and assurance processes are in place. It continues to monitor the potential risks of the Group and ensures that mitigating factors are in place to ensure health, safety and business continuity of the Group.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

Risk management is a critical component of good management practice and effective corporate governance. With the Risk Management Framework being in place, the Board's decision-making was supported by sufficient information for the right discussions and considerations. The enhanced level of risk debate and greater involvement from the Management was also critical in ensuring that appropriate monitoring and mitigations were embedded to support the proposals under discussion.

The Audit and Risk Management Committee with the assistance of the internal audit function had undertaken a thorough review of the following areas within the Group to ensure that appropriate controls and effective management processes are in place:

- (i) Sales and marketing;
- (ii) Credit control and collection;
- (iii) Production;
- (iv) Quality assurance; and
- (v) Inventory count.

The Board will continue to drive a proactive risk management approach and ensure that the Group's employees have a good understanding of the application of risk management principles in order to work towards cultivating a sustainable risk management culture. The Board will also continue to challenge the Group's risk reporting mechanism and ensure that it is data-driven to capture and quantify exposures where applicable and necessary.

Further details pertaining to the activities undertaken by the Audit and Risk Management Committee can be obtained in the Report on the Audit and Risk Management Committee set out on pages 72 to 75 of this Annual Report.

## INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Group recognises the importance of stakeholder engagement to the long-term sustainability of its businesses. As a responsible corporate citizen, we must interact with stakeholders and also acknowledge the potential impact that our operations may have on a wide range of stakeholders. For an engagement to be constructive and meaningful, each matter considered by the Board ought to be in the context of the relevant economic, social and environmental factors. The Company has heightened its engagement efforts with stakeholders by engaging with analysts, fund managers and shareholders, both locally and overseas, upon request.

The Company has yet to adopt an integrated reporting framework. The Board acknowledged that integrated reporting goes beyond a mere combination of our financial statements and sustainability report into a single document. Nevertheless, there are coordinated efforts among cross-functional departments in preparing the various statements and reports in the Annual Report.

## PRELUDE

Over the next few pages, we will look at the Board, its role, performance and oversight. We will provide details on the Board's activities and discussions during the financial year, the actions arising from these and the progress made against them. We will also provide an insight on director independence, evaluation on the effectiveness of our Board, succession planning and other on-going developments.

# STATEMENT ON CORPORATE GOVERNANCE

## BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

#### 1. Board of Directors

Rhone Ma Holdings Berhad and its subsidiaries acknowledge the pivotal role played by the Board of Directors in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfil this role, the Board plays a critical role in setting the appropriate tone at the top and is charged with leading and managing the Group in an effective and ethical manner. The directors individually have a legal duty to act in the best interest of the Group and are also collectively aware of their responsibilities to the stakeholders for the manner in which the affairs of the Group are managed. The Board's responsibilities, amongst others, include:

- (a) Promoting good corporate governance practices within the Group which reinforce ethical, prudent and professional behaviour;
- (b) Reviewing and deciding on Management's proposals for the Group as well as monitoring their implementation by Management;
- (c) Ensuring that the strategic plans of the Group support long-term value creation and include strategies on economic, environmental and social considerations underpinning sustainability;
- (d) Supervising and assessing Management's performance to determine whether the business is being properly managed;
- (e) Ensuring there is a sound framework for internal controls and risk management;
- (f) Understanding the principal risks of the Group's business and recognising that business decisions involve the taking of appropriate risks;
- (g) Setting the risk appetite within which the Board expects Management to operate and ensuring that there is an appropriate risk management framework to identify, analyse, evaluate, manage and monitor significant financial and non-financial risks;
- (h) Ensuring that Management has the necessary skills and experience, and that there are measures in place to provide for the orderly succession of Board and Management;
- (i) Ensuring that the Group has in place procedures to enable effective communication with stakeholders; and
- (j) Ensuring the integrity of the Company's financial and non-financial reporting.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

To assist in the discharge of its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

- (i) Nominating Committee
- (ii) Remuneration Committee
- (iii) Audit and Risk Management Committee

Each Board Committee operates within their approved terms of reference set by the Board which are periodically reviewed. The Board appoints the Chairman and members of each Board Committee.

The Chairman of the respective Board Committees will report to the Board on the outcome of any discussions and make recommendations thereon to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other committees delegated with specific authorities to act on their behalf. These committees will operate under approved terms of reference or guidelines and are formed whenever required.

The profiles of the Directors are presented on pages 11 to 17 of this Annual Report.

## 2. Separation of Positions of Chairman and Managing Director

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The roles of Chairman and Group Managing Director of the Company are separately held and each has clearly accepted division of responsibilities and accountability to ensure a balance of power and authority. This segregation of roles also facilitates a healthy open exchange of views between the Board and Management in their deliberation of the business, strategic and key activities of the Group.

The Chairman of the Board, Dato' Hamzah Bin Mohd Salleh, an Independent Non-Executive Director, leads the Board with focus on governance and compliance and acts as a facilitator at Board meetings. The Chairman's key responsibilities, amongst others, include:

- (a) Providing leadership for the Board in order for the Board to perform its responsibilities effectively;
- (b) Setting the Board agenda and ensuring that Board members receive complete and accurate information in a timely manner;
- (c) Leading Board meetings and discussions;
- (d) Encouraging active participation at Board meetings and allowing dissenting views to be freely expressed;
- (e) Managing the interface between Board and Management;

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

- (f) Ensuring appropriate steps are taken to provide effective communication with stakeholders and that their views are communicated to the Board as a whole; and
- (g) Leading the Board in establishing and monitoring good corporate governance practices within the Group.

The Group Managing Director, Dr Lim Ban Keong, oversees the day-to-day operations to ensure the smooth and effective running of the Group. He is assisted by two Executive Directors namely Foong Kam Weng and Dr Yip Lai Siong. The Group Managing Director also implements the policies, strategies, decisions adopted by the Board, monitors the financial results against plans and budgets and acts as a conduit between the Board and Management in ensuring the success of the Group's governance and management functions. The Executive Directors take on the primary responsibility to spearhead and manage the overall business activities of the various business segments of the Group to ensure optimum utilisation of corporate resources and expertise to achieve the Group's long term objectives. The Executive Directors are assisted by the heads of departments in the Group's day-to-day operations.

### 3. Supply of and Access to Information

All Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs in a timely manner to enable them to discharge their duties effectively.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors and Board Committees in advance of the scheduled meetings. Notices of meetings are sent to Directors at least seven (7) days before the meetings. Management provides the Board with detailed meeting materials at least seven (7) days in advance of the Board or Board Committees' meetings. Management may be invited to join the meetings to brief the Board and Board Committees on the requisite information on matters being discussed, where necessary.

Technology is effectively used in the meetings of the Board and Board Committees and in communication with the Board.

### 4. Commitment of the Board

The Board would meet at least five (5) times a year. The meetings are scheduled at the onset of the financial year to help facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board. All Board meetings are furnished with proper agendas with due notice given and Board papers are prepared by the Management and circulated to all Directors prior to the meetings.

All pertinent issues discussed at the Board meetings are properly recorded by the Company Secretaries.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board met seven (7) times during the financial year ended 31 December 2017. Details of attendance are as follows:

Directors	Attendance	%
Dato' Hamzah Bin Mohd Salleh	7/7	100%
Dr Lim Ban Keong	7/7	100%
Foong Kam Weng	7/7	100%
Dr Yip Lai Siong	7/7	100%
Martin Jeyaratnam A/L Thiagaraj	7/7	100%
Rahanawati Binti Ali Dawam	7/7	100%
Teoh Chee Yong	7/7	100%

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at each Board meeting.

It is the Board's policy for Directors to notify the Board before accepting any new directorship notwithstanding that the Main Market Listing Requirements of Bursa Malaysia Securities Berhad allow a Director to sit on the board of a maximum of five listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment. At present, all Directors of the Company have complied with the Main Market Listing Requirements where they do not sit on the board of more than five (5) listed issuers.

## 5. Continuous Development of the Board

The Board, via the Nominating Committee, continues to identify and attend appropriate briefings, seminars, conferences and courses to keep abreast of changes in legislations and regulations affecting the Group.

All Directors have completed the Mandatory Accreditation Programme. The Directors are mindful that they would continue to enhance their skills and knowledge to maximize their effectiveness as Directors during their tenure. Throughout their period in office, the Directors are continually updated on the Group's business and the regulatory requirements.

Details of training programmes attended by the Directors during the financial year are as follows:

Directors	Date	Programmes attended
Dato' Hamzah Bin Mohd Salleh	29 May 2017	Companies Act 2016
	17 July 2017	Bursa Malaysia CG Breakfast Series with Directors - Board Excellence, How to Engage and Enthuse Beyond Compliance with Sustainability
	5 December 2017	Bursa Malaysia CG Breakfast Series with Directors - Leading Change @ The Brain



# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors	Date	Programmes attended
Dr Lim Ban Keong	14 February 2017	Don't Just Communicate, Connect!
	20 April 2017	The Leader's Voice
	19 May 2017	How to Hire the Right Person
	29 May 2017	Companies Act 2016
	20 July 2017	Power of Carnegie
	3 August 2017	Poultry Technical Forum on Infectious Bronchitis
	5 September 2017	Symposium on Latest Trend in Parasites Control
	23 November 2017	Creating Company Value through Branding
Foong Kam Weng	21 March 2017	ERP Fire Drill
	20 April 2017	The Leader's Voice
	29 May 2017	Companies Act 2016
	9 August 2017	Chemical Spill Program
	22 November 2017	ERP Training
Dr Yip Lai Siong	8 March 2017	Global Leadership Summit
	10 March 2017	KAM Management
	13 March 2017	Hatchery Management Symposium
	21 March 2017	ERP Fire Drill
	26 May 2017	Antibiotic Used in Food Producing Animals
	29 May 2017	Companies Act 2016
	3 July 2017	Unleash Success - Maximise Immunity
	27 November 2017	Risk Management - Approach Methodology
	29 November 2017	Hazard Communication - Labelling and SDS
Martin Jeyaratnam A/L Thiagaraj	29 May 2017	Companies Act 2016
Rahanawati Binti Ali Dawam	29 March 2017	Being Financially Literate: An Introduction to Understanding Financial Statements
	29 May 2017	Companies Act 2016
	15 August 2017	Companies Act 2016: How does it Impact Directors, CFOs, Accountants and Auditors?
	13 September 2017	Bursa Risk Management Programme - I am Ready to Manage Risks
	14 November 2017	Securities Commission Malaysia Conversation with Audit Committees

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors	Date	Programmes attended
Teoh Chee Yong	29 May 2017	Companies Act 2016
	14 November 2017	Securities Commission Malaysia Conversation with Audit Committees

The Company Secretaries also highlight the relevant guidelines on statutory and regulatory requirements from time to time to the Board. The external auditors on the other hand, briefed the Board on changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

## 6. Board Committees

### Audit and Risk Management Committee

The Audit and Risk Management Committee monitors internal control policies and procedures designed to safeguard the Group's assets and to maintain the integrity of financial reporting. It maintains direct and unfettered access to the Company's external auditors, internal auditors and Management.

The Report on the Audit and Risk Management Committee is set out on pages 72 to 75 of this Annual Report.

A copy of the Audit and Risk Management Committee's Terms of Reference can be found on the Company's website at [www.rhonema.com](http://www.rhonema.com).

### Nominating Committee

The Nominating Committee oversees matters related to the nomination of new directors for approval by the Board, annually reviews the required mix of skills, experience and other requisite qualities of Directors, as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director.

The Nominating Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Nominating Committee are as follows:

Rahanwati Binti Ali Dawam	Chairman
Teoh Chee Yong	Member
Martin Jeyaratnam A/L Thiagaraj	Member

The Nominating Committee met once (1) during the financial year ended 31 December 2017 and the meeting was attended by all members. Below is a summary of the key activities undertaken by the Nominating Committee in discharge of its duties:

- (i) Reviewed the Terms of Reference of the Nominating Committee;
- (ii) Reviewed and nominated to the Board the re-election and retirement by rotation of Directors;

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

- (iii) Annual assessment of the Board, the Board Committees and the individual Directors;
- (iv) Reviewed the performance and term of office of the Audit and Risk Management Committee; and
- (v) Reviewed the composition of the Board of Directors.

A copy of the Nominating Committee's Terms of Reference can be found on the Company's website at [www.rhonema.com](http://www.rhonema.com).

## Remuneration Committee

The Remuneration Committee is responsible for recommending to the Board the remuneration principles and framework for members of the Board and Senior Management.

The Remuneration Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the Nominating Committee are as follows:

Martin Jeyaratnam A/L Thiagaraj	Chairman
Rahanwati Binti Ali Dawam	Member
Teoh Chee Yong	Member

The Remuneration Committee met once (1) during the financial year ended 31 December 2017 and the meeting was attended by all members. Below is a summary of the key activities undertaken by the Remuneration Committee in discharge of its duties:

- (i) Reviewed, assessed and recommended the remuneration packages of the Group Managing Director, the Executive Directors and Senior Management; and
- (ii) Reviewed the remuneration packages of Non-Executive Directors and their meeting allowances.

A copy of the Remuneration Committee's Terms of Reference can be found on the Company's website at [www.rhonema.com](http://www.rhonema.com).

## 7. Board Charter

The Company has established a Board Charter to promote high standards of corporate governance and the Board Charter is designed to provide guidance and clarity for Directors and Management with regard to the role of the Board and its Committees. The Board Charter clearly sets out the key values and principles of the Company and further sets out the duties and responsibilities of the Board, the Chairman, the Group Managing Director, the Senior Independent Director and the Board Committees. The Board Charter also provides structure guidance and ethical standards for the Board in discharging its duties towards the Group as well as its operating practices. The Board Charter further entails the following issues and decisions reserved for the Board:

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

- Conflict of interest issues relating to substantial shareholders or Directors, including approving of related party transactions
- Material acquisition and disposal of assets not in the ordinary course of business, including significant capital expenditure
- Strategic investments, mergers and acquisitions and corporate exercises;
- Authority levels
- Treasury policies
- Risk management policies
- Key human resource issues

The Board Charter is reviewed annually by the Board to ensure it complies with legislations and best practices, and remains effective and relevant to the Board's objectives.

A copy of the Board Charter can be found on the Company's website at [www.rhonema.com](http://www.rhonema.com).

The Company has also put in place the following policies:

- Code of Conduct
- Code of Ethics
- Whistle Blowing Policies and Procedures
- Insider Dealing Policy
- Sustainability Policy
- Diversity Policy
- Corporate Disclosure Policy
- Directors' Remuneration Policy
- Directors' Assessment Policy
- Succession Planning Policy
- Investor Relations Policy
- External Auditors' Assessment Policy
- Related Party Transaction Policy

## 8. Code of Conduct and Code of Ethics

The Company has established a Code of Conduct and a Code of Ethics to promote a corporate culture which engenders ethical conduct that permeates throughout the Group. The Code of Conduct is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism, whereas the Code of Ethics is based on the principles in relation to integrity, transparency, accountability and corporate social responsibility.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Group practices the relevant principles and values in its dealings with employees, customers, suppliers and business associates. The Directors, officers and employees of the Group are also required to observe, uphold and maintain high standards of integrity in carrying out their roles and responsibilities and to comply with the relevant laws and regulations as well as the Group's policies. Ongoing training is provided to staff on the Code of Conduct, Code of Ethics and general workplace behaviour to ensure they continuously uphold a high standard of conduct when performing their duties.

The Board is provided guidance on the disclosure of conflict of interest and other disclosure requirements to ensure that the Directors comply with the relevant regulations and practices. In order to address and manage possible conflict of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring such Directors to abstain from participating in deliberations during meetings and abstaining from voting on any matter in which they may also be interested or conflicted. The Directors of the Group are also required to disclose and confirm their directorships and shareholdings in the Group and any other entities where they have interest for the Company's monitoring on a half yearly basis or as and when required.

Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers on a quarterly basis specifying the timeframe during which they are prohibited from dealing in the Company's shares, unless they comply with the procedures for dealings during closed period as stipulated in the Main Market Listing Requirements.

The Code of Conduct and the Code of Ethics can be found on the Company's website at [www.rhonema.com](http://www.rhonema.com).

## 9. Whistle Blowing Policies and Procedures

The Group has adopted a set of whistle blowing policies and procedures as the Board believes that a sound whistle blowing system will strengthen and support good management and at the same time, demonstrates accountability, good risk management and sound corporate governance practices. The system is to encourage reporting of any major concerns over any wrongdoings within the Group.

The whistle blowing system outlines the relevant procedures such as when, how and to whom a concern may be properly raised about genuinely suspected instances of wrongdoing at the Company and its subsidiaries. The identity of the whistle blower is kept confidential and protection is accorded to the whistle blower against any form of reprisal or retaliation. All such concerns shall be set forth in writing and forwarded in a sealed envelope to either the Chairman of the Board or the members of the Audit and Risk Management Committee.

## 10. Company Secretary

The Board is assisted by qualified and competent Company Secretaries who play a vital role in advising the Board in relation to the Group's constitution, policies, procedures and compliance with the relevant regulatory requirements, codes, guidance and legislations. Both of the Company Secretaries are Fellow/Associate members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). All the Directors have unrestricted access to the advice and services of the Company Secretaries for the purpose of the conduct of the Board's affairs and businesses.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia and MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging its functions.

In addition, the Company Secretaries are also accountable to the Board and are responsible for the following:

- (i) Advising the Board on its roles and responsibilities;
- (ii) Advising the Board on matters related to corporate governance and the Main Market Listing Requirements;
- (iii) Ensuring that Board procedures and applicable rules are observed;
- (iv) Maintaining records of the Board and ensuring effective management of the Company's statutory records;
- (v) Preparing comprehensive minutes to document Board proceedings and ensuring conclusions are accurately recorded;
- (vi) Assisting communications between the Board and Management;
- (vii) Providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time; and
- (viii) Preparing agendas and co-coordinating the preparation of Board papers.

## II. Board Composition

### 1. Composition and Diversity

The Directors are of the opinion that the current Board size and composition is adequate for facilitating effective decision making given the scope and nature of the Group's businesses and operations. The Board maintains an appropriate balance of expertise, skills and attributes among the Directors which is reflected in the diversity of backgrounds and competencies of the Directors. Such competencies include finance, accounting, legal, digital and other relevant industry knowledge, entrepreneurial and management experience and familiarity with regulatory requirements and risk management.

As at the date of this Statement, the Board consists of one (1) Independent Non-Executive Chairman, three (3) Independent Non-Executive Directors, one (1) Group Managing Director and two (2) Executive Directors, wherein at least half of the Board comprises Independent Directors. The composition of the Board ensures that the Independent Non-Executive Directors will be able to exercise independent judgment on the affairs of the Company.

The Board of Directors' profile can be found on pages 11 to 17 of this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 2. Independence of Independent Directors

The tenure of the Independent Directors has yet to exceed a cumulative term of nine (9) years. Nonetheless, if such Independent Directors exceeded a cumulative term of nine (9) years, the Board will justify and seek annual shareholders' approval. In addition, if the Board continues to retain the Independent Directors after the twelfth year, the Board will seek annual shareholders' approval to authorise these Independent Directors to continue in office as Independent Directors through a two-tier process.

The Independent Directors play a crucial role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders. The Board, via the Nominating Committee assesses each Director's independence annually to ensure on-going compliance with this requirement. The Nominating Committee is satisfied that the Independent Directors are independent of Management and free from any business or other relationships which could interfere with the exercise of independent judgement, objectivity and the ability to act in the best interest of the Company.

## 3. Appointment of Board and Senior Management

The Board of Directors comprise of a collective of individuals having an extensive complementary knowledge and competencies, as well as expertise to make an active, informed and positive contribution to the management of the Group in terms of the business' strategic direction and development. The appointment of the Board and its Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

The Nominating Committee will assess the suitability of the candidates before formally considering and recommending them for appointment to the Board or senior management. In proposing its recommendation, the Nominating Committee will consider and evaluate the candidates' required skills, knowledge, expertise, competence, experience, characteristics, professionalism. For appointment of Independent Directors, considerations will also be given on whether the candidates meet the requirements for independence as defined in Main Market Listing Requirements of Bursa Malaysia Securities Berhad and time commitment expected from them to attend to matters of the Company in general, including attending meetings of the Board, Board Committees and Annual General Meetings.

## 4. Gender Diversity

The Board of Directors acknowledges the need to promote gender diversity within its composition and endeavour to increase female participation in the Board and Senior Management, it has decided not to set any specific targets as the Board believes that it is more important to have the right mix and skills for such positions. Nonetheless, the Board have appointed Dr Yip Lai Siong and Rahanawati Binti Ali Dawam as Executive Director and Independent Director respectively, which contributes 28.5% of the Board composition, to contribute to the development of the Group.

The Company has adopted a diversity policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board and in Senior Management positions. This includes requirements for the Board to establish measurable objectives for achieving diversity on the Board and in management positions, and for the appropriate Board

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Committees to monitor the implementation of the policy, assess the effectiveness of the Board nomination process and the appointment process for management positions at achieving the objectives of the policy.

## 5. Identifying Suitable Candidates

Any proposed appointment of a new member to the Board will be deliberated by the full Board based upon a formal report, prepared by the Nominating Committee on the necessity for reviewing the qualifications and experience of the proposed director. The Nominating Committee will be guided by an internal policy on criteria and skill sets in assessing the suitability of the potential candidates for appointment to the Board. Any appointment of a new Director to the Board or Board Committee is recommended by the Nominating Committee for consideration and approval by the Board.

There was no new appointment of Director for the financial year 2017. Nonetheless, the Board will use independent search firms in identifying suitable candidates for appointment of directors in the future when the need arise.

## 6. Chairman of the Nominating Committee

The Nominating Committee is led by Rahanawati Binti Ali Dawam, an Independent Director. She directs the Nominating Committee in reviewing succession planning and appointment of Board members and Senior Management by conducting annual review of board effectiveness and skill assessments. This provides the Nominating Committee with information concerning of the Group's needs, allowing it to source for suitable candidates when the need arises.

## 7. Annual Evaluation

The Nominating Committee is responsible in evaluating the performance and effectiveness of the entire Board, the Board Committees and individual Director on a yearly basis. The evaluation process is led by the Nominating Committee Chairman and supported by the Company Secretary via questionnaires. The Nominating Committee reviews the outcome of the evaluation and recommends to the Board any areas for further improvement.

On 26 February 2018, the Nominating Committee assessed the effectiveness of the Board, its Committees and the contribution of each Director by identifying the strengths and weaknesses of the Board.

The assessment criteria used in the assessment of Board and individual Directors include mix of skills, knowledge, Board diversity, size and experience of the Board, core competencies and contribution of each Director. The Board Committees were assessed based on their roles and responsibilities, scope and knowledge, frequency and length of meetings, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their function.

The results and recommendations from the evaluation of the Board and Committees were reported to the Board for consideration and action. The Board was comfortable with the outcome and is of the view that the skills and experience of the current Directors satisfy the requirements of the skills matrix.



# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Nominating Committee also recommends to the Board, the relevant Directors retiring by rotation and standing for re-election at Annual General Meetings. The Directors who will be retiring by rotation and subject to re-election at the forthcoming Annual General Meeting are Dr Yip Lai Siong, Teoh Chee Yong and Martin Jeyaratnam A/L Thiagaraj.

### III. Remuneration

The objective of the Group's remuneration policy is to provide fair and competitive remuneration to its Board members and Senior Management in order for the Group to attract and retain human resources of calibre to run the Group successfully. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors and Senior Management lie with the Remuneration Committee. Nevertheless, it is ultimately the responsibility of the Board to approve the remuneration of Executive Directors and Senior Management.

Based on the remuneration framework, the remuneration packages of the Executive Directors and Senior Management comprised of a fixed component (i.e. salary, allowances etc.) and a variable component (i.e. bonus, incentives, benefit-in kind etc.) which is determined by the Group's overall financial performance in each financial year. The remuneration packages are designed to support our strategy and provide a balance between motivating and challenging our Executive Directors and Senior Management to deliver strong performances in driving the long-term sustainable success of the Group.

The level of remuneration of Non-Executive Directors reflects their experience and level of responsibility undertaken. Non-Executive Directors will receive a fixed fee, with additional fees if they are Board Chairman or members of Board Committees. The fees for Directors are determined by the Board with the approval from shareholders at Annual General Meetings and no Director is involved in deciding his/her own remuneration.

During the financial year under review, the Remuneration Committee had reviewed the remuneration packages for the Group Managing Director, Executive Directors and Senior Management which reflect their level of responsibilities as well as the performance of the Group, and considered the remuneration packages to be comparable with the industry norm.

The details of the remuneration of the Board and Senior Management of the Company comprising remuneration received/receivable from the Company and the Group for the financial year 2017 can be obtained on pages 146 to 148 of this Annual Report.

A copy of the Directors' Remuneration Policy can be found on the Company's website at [www.rhonema.com](http://www.rhonema.com).

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit and Risk Management Committee

Presently, the Audit and Risk Management Committee consists of three (3) Independent Non-Executive Directors. The members of the Audit and Risk Management Committee are as follows:

Teoh Chee Yong	Chairman
Rahanwati Binti Ali Dawam	Member
Martin Jeyaratnam A/L Thiagaraj	Member

The Chairman of the Audit and Risk Management Committee is not the Chairman of the Board, ensuring that the impairment of objectivity on the Board's review of the findings and recommendation of the Audit and Risk Management Committee remains intact.

In presenting the annual audited financial statements and interim financial statements on a quarterly basis to the shareholders, the Board is responsible to present a clear, balanced and understandable assessment of the Group's performance and position. The Audit and Risk Management Committee is entrusted to provide assistance to the Board in reviewing the Group's financial reporting process, accuracy of its financial results, and scrutinising information for disclosure to ensure accuracy, adequacy, completeness and compliance with accounting standards.

The Board places great emphasis on the objectivity and independence of the external auditors. Through the Audit and Risk Management Committee, the Board maintains a transparent relationship with the external auditors in seeking professional advice on internal controls and ensuring compliance with the appropriate accounting standards. The Audit and Risk Management Committee is empowered to communicate directly with the external auditors to highlight any issues of concern at any point in time.

The external auditors would meet the Audit and Risk Management Committee without the presence of the executive Board members and Management at least two (2) times a year on matters relating to the Group and its audit activities. During such meetings, the external auditors highlight and discuss the nature and scope of the audit, audit programmes, internal controls and any other issues that may require the attention of the Audit and Risk Management Committee or the Board.

The Audit and Risk Management Committee ensures the external audit function is independent of the activities it audits and reviews the contracts for the provision of non-audit services by the external auditors in order to make sure that it does not give rise to conflict of interests. The excluded contracts would include management consulting, internal audit and standard operating policies and procedures documentation.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

For the financial year ended 31 December 2017, fees paid to the external auditors, Messrs BDO and its affiliated firms by the Company and the Group are stated in the table below:

Nature of Services	Company RM	Group RM
Audit	42,000	142,000
Non-Audit		
- Tax filing	2,000	29,900
- Review of the Statement on Risk Management and Internal Control	5,000	5,000
<b>Total</b>	<b>49,000</b>	<b>176,900</b>

In safeguarding and supporting the external auditors' independence and objectivity, the Board had established an External Auditors' Assessment Policy to spell out the selection process of new external auditors, basic principles on the prohibition of non-audits services and the approval process for the provision of non-audit services.

The external auditors have confirmed to the Audit and Risk Management Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

Further information on the roles and responsibilities of the Audit and Risk Management Committee may be found in the Report on the Audit and Risk Management Committee on pages 72 to 75 of this Annual Report.

## II. Risk Management and Internal Control Framework

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite as well as ensuring that each business area implements appropriate internal controls. In order to achieve such an objective, a risk management framework has been adopted by the Group. The Group's risk management systems are designed to manage and eliminate risks where possible, to achieve business objectives and can only provide a reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibility for reviewing the effectiveness of the Group's systems of internal control to the Audit and Risk Management Committee. This covers all material controls including financial, operational, compliance and risk management systems. The Audit and Risk Management Committee is further supported by an internal audit function.

Our Group had outsourced the internal audit function to an independent third party service provider, alphaOne Governance Sdn Bhd, which has approximately three (3) internal audit personnel assisting the person responsible for the internal audit. The internal auditors report directly to the Audit and Risk Management Committee and carries out its function in accordance with the annual internal audit plan approved by the Audit and Risk Management Committee.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Details of the person responsible for the Group's internal audit are set out below:

<b>Person responsible</b>	Lim Kean Chai
<b>Qualification</b>	<ul style="list-style-type: none"> <li>Professional Member of the Institute of Internal Auditors Malaysia</li> <li>Chartered Accountant of the Malaysian Institute of Accountants</li> <li>Fellow of the Institute of Chartered Accountants in Australia</li> </ul>
<b>Independence</b>	Does not have any family relationship with any director and/or major shareholder of the Company
<b>Public sanction or penalty</b>	Has no convictions for any offences within the past five (5) years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year

Further information may be found in the Statement on Risk Management and Internal Control on pages 69 to 71 of this Annual Report.

## INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

The Board believes that stakeholders' communication is an essential requirement of the Group's sustainability. In view thereof, stakeholders are informed of all material business events of the Group in a factual, timely and widely available manner. The Board has formalised a corporate disclosure policy and procedure not only to comply with the disclosure requirements as stipulated in the Main Market Listing Requirements, but also sets out the persons authorised and responsible to approve and disclose material information to all stakeholders.

The Group has set up an investor relations program to facilitate effective two-way communication with investors and analysts to provide a greater understanding of the Group's vision, strategies, developments and financial prospects. A variety of engagement initiatives including direct meetings and dialogues with stakeholders are constantly conducted to allow the Group to learn about stakeholders' needs.

The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report and other corporate announcements to Bursa Malaysia Securities Berhad. It is the Group's practice that any material information for public announcements are factual and reviewed internally before issuance to ensure accuracy and is expressed in a clear and objective manner.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Company's corporate website includes a dedicated Investor Relations section which provides all relevant information on the Group, including announcements to Bursa Malaysia Securities Berhad, share price information, as well as the corporate and governance structure of the Group. Stakeholders are also able to subscribe to email alerts from the Group via the Investor Relation page.

## II. Conduct of General Meetings

The Annual General Meeting is the principal forum for dialogue with shareholders, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. To ensure shareholders have sufficient time to go through the Annual Report, it is circulated at least twenty eight (28) clear days before the date of the Annual General Meeting. Shareholders are encouraged to vote on the proposed motions by appointing a proxy in the event they are unable to attend the meeting.

During the Annual General Meeting, shareholders are provided with information on the Group's performance and major activities which were carried out during the financial year. The Board also encourages participation from shareholders by having a question and answer session during the Annual General Meeting during which the Directors are available to provide meaningful response to questions raised by the shareholders.

In line with the Main Market Listing Requirements, the Company has implemented and will continue to implement poll voting for all proposed resolutions set out in the notice of any general meeting. An independent scrutineer will also be appointed to validate the votes cast at any general meeting of the Company.

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation of Proceeds Raised from Corporate Proposal

The Company was listed on the Main Market Bursa Malaysia Securities Berhad on 19 December 2016. In conjunction with the listing, the Company undertook a public issue of 42,122,000 new ordinary shares ("Public Issue Shares") of RM0.50 each at an issue price of RM0.75 per share, raising gross proceeds of RM31.59 million. The status of the utilisation of the proceeds as at 31 December 2017 is as follows:

Purpose	Estimated timeframe for utilisation	Proposed utilisation RM	Actual utilisation RM	Deviation RM	Balance unutilised RM
Capital expenditure	Within 24 months	24,500,000	4,596,308	-	19,903,692
Working capital	Within 24 months	2,091,500	1,534,327	(557,173)	-
Estimated listing expenses	Within 3 months	5,000,000	5,557,173	557,173	-
<b>Total</b>		<b>31,591,500</b>	<b>11,687,808</b>	<b>-</b>	<b>19,903,692</b>

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 2. Material Contracts

During the financial year, the Group did not enter into any material contracts involving Directors' and major shareholders' interest other than as disclosed below:

- (i) On 1 August 2017, Rhone Ma Malaysia Sdn Bhd ("RMM"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Klanggroup Development Sdn Bhd for the acquisition of a semi-detached factory comprising one (1) mezzanine (store) and two (2)-storey office, bearing the postal address No. 21, Jalan Wawasan 2C/KU7, Sungai Kapar Indah, 42200 Kapar, Selangor for an aggregate consideration of RM5,588,000, which would be financed through a loan.
- (ii) On 12 December 2017, RMM received a signed amendment dated 8 December 2017 to the distribution agreement dated 7 November 2000 between RMM and Merial Societe Par Actions Simplifiee ("Merial") (as amended on 31 July 2001, 31 January 2003, 6 June 2003 and 23 July 2014) to replace the current products list with a new products list which excludes swine, poultry, ruminant and veterinary public health products. Pursuant to the amendment, RMM was required to sell all remaining inventory of the excluded swine, veterinary public health and ruminant products by 31 December 2017 and sell all remaining inventory of the excluded poultry products by 30 March 2018. RMM will continue to distribute companion animal products of Merial.

## 3. Recurrent Related Party Transactions

No recurrent related party transactions have been entered into by the Company or its subsidiaries during the financial year ended 31 December 2017.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## INTRODUCTION

The Malaysian Code on Corporate Governance requires the Board of Directors to establish and maintain a sound risk management and internal control system to safeguard shareholders' investments and the Group's assets. Guided by the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers, the Board is pleased to present this Statement on Risk Management and Internal Control of the Group pursuant to the Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

## BOARD RESPONSIBILITY

The Board of Directors recognises the importance of sound risk management and internal control practices to good corporate governance. The Board affirms its overall responsibility for the Group's risk management and internal control system which is fundamental to managing the principal risks which may impede the achievement of the Group's business and corporate objectives. This responsibility includes reviewing the adequacy and integrity of the system.

The Board however recognises that, due to inherent limitations in any internal control system, such system is designed to manage rather than eliminate risks that may impede the achievement of the Group's business and corporate objectives. In this regard, the systems and procedures put in place are aimed at minimising and managing risks. All aspects of financial, organisational, operational, compliance controls as well as risk management procedures are contained within this system of risk management and internal control.

## RISK MANAGEMENT

The Board understands that all areas of the Group's activities involve some degree of risk and recognises that business decisions involve the taking of appropriate risks. The ultimate objective is to balance those risks with the potential returns to shareholders. The Board is assisted by the Audit and Risk Management Committee in the oversight of the overall system of risk management of the Group.

The Group embraces risk management as a foundation of its business operations. It employs a risk management framework which sets out the Group's risk principles and strategies established to drive strong risk culture and consistent risk management practices across the Group. The risk management framework, policies, systems and processes are incessantly reviewed, refined and established to proactively manage risks to ensure that the Group's risk profile remains conservative and aligned to its risk appetite.

With its commitment to strong risk governance and implementation of sound risk management principles and best practices, the Group has been able to sustain its profitability without compromising on its asset quality. The Group has been practicing prudent trading practices and implementing risk initiatives to enhance the Group's vigilance and resilience to the risks faced by the Group.

The Management team led by the Group Managing Director also play an important role in the implementation of the Board's policies and procedures on risk management by identifying and assessing risks, making recommendations on how to manage, control and mitigate such risks, and continuously monitoring and reviewing the risks and its impact on the Group's operations.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to a professional service firm which is independent of the activities and operations of the Group to review the adequacy of the internal control system of the Group. The outsourced internal auditors, which report directly to the Audit and Risk Management Committee, conducted internal control assessment on the Group in order to identify potential areas with weak internal controls, non-compliance of policies and procedures and/or unsound business practices. The internal auditors prepare audit plans for presentation to the Audit and Risk Management Committee for approval wherein the scope of work encompasses management and operational audit of functions within the Group.

During the financial year, internal audit was performed on the following functions:

- (i) Sales and marketing;
- (ii) Credit control and collection;
- (iii) Production;
- (iv) Quality assurance; and
- (v) Inventory count.

Upon the completion of their review, the internal auditors presented their findings to the Audit and Risk Management Committee during quarterly meetings where the findings, recommendations, as well as Management's responses and action plans were deliberated.

## KEY ELEMENTS OF INTERNAL CONTROL

The key elements of the Group's internal control system include, among others, the following:

- Defined organisation structure with proper segregation of duties, responsibilities and authorities among the Directors, Management and employees;
- The Board had delegated certain of its responsibilities to the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee which undertake their duties and responsibilities in accordance to their delegated functions as set out in their respective terms of reference;
- Formalised Code of Conduct and Code of Ethics that set forth the standards by which the Group conducts its operations and Whistle-blower Policy that provides a channel for raising genuine concerns about possible improprieties or wrongdoing involving the Group or its Directors or employees;
- Standardised staff recruitment process and performance appraisal system, as well as structured training and development programs are in place to achieve the objective of ensuring staff are competent to carry out their duties and responsibilities;
- The Board and the Audit and Risk Management Committee meet on a quarterly basis to review the Group's performance and financial results and on an ad-hoc basis where the need arise to discuss matters raised by the Management; and
- Standard operating procedures which include policies and procedures within the Group are continuously reviewed and updated.



# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

## CONCLUSION

For the financial year under review, after due and careful assessment and based on information and assurances provided by the Group Managing Director and Group Finance Director, the Board is satisfied that the Group's system of risk management and internal control was operating adequately and effectively in all material respects throughout the financial year and up to the date of approval of this Statement by the Board for inclusion in the Annual Report. Measures are in place and continually being taken to ensure the ongoing adequacy and effectiveness of internal controls to safeguard shareholders' investments and the Group's assets.

There were no material losses, contingencies or uncertainties as a result of weaknesses in the risk management and internal control system that would require separate disclosures in this Annual Report. Nevertheless, the Board will continue to assess the adequacy and effectiveness of the Group's risk management and internal control system and to strengthen it, as and when required.

## REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with Recommended Practice Guide 5 (Revised) issued by the Malaysian Institute of Accountants. Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraph 41 & 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is it factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors on 17 April 2018.

# REPORT ON THE AUDIT AND RISK MANAGEMENT COMMITTEE

## COMPOSITION

The Audit and Risk Management Committee is established by the Board of Directors and comprises three (3) members, all whom are independent non-executive directors. The Committee is comprised of following members:

<b>Directors</b>	<b>Membership</b>
Teoh Chee Yong	Chairman
Martin Jeyaratnam A/L Thiagaraj	Member
Rahanawati Binti Ali Dawam	Member

## MEETINGS OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfil its duties. However, at least twice a year, the Committee shall meet with the external auditors and internal auditors without the presence of executive Board members and Management.

In addition, the Chairman may call a meeting of the Audit and Risk Management Committee if a request is made by any Committee member or the internal/external auditors.

The Company Secretary or other appropriate senior officer shall act as secretary of the Audit and Risk Management Committee and shall be responsible, in conjunction with the Chairman, for drawing up the agenda and circulating it, supported by explanatory documentation to Committee members prior to each meeting.

The secretary shall be responsible for keeping the minutes of meetings of the Audit and Risk Management Committee, and circulating them to Committee members and to the other members of the Board of Directors.

A quorum shall consist of a majority of independent directors.

The other Directors and employees attend any Audit and Risk Management Committee meeting upon invitation of the Committee.

The Audit and Risk Management Committee had six (6) meetings during the financial year ended 31 December 2017. The attendance of the Committee members is as follows:

<b>Committee members</b>	<b>Attendance</b>
Teoh Chee Yong	6/6
Martin Jeyaratnam A/L Thiagaraj	6/6
Rahanawati Binti Ali Dawam	6/6

# REPORT ON THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

## SUMMARY OF ACTIVITIES UNDERTAKEN BY THE AUDIT AND RISK MANAGEMENT COMMITTEE

The summary of activities carried out by the Audit and Risk Management Committee in discharging its functions and duties is laid out as follows:

### Financial Results

- (i) Reviewed the unaudited quarterly financial statements of the Group to ensure that they are in compliance with the requirements of the relevant authorities, prior to making a recommendation to the Board for their approval and release of the Group's results to Bursa Malaysia Securities Berhad;
- (ii) Reviewed the Annual Report and annual audited financial statements of the Group and of the Company prior to making a recommendation to the Board for their consideration and approval;
- (iii) Deliberation on changes in and implementation of accounting policies and practices to ensure compliance with accounting standards; and
- (iv) Deliberation on significant matters highlighted in the audited financial statements including financial reporting issues, key audit matters, significant judgements made by Management, significant and unusual events or transactions and how these matters are being addressed.

### External Auditors

- (i) Considered the re-appointment of external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit through an evaluation exercise, before making a recommendation to the Board for approval;
- (ii) Reviewed the audit plan of the external auditors in terms of their scope of audit prior to their commencement of the annual audit;
- (iii) Reviewed the external auditors' report in relation to audit and accounting issues, internal control issues and risk management and reported to the Board;
- (iv) Reviewed the external auditors' management letter together with Management's responses in ensuring that appropriate actions have been taken;
- (v) Met with the external auditors without the presence of the executive Board members and Management; and
- (vi) Reviewed the nature for the provision of non-audit services provided by the external auditors to the Group.



# REPORT ON THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

## Internal Auditors

- (i) Reviewed and approved the audit plan to ensure adequate scope and comprehensive coverage of the Group's activities;
- (ii) Reviewed the internal audit reports which outlined the recommendations towards correcting areas of weaknesses and ensure that there were management action plans established for the implementation of the internal auditors' recommendation;
- (iii) Reviewed the effectiveness of the internal auditors through an evaluation exercise;
- (iv) Met with the internal auditors without the presence of the executive Board members and Management; and
- (v) Deliberated on the change of internal auditors from Messrs CHI-LLTC to alphaOne Governance Sdn Bhd and reviewed the competency of internal audit personnel as well as the adequacy of resources of alphaOne Governance Sdn Bhd prior to their appointment as the new internal auditors.

## Risk Management and Internal Control

- (i) Reviewed the adequacy of the Group's risk management framework;
- (ii) Reviewed the effectiveness of the internal control systems through the review of the work performed by both the internal and external auditors and in discussion with the Management; and
- (iii) Reviewed and recommended corrective measures to mitigate risks.

## Related Party Transactions

Reviewed the related party transactions (if any) entered into by the Group to ensure that they were not detrimental to the interests of minority shareholders.

# REPORT ON THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

## INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an independent professional firm, which reports directly to the Audit and Risk Management Committee and assists the Board in monitoring and managing risks and internal controls. The function is designed to evaluate and enhance the risk management, controls and governance processes to assist Management in achieving its corporate goals. The total cost paid by the Group to the outsourced independent professional firm amounted to RM36,000 for the financial year ended 31 December 2017.

For the financial year under review, internal audit reviews were carried out in accordance with the approved internal audit plan which covered the adequacy and effectiveness of the operational controls in mitigating risks, compliance with established policies and procedures, authority limits and applicable laws.

The results of the reviews were formally reported to the Audit and Risk Management Committee. The internal audit reviews conducted did not reveal significant weaknesses which would result in material losses, contingencies or uncertainties that would require disclosure in the Annual Report.

Further details of the internal audit function are set out in the Statement on Risk Management and Internal Control on pages 69 to 71 of this Annual Report.

# DIRECTORS' RESPONSIBILITY STATEMENT

The Board is required by the Companies Act 2016 to present the financial statements for each financial year which have been made out in accordance with the applicable approved accounting standards and give a true and fair view of the state of affairs, the results and cash flows of the Group and the Company.

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2017, the appropriate accounting policies were used and applied consistently, adopted to include new and revised Malaysian Financial Reporting Standards where applicable. The Board is also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Directors are responsible for ensuring that the Company keeps proper accounting records which enable the financial position of the Group and the Company to be disclosed with reasonable accuracy and which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and irregularities.

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## DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

### PRINCIPAL ACTIVITY

The Company is principally an investment holding company and involved in the provision of management services. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit for the financial year	13,905,375	8,167,390

### DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

	<b>Company RM</b>
In respect of financial year ended 31 December 2016:	
Interim dividend of 2.00 sen per ordinary share, paid on 21 March 2017	3,320,000
Final dividend of 2.00 sen per ordinary share, paid on 13 July 2017	3,320,000
	<b>6,640,000</b>

On 15 January 2018, the Board of Directors declared a first interim dividend of 2.50 sen per ordinary share, amounting to RM4,150,000 in respect of the financial year ended 31 December 2017. The dividend was paid on 13 February 2018 to shareholders at the close of business on 29 January 2018. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

The Directors propose a final dividend of 2.50 sen per ordinary share, amounting to RM4,150,000 in respect of the financial year ended 31 December 2017, subject to the approval of members at the forthcoming Annual General Meeting. This dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

### RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act 2016 as disclosed in Note 12 to the financial statements.

### ISSUE OF SHARES AND DEBENTURES

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



## DIRECTORS' REPORT (CONTINUED)

### OPTIONS GRANTED OVER UNISSUED SHARES

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

### DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Dato' Hamzah Bin Mohd Salleh

Lim Ban Keong

Foong Kam Weng

Yip Lai Siong

Martin Jeyaratnam A/L Thiagaraj

Rahanawati Binti Ali Dawam

Teoh Chee Yong

#### Subsidiaries of Rhone Ma Holdings Berhad (excluding those who are already listed above)

Raymond Choo Pow Yoon

Lim Hang Chern

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			Balance as at 31.12.2017
	Balance as at 1.1.2017	Bought	Sold	
<b>Shares in the Company</b>				
<b>Direct interests:</b>				
Dato' Hamzah Bin Mohd Salleh	100,000	-	-	100,000
Lim Ban Keong	3,716,300	-	-	3,716,300
Martin Jeyaratnam A/L Thiagaraj	100,000	-	-	100,000
Rahanawati Binti Ali Dawam	50,000	-	-	50,000
Teoh Chee Yong	100,000	-	-	100,000

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS (Continued)

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows (continued):

	Number of ordinary shares			Balance as at 31.12.2017
	Balance as at 1.1.2017	Bought	Sold	
<b>Shares in the Company</b>				
<b>Indirect interests:</b>				
Lim Ban Keong*	84,856,400	-	-	84,856,400
Foong Kam Weng*	84,856,400	-	-	84,856,400
Yip Lai Siong*	84,856,400	-	-	84,856,400
<b>Shares in the ultimate holding company</b>				
<b>Blue Advantage Sdn. Bhd.</b>				
<b>Direct interests:</b>				
Lim Ban Keong	3,721	-	(98)	3,623
Foong Kam Weng	3,066	98	-	3,164
Yip Lai Siong	2,190	-	-	2,190

\* Deemed interest by virtue of their substantial interest in Blue Advantage Sdn. Bhd., pursuant to Section 8(4) of the Companies Act 2016 in Malaysia.

By virtue of their interests in the ordinary shares of the Company, Lim Ban Keong, Foong Kam Weng and Yip Lai Siong are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any beneficial interest in the ordinary shares of the Company or options over ordinary shares and debentures of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remunerations received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 26 to the financial statements and remuneration received by certain Directors as Directors of subsidiaries.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 26(c) to the financial statements.

### INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

No indemnity or insurance was given by the Group and the Company to any Director or officer of the Group and of the Company during the financial year.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

#### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
  - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

#### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

## DIRECTORS' REPORT (CONTINUED)

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Continued)

#### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (continued)

- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

#### (III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year are disclosed in Note 30 to the financial statements.

### SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 31 to the financial statements.

### HOLDING COMPANY

The Directors regard Blue Advantage Sdn. Bhd., a company incorporated in Malaysia, as the holding and ultimate holding company.

## DIRECTORS' REPORT (CONTINUED)

### AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

The details of auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 are disclosed in Note 19 to the financial statements.

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

.....  
**Lim Ban Keong**

Director

Kuala Lumpur  
17 April 2018

.....  
**Foong Kam Weng**

Director

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 89 to 162 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

.....  
**Lim Ban Keong**

Director

Kuala Lumpur

17 April 2018

.....  
**Foong Kam Weng**

Director

## STATUTORY DECLARATION

I, Chan Yan San, being the Officer primarily responsible for the financial management of Rhone Ma Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 89 to 162 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed at Kuala Lumpur this  
17 April 2018

.....  
**Chan Yan San (MIA 11673)**

Before me:

Baloo A/L T. Pichai (W 663)  
Commissioner for Oaths  
Kuala Lumpur

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHONE MA HOLDINGS BERHAD (INCORPORATED IN MALAYSIA)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Rhone Ma Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 89 to 162.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recoverability of trade receivables

As disclosed in Note 10 to the financial statements, trade receivables of the Group amounted to RM30,308,596 which include debts that are past due but not impaired of RM6,053,618.

Management recognises allowances for impairment losses on trade receivables based on historical trends and repayment patterns or specific known facts or circumstances that will affect the customers' abilities to pay.

The determination of whether the trade receivables are recoverable involves significant management judgement and inherent subjectivity regarding the ability of the trade receivables to settle their debts. We focused on the audit risk that the trade receivables may be overstated and hence, further impairment losses may be required.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHONE MA HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

### Key Audit Matters (Continued)

#### Audit response

Our audit procedures included the following:

- (i) reviewed the ageing analysis of trade receivables and tested the accuracy of the aging;
- (ii) assessed the recoverability of material outstanding trade receivables balances which were past due by inspecting sales transacted and receipts during the financial year; and
- (iii) assessed the effects of cash received subsequent to the end of the financial year in reducing balances which were past due at the financial year end.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

### Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in annual report but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

### Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company, or to cease operations, or have no realistic alternative but to do so.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHONE MA HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHONE MA HOLDINGS BERHAD (INCORPORATED IN MALAYSIA) (CONTINUED)

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

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO**

AF : 0206

Chartered Accountants

**Lim Chu Guan**

03296/03/2019 J

Chartered Accountant

17 April 2018

Kuala Lumpur

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	34,028,757	23,108,720	-	-
Investments in subsidiaries	8	-	-	69,719,001	63,219,001
		34,028,757	23,108,720	69,719,001	63,219,001
<b>Current assets</b>					
Inventories	9	28,299,470	23,758,272	-	-
Trade and other receivables	10	34,661,642	28,243,217	8,452,260	5,258,590
Current tax assets		-	22,306	-	-
Cash and bank balances	11	33,973,151	45,073,207	22,376,613	30,648,893
		96,934,263	97,097,002	30,828,873	35,907,483
<b>TOTAL ASSETS</b>		<b>130,963,020</b>	<b>120,205,722</b>	<b>100,547,874</b>	<b>99,126,484</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	12	92,114,235	83,000,000	92,114,235	83,000,000
Reserves	13	10,314,193	12,163,053	8,376,639	15,963,484
		102,428,428	95,163,053	100,490,874	98,963,484
<b>TOTAL EQUITY</b>		<b>102,428,428</b>	<b>95,163,053</b>	<b>100,490,874</b>	<b>98,963,484</b>

## STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2017 (CONTINUED)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	14	7,232,461	3,693,451	-	-
Deferred tax liabilities	15	411,188	275,813	-	-
		7,643,649	3,969,264	-	-
<b>Current liabilities</b>					
Trade and other payables	16	19,308,995	17,930,593	57,000	163,000
Borrowings	14	883,817	1,550,174	-	-
Current tax liabilities		698,131	1,592,638	-	-
		20,890,943	21,073,405	57,000	163,000
<b>TOTAL LIABILITIES</b>		<b>28,534,592</b>	<b>25,042,669</b>	<b>57,000</b>	<b>163,000</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>130,963,020</b>	<b>120,205,722</b>	<b>100,547,874</b>	<b>99,126,484</b>

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	17	137,488,068	119,195,312	8,450,000	12,000,000
Cost of sales		(97,928,748)	(83,793,491)	-	-
Gross profit		39,559,320	35,401,821	8,450,000	12,000,000
Other operating income		1,536,762	1,350,814	717,575	14,754
Distribution costs		(9,022,881)	(7,510,306)	-	-
Administrative expenses		(14,695,513)	(11,554,771)	(1,000,185)	(718,323)
Listing expenses		-	(4,140,908)	-	(4,140,908)
Finance costs	18	(315,482)	(326,320)	-	-
Profit before tax	19	17,062,206	13,220,330	8,167,390	7,155,523
Tax expense	20	(3,156,831)	(3,837,121)	-	-
Profit for the financial year		13,905,375	9,383,209	8,167,390	7,155,523
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		13,905,375	9,383,209	8,167,390	7,155,523
Total profit for the financial year and total comprehensive income attributable to:					
Owners of the parent		13,905,375	9,165,825	8,167,390	7,155,523
Non-controlling interest		-	217,384	-	-
		13,905,375	9,383,209	8,167,390	7,155,523

## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

		Group		Company	
	Note	2017 sen	2016 sen	2017 sen	2016 sen
Earnings per ordinary share attributable to equity holders of the parent:					
- Basic	21	8.38	7.31		
- Diluted	21	8.38	7.31		
Dividend per ordinary share in respect of the financial year:					
- First interim dividend (paid)	22	-	2.00	-	2.00
- Final dividend (paid)	22	-	2.00	-	2.00
- First interim dividend (paid)	22	2.50	-	2.50	-
- Final dividend (proposed)	22	2.50	-	2.50	-

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	[-----Non-distributable-----]				Distributable Retained earnings RM	Total attributable to owners of the parent RM	Non- controlling interests RM	Total equity RM
		Share capital RM	Share premium RM	Reorganisation debit balance RM					
Balance as at 1 January 2016		2,450,002	-	-	53,154,605	55,604,607	1,323,747	56,928,354	
Profit for the financial year		-	-	-	9,165,825	9,165,825	217,384	9,383,209	
Other comprehensive income, net of tax		-	-	-	-	-	-	-	
Total comprehensive income		-	-	-	9,165,825	9,165,825	217,384	9,383,209	
<b>Transactions with owners</b>									
Issuance of new ordinary shares	12	83,000,000	10,530,500	-	-	93,530,500	-	93,530,500	
Share issue expenses		-	(1,416,265)	-	-	(1,416,265)	-	(1,416,265)	
Acquisition of subsidiaries	8	(2,450,002)	-	(59,488,997)	-	(61,938,999)	-	(61,938,999)	
Acquisition of additional interest in a subsidiary	8	-	-	-	217,385	217,385	(1,541,131)	(1,323,746)	
Total transaction with owners		80,549,998	9,114,235	(59,488,997)	217,385	30,392,621	(1,541,131)	28,851,490	
Balance as at 31 December 2016		83,000,000	9,114,235	(59,488,997)	62,537,815	95,163,053	-	95,163,053	

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

Group	Note	[-----Non-distributable-----]			Distributable		Total equity RM
		Share capital RM	Share premium RM	Reorganisation debit balance RM	Retained earnings RM	RM	
Balance as at 1 January 2017		83,000,000	9,114,235	(59,488,997)	62,537,815	95,163,053	
Profit for the financial year		-	-	-	13,905,375	13,905,375	
Other comprehensive income, net of tax		-	-	-	-	-	
Total comprehensive income		-	-	-	13,905,375	13,905,375	
<b>Transaction with owners</b>							
Dividends paid	22	-	-	-	(6,640,000)	(6,640,000)	
Total transaction with owners		-	-	-	(6,640,000)	(6,640,000)	
Transfer pursuant to Companies Act 2016*		9,114,235	(9,114,235)	-	-	-	
Balance as at 31 December 2017		92,114,235	-	(59,488,997)	69,803,190	102,428,428	

\* Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.



## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	[-----Non-distributable-----]		Distributable	(Capital
		Share capital	Share premium	(Accumulated losses)/ Retained earnings	deficiency)/ Total equity
		RM	RM	RM	RM
Balance as at 1 January 2016		*	-	(306,274)	(306,274)
Profit for the financial year		-	-	7,155,523	7,155,523
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	7,155,523	7,155,523
<b>Transactions with owners</b>					
Issuance of new ordinary shares	12	83,000,000	10,530,500	-	93,530,500
Share issue expenses		-	(1,416,265)	-	(1,416,265)
Total transaction with owners		83,000,000	9,114,235	-	92,114,235
Balance as at 31 December 2016/ 1 January 2017		83,000,000	9,114,235	6,849,249	98,963,484
Profit for the financial year		-	-	8,167,390	8,167,390
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	8,167,390	8,167,390
<b>Transaction with owners</b>					
Dividends paid	22	-	-	(6,640,000)	(6,640,000)
Total transaction with owners		-	-	(6,640,000)	(6,640,000)
Transfer pursuant to Companies Act 2016 #		9,114,235	(9,114,235)	-	-
Balance as at 31 December 2017		92,114,235	-	8,376,639	100,490,874

# Pursuant to the Companies Act 2016, the credit balance in the share premium account has been transferred to the share capital account.

\* represent RM0.50

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		17,062,206	13,220,330	8,167,390	7,155,523
Adjustments for:					
Bad debt written off		3,281	-	-	-
Depreciation of property, plant and equipment	7	1,510,812	1,302,289	-	-
Dividend income		-	-	(8,450,000)	(12,000,000)
Gain on bargain purchase of subsidiaries	8	-	(486,031)	-	-
Gain on disposal of other investments		-	(18,300)	-	-
Impairment losses on trade and other receivables	10	28,366	-	-	-
Interest expense	18	315,482	326,320	-	-
Interest income	19	(878,558)	(123,933)	(717,575)	-
Inventories written off	9	905,143	203,623	-	-
Inventories written back	9	(117,385)	(407,999)	-	-
Loss on disposal of property, plant and equipment	7	8,010	800	-	-
Property, plant and equipment written off	7	3,361	900	-	-
Net unrealised (gain)/loss on foreign currency exchange		(523,613)	168,542	-	-
Operating profit/(loss) before changes in working capital		18,317,105	14,186,541	(1,000,185)	(4,844,477)
Changes in working capital:					
Inventories		(5,328,956)	(3,783,187)	-	-
Trade and other receivables		(6,450,280)	(352,778)	(260)	163,662
Trade and other payables		1,887,236	212,174	(106,000)	160,320
Cash generated from/(used in) operations		8,425,105	10,262,750	(1,106,445)	(4,520,495)
Tax paid		(3,947,913)	(3,846,870)	-	-
Tax refunded		54,256	527,263	-	-
Net cash from/(used in) operating activities		4,531,448	6,943,143	(1,106,445)	(4,520,495)

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of additional interest in a subsidiary	8	-	(1,323,746)	-	-
Acquisition of subsidiaries	8	-	(1,062,999)	-	(1,280,002)
Equity loan		-	-	(6,500,000)	-
Interest received	19	878,558	123,933	717,575	-
Proceeds from disposal of:					
- property, plant and equipment		22,396	4,000	-	-
- other investments		-	22,500	-	-
Purchase of property, plant and equipment	7	(8,044,616)	(316,824)	-	-
Net cash used in investing activities		(7,143,662)	(2,553,136)	(5,782,425)	(1,280,002)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Advances from subsidiaries		-	-	5,256,590	6,743,410
Dividends paid	22	(6,640,000)	-	(6,640,000)	-
Interest paid	18	(300,495)	(326,320)	-	-
Proceeds from issuance of shares		-	30,175,236	-	30,175,236
Repayment to related company		-	-	-	(474,222)
Repayment of:					
- hire purchase liabilities		(160,882)	(174,232)	-	-
- term loans		(1,386,465)	(1,406,561)	-	-
- bankers' acceptance		-	(1,189,162)	-	-
Net cash (used in)/from financing activities		(8,487,842)	27,078,961	(1,383,410)	36,444,424
Net (decrease)/increase in cash and cash equivalents		(11,100,056)	31,468,968	(8,272,280)	30,643,927
Cash and cash equivalents at beginning of financial year		45,073,207	13,604,239	30,648,893	4,966
Cash and cash equivalents at end of financial year	11	33,973,151	45,073,207	22,376,613	30,648,893

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

### RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group	
	Bank loans (Note 14) RM	Hire purchase creditors (Note 14) RM
As at 1 January 2017	4,813,263	430,362
Cash flows	(1,386,465)	(160,882)
Non-cash flows:		
- Purchase of property, plant and equipment	4,420,000	-
As at 31 December 2017	7,846,798	269,480

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017

### 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Lot 6.05, Level 6, KPMG Tower, No. 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor.

The principal place of business of the Company is located at Lot 18A & 18B, Jalan 241, Seksyen 51A, 46100 Petaling Jaya, Selangor.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 17 April 2018.

### 2. PRINCIPAL ACTIVITY

The Company is principally an investment holding company and involved in the provision of management services. The principal activities of the subsidiaries are set out in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 5 to the financial statements.

Prior to the listing of the ordinary shares of the Company on the Main Market of Bursa Malaysia, the Company was incorporated as a holding company merely to effect the reorganisation of the existing Rhone Ma Malaysia Sdn. Bhd. ("RMM") (including its direct subsidiaries) ("RMM Group") without any changes to the economic substance of the existing RMM Group. Hence, the business combination for RMM has been accounted as a reverse acquisition accounting by analogy in accordance with MFRS 3 *Business Combination* and the Company is regarded as the accounting acquiree while RMM is the accounting acquirer.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 3. BASIS OF PREPARATION (continued)

Details of the reorganisation of RMM are disclosed in Note 8 to the financial statements.

The consolidated financial statements of the Group represent the continuation of the financial statements of RMM that reflect:

- (i) The results from the beginning of the accounting period to the date of the combination as those of the RMM Group;
- (ii) The assets and liabilities of RMM Group being recognised and measured in the financial statements at their pre-combination carrying amounts without restatement to fair values;
- (iii) The retained earnings and other equity balances of RMM Group immediately before the combination are those of the RMM Group; and
- (iv) The equity structure, however, reflects that of the Company, including the equity instruments issued to effect the acquisition with the difference between the issued equity of the Company and the issued equity of RMM amounting to RM59,488,997 being recorded under the equity component as "reorganisation debit balance".

The detailed implications of the above accounting treatment are as follows:

##### **Consolidated Statements of Profit or Loss and Other Comprehensive Income**

- The Consolidated Statements of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2016 comprises the Company's and RMM Group's results for the nine (9) months from 1 January 2016 to 28 September 2016 (the date of business combination) and the Group's results for the three (3) months from 29 September 2016 to 31 December 2016.

##### **Consolidated Statements of Financial Position**

- The Consolidated Statements of Financial Position as at 31 December 2016 represents the financial position of the Group after reflecting the effects of the acquisitions during the financial year.

##### **Consolidated Statements of Changes in Equity**

- The Consolidated Statements of Changes in Equity for the financial year ended 31 December 2016 comprises:
  - the equity balances of the Company and RMM Group at the beginning of the financial year.
  - the transactions for the financial year, being the Company's and RMM Group's transactions for the nine (9) months from 1 January 2016 to 28 September 2016 (the date of business combination) and the Group's results for the three (3) months from 29 September 2016 to 31 December 2016.
  - the equity balances of the Group at the end of the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 3. BASIS OF PREPARATION (continued)

The detailed implications of the above accounting treatment are as follows (continued):

#### **Consolidated Statements of Profit or Loss and Other Comprehensive Income**

- The Consolidated Statements of Cash Flows for the financial year ended 31 December 2016 comprises:
  - the cash and cash equivalent balances of the Company and RMM Group at the beginning of the financial year.
  - the transactions for the financial year, being the Company's and RMM Group's transactions for the nine (9) months from 1 January 2016 to 28 September 2016 (the date of business combination) and the Group's transactions for the three (3) months from 29 September 2016 to 31 December 2016.
  - the cash and cash equivalent balances of the Group at the end of the financial year.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### **4.1 Basis of accounting**

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

The preparation of these financial statements in conformity with MFRSs and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

#### **4.2 Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.2 Basis of consolidation (continued)

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual agreements; and
- (c) the voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions are also eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statements of profit or loss and other comprehensive income and within equity in the consolidated statements of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed off during the financial year are included in the statements of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.2 Basis of consolidation (continued)

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed off. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

#### 4.3 Business combinations

Business combinations are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity.
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 139 are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 139. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.3 Business combinations (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the consolidated statements of financial position.

##### 4.4 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the subsequent costs would flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has a different useful life, is depreciated separately.

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

Depreciation is calculated to write off the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation periods and rates are as follows:

Long term leasehold land	66 to 67 years
Buildings on long term leasehold land	50 years
Good Manufacturing Practices ("GMP") plant and equipment	10%
Furniture and fittings	10%
Motor vehicles	25%
Laboratory equipment	10%
Office and computer equipment	10% - 25%
Product applicator and vaccination equipment	20%
Renovations	20%

Freehold land has unlimited useful life and is not depreciated.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.4 Property, plant and equipment and depreciation (continued)

Capital work-in-progress represent buildings and plant and equipment under construction. Capital work-in-progress are not depreciated until such time when the assets are available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.7 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

#### 4.5 Lease and hire purchase

##### (a) Hire purchase

Assets acquired under hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the incremental borrowing rate of the Group is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining hire purchase liabilities.

##### (b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.5 Lease and hire purchase (continued)

###### (c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

##### 4.6 Investments

###### Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

##### 4.7 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), and inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill or intangible asset might be impaired.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.7 Impairment of non-financial assets (continued)

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, to reduce the carrying amount of other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss on an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

#### 4.8 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out formula. Cost comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition.

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

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristic and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

##### (a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

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

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as fair value through profit or loss are recognised in profit or loss.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.9 Financial instruments (continued)

##### (a) Financial assets (continued)

##### (ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

##### (iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as loans and receivables are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

##### (iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the right of the Group to receive payment is established.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.9 Financial instruments (continued)

(a) Financial assets (continued)

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as fair value through profit or loss are recognised in profit or loss.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.9 Financial instruments (continued)

###### (b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expired. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

###### (c) Equity

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

##### **Before 31 January 2017**

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.9 Financial instruments (continued)

(c) Equity (continued)

###### After 31 January 2017

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution.

On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

##### 4.10 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

(a) Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

(b) Available-for-sale financial assets

The Group collectively considers factors such as significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market as objective evidence that available-for-sale financial assets are impaired.

If any such objective evidence exists, an amount comprising the difference between the financial asset's cost (net of any principal payment and amortisation) and current fair value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Instead, any increase in the fair value subsequent to the impairment loss is recognised in other comprehensive income.

Impairment losses on available-for-sale debt investments are subsequently reversed to profit or loss if the increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

##### 4.11 Borrowing costs

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

##### 4.12 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties, if any.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.12 Income taxes (continued)

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits could be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government in the annual budgets which have the substantive effect of actual enactment by the end of each reporting period.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.13 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions for restructuring are recognised when the Group has approved a detailed formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

#### 4.14 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.15 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

##### 4.16 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in RM, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the activities of the Group as follows:

(a) Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods has been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

(b) Services

Revenue in respect of the rendering of services is recognised upon completion of service.

(c) Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

(d) Interest income

Interest income is recognised on time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

##### 4.18 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.18 Operating segments (continued)

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
  - (i) the combined reported profit of all operating segments that did not report a loss; and
  - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

##### 4.19 Earnings per share

- (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

- (b) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 4.20 Fair value measurements

The fair value of an asset or a liability, except for lease transactions is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the assets; and
- (b) Restrictions, if any, on the sale or use of the asset.

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

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

#### 5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

##### (a) New MFRSs adopted during the financial year

The Group and Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

##### (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable in future financial years.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Recoverability of trade receivables

Management recognises allowances for impairment losses on trade receivables based on specific known facts or circumstances or customers' abilities to pay.

The determination of whether the trade receivables are recoverable involves significant management judgement and inherent subjectivity given uncertainty regarding the ability of the trade receivables to settle their debts. Management focused on the risk that the trade receivables may be overstated and hence, further impairment losses may be required.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 7. PROPERTY, PLANT AND EQUIPMENT

Group	Balance	Additions	Disposal	Written	Depreciation	Balance
	as at 1.1.2017		RM	off	charge for the financial year	as at 31.12.2017
	RM	RM	RM	RM	RM	RM
<b>Carrying amount</b>						
Freehold land	8,512,003	3,648,640	-	-	-	12,160,643
Long term leasehold land	9,837,698	950,200	-	-	(190,271)	10,597,627
Buildings on long term leasehold land	1,662,165	2,941,409	-	-	(103,286)	4,500,288
GMP plant and equipment	739,794	-	-	-	(307,214)	432,580
Furniture and fittings	67,422	3,710	-	-	(18,673)	52,459
Motor vehicles	436,635	78,000	-	-	(320,693)	193,942
Laboratory equipment	1,519,334	43,143	-	-	(396,199)	1,166,278
Office and computer equipment	264,361	222,650	-	(3,361)	(106,312)	377,338
Product applicator and vaccination equipment	50,895	202,192	(30,406)	-	(53,456)	169,225
Renovations	18,413	-	-	-	(14,708)	3,705
Capital work-in-progress	-	4,374,672	-	-	-	4,374,672
	23,108,720	12,464,616	(30,406)	(3,361)	(1,510,812)	34,028,757

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 7. PROPERTY, PLANT AND EQUIPMENT (continued)

	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	12,160,643	-	12,160,643
Long term leasehold land	11,510,200	(912,573)	10,597,627
Buildings on long term leasehold land	4,781,409	(281,121)	4,500,288
GMP plant and equipment	3,070,502	(2,637,922)	432,580
Furniture and fittings	465,218	(412,759)	52,459
Motor vehicles	1,639,124	(1,445,182)	193,942
Laboratory equipment	4,424,257	(3,257,979)	1,166,278
Office and computer equipment	1,776,216	(1,398,878)	377,338
Product applicator and vaccination equipment	236,339	(67,114)	169,225
Renovations	4,135,312	(4,131,607)	3,705
Capital work-in-progress	4,374,672	-	4,374,672
	48,573,892	(14,545,135)	34,028,757

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Balance	Additions	Disposal	Written off	Depreciation charge for the financial year	Acquisition of a subsidiary	Balance
	as at 1.1.2016						as at 31.12.2016
	RM	RM	RM	RM	RM	RM	RM
<b>Carrying amount</b>						(Note 8)	
Freehold land	8,356,111	155,892	-	-	-	-	8,512,003
Long term leasehold land	10,018,274	-	-	-	(180,576)	-	9,837,698
Buildings on long term leasehold land	1,706,623	-	-	-	(44,458)	-	1,662,165
GMP plant and equipment	1,047,909	-	-	(900)	(307,215)	-	739,794
Furniture and fittings	89,502	1,260	-	-	(24,645)	1,305	67,422
Motor vehicles	659,959	78,985	-	-	(302,309)	-	436,635
Laboratory equipment	514,640	-	-	-	(291,921)	1,296,615	1,519,334
Office and computer equipment	309,792	78,317	(4,800)	-	(118,948)	-	264,361
Product applicator and vaccination equipment	66,034	2,370	-	-	(17,509)	-	50,895
Renovations	33,121	-	-	-	(14,708)	-	18,413
	22,801,965	316,824	(4,800)	(900)	(1,302,289)	1,297,920	23,108,720

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 7. PROPERTY, PLANT AND EQUIPMENT (continued)

	←----- As at 31.12.2016 ----->		
	Cost RM	Accumulated depreciation RM	Carrying amount RM
Freehold land	8,512,003	-	8,512,003
Long term leasehold land	10,560,000	(722,302)	9,837,698
Buildings on long term leasehold land	1,840,000	(177,835)	1,662,165
GMP plant and equipment	3,070,502	(2,330,708)	739,794
Furniture and fittings	461,508	(394,086)	67,422
Motor vehicles	1,561,124	(1,124,489)	436,635
Laboratory equipment	4,381,114	(2,861,780)	1,519,334
Office and computer equipment	1,627,359	(1,362,998)	264,361
Product applicator and vaccination equipment	87,558	(36,663)	50,895
Renovations	4,135,312	(4,116,899)	18,413
	36,236,480	(13,127,760)	23,108,720

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 7. PROPERTY, PLANT AND EQUIPMENT (continued)

- (a) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2017	2016
	RM	RM
Purchase of property, plant and equipment	12,464,616	316,824
Financed by term loan	(4,420,000)	-
Cash payments on purchase of property, plant and equipment	8,044,616	316,824

- (b) The carrying amount of property, plant and equipment of the Group under hire purchase at the end of the reporting period are as follows:

	Group	
	2017	2016
	RM	RM
Motor vehicles	95,948	347,396

Details of the hire purchase arrangements are disclosed in Note 14 to the financial statements.

- (c) As at the end of the reporting period, freehold land, long term leasehold land and buildings on long term leasehold land with a carrying amount of RM12,160,643, RM10,597,627 and RM4,500,288 respectively (2016: RM8,512,003, RM9,837,698 and RM1,662,165 respectively) have been charged to banks for credit facilities granted to the Group as disclosed in Note 14 to the financial statements.

#### 8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
	RM	RM
Unquoted equity shares, at cost	63,219,001	63,219,001
Equity loan to subsidiary	6,500,000	-
	69,719,001	63,219,001

- (a) Investments in subsidiaries are stated in the Company's separate financial statements at cost.
- (b) Equity loan to subsidiary is unsecured, interest-free and settlement is neither planned nor likely to occur in the foreseeable future for the purposes of providing the subsidiary with a long term source of additional capital.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 8. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective interest in equity		Principal activities
		2017 %	2016 %	
Rhone Ma Malaysia Sdn. Bhd. ("RMM")	Malaysia	100%	100%	Marketing, trading, distribution and manufacturing of animal health products and the provision of veterinary advisory services
Asia-Pacific Special Nutrients Sdn. Bhd. ("APSN")	Malaysia	100%	100%	Engaged in undertaking research and development activities related to animal health, food safety and agriculture and trading in animal health products
Link Ingredients Sdn. Bhd. ("LINK")	Malaysia	100%	100%	Engaged in distribution and supply of food ingredients
Vet Food Agro Diagnostics (M) Sdn. Bhd. ("VFAD")	Malaysia	100%	100%	Provision of diagnostic laboratory analyses and consultation services to the veterinary, agriculture and food industries
<b>Subsidiary of APSN</b>				
APSN Biotech Sdn. Bhd.	Malaysia	100%	-	Trading in biotechnology and animal health products and provision of related services

(d) On 20 January 2017, APSN, a wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary known as APSN Biotech Sdn. Bhd. and whose intended principal activities comprise trading in biotechnology and animal health products and the provision of related services.

(e) During the financial year ended 31 December 2016, prior to the listing of the ordinary shares of the Company on the Main Market of Bursa Malaysia, the Company was incorporated to effect a series of internal reorganisation exercise of RMM, which entailed the following:

(i) On 28 September 2016, the issued and paid-up capital of the Company was increased from RM1 to RM61,939,000 by way of the issuance of 123,877,998 new ordinary shares for the acquisition of the entire equity interest in RMM.

Upon completion of the acquisition, the Company became the legal parent of RMM. RMM has been identified as the accounting acquirer under the concept of reverse acquisition accounting by analogy pursuant to MFRS 3 since the substance of the business combination is that RMM acquired the Company in a reverse acquisition.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 8. INVESTMENTS IN SUBSIDIARIES (continued)

(e) During the financial year ended 31 December 2016, prior to the listing of the ordinary shares of the Company on the Main Market of Bursa Malaysia, the Company was incorporated to effect a series of internal reorganisation exercise of RMM, which entailed the following (continued):

(i) On consolidation, the reorganisation debit balance arising from the reverse acquisition accounting by analogy comprises:

	<b>RM</b>
New ordinary shares issued by the Company to acquire RMM	61,938,999
Reversal of issued and paid-up share capital of RMM pursuant to the reorganisation	(2,450,002)
Reorganisation debit balance	<u>59,488,997</u>

(ii) On 29 September 2016, RMM completed the following acquisitions:

(1) Acquisition of the remaining equity interest in LINK not already owned by RMM from a Director of RMM for a cash consideration of RM1,323,746. Consequently, RMM holds 100% equity interest in LINK.

The effects of the acquisition of LINK on the cash flows of the Group are as follows:

	<b>RM</b>
Net assets acquired from non-controlling interest	1,541,131
Gains on consolidation recognised in equity	(217,385)
Net cash outflow on acquisition of additional equity interests in LINK	<u>1,323,746</u>

(2) Acquisition of the entire equity interest in VFAD for a cash consideration of RM2,332,119. Consequently, RMM holds 100% equity interest in VFAD.

• The fair values of the identifiable assets and liabilities of VFAD as at the date of acquisition are as follows:

	<b>RM</b>
Property, plant and equipment	1,297,920
Trade and other receivables	415,472
Cash and bank balances	1,269,120
Current tax asset	43,418
Deferred tax liabilities	(88,040)
Trade and other payables	(119,740)
Total identifiable net assets	<u>2,818,150</u>
Gain on bargain purchase from the acquisition of a subsidiary	(486,031)
Total cost of acquisition	<u>2,332,119</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 8. INVESTMENTS IN SUBSIDIARIES (continued)

(e) During the financial year ended 31 December 2016, prior to the listing of the ordinary shares of the Company on the Main Market of Bursa Malaysia, the Company was incorporated to effect a series of internal reorganisation exercise of RMM, which entailed the following (continued):

(ii) On 29 September 2016, RMM completed the following acquisitions (continued):

(2) Acquisition of the entire equity interest in VFAD for a cash consideration of RM2,332,119. Consequently, RMM holds 100% equity interest in VFAD (continued).

- The effects of the acquisition of VFAD on the cash flows of the Group are as follows:

	RM
Total cost of acquisition	2,332,119
Cash and cash equivalents of subsidiary acquired	(1,269,120)
Net cash outflow of the Group on acquisition	<u>1,062,999</u>

(iii) On 29 September 2016, the Company completed the following acquisitions:

- Acquisition of the entire equity interest in APSN from RMM for a cash consideration of RM1,000,002.
- Acquisition of the entire equity interest in LINK from RMM for a cash consideration of RM250,000.
- Acquisition of the entire equity interest in VFAD from RMM for a cash consideration of RM30,000.

Consequently, RMM, APSN, LINK and VFAD became wholly-owned subsidiary companies of the Company.

#### 9. INVENTORIES

	2017 RM	Group 2016 RM
<b>At cost</b>		
Trading goods	14,851,510	13,205,479
Finished goods	6,780,317	5,888,042
Raw materials	6,403,983	4,427,724
Packaging materials	263,660	237,027
	<u>28,299,470</u>	<u>23,758,272</u>

Cost of inventories of the Group recognised as an expense during the financial year amounted to RM95,014,084 (2016: RM81,212,940).

During the financial year, the Group has written off inventories amounting to RM905,143 (2016: RM203,623) and reversed RM117,385 (2016: RM407,999) in respect of inventories written down in previous financial years, which were subsequently not required as the Group was able to sell those inventories above their carrying amounts.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade receivables</b>				
Third parties	30,308,596	26,106,329	-	-
Less: Impairment losses	(247,607)	(219,241)	-	-
	30,060,989	25,887,088	-	-
<b>Other receivables</b>				
Deposits	472,984	423,124	2,260	2,000
Other receivables	2,869,122	1,617,902	8,450,000	5,256,590
	3,342,106	2,041,026	8,452,260	5,258,590
<b>Loans and receivables</b>	33,403,095	27,928,114	8,452,260	5,258,590
<b>Prepayments</b>	1,258,547	315,103	-	-
	34,661,642	28,243,217	8,452,260	5,258,590

- (a) Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranged from 30 to 90 days (2016: 30 to 90 days) from the date of invoice. They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.
- (b) Included in other receivables of the Company are amounts owing by subsidiaries amounting to RM8,450,000 (2016: RM5,256,590) which represent payments on behalf net of dividend income received from subsidiaries which are interest free, unsecured and payable upon demand in cash and cash equivalents.
- (c) The currency exposure profiles of trade and other receivables (exclude prepayments) are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	31,829,538	27,442,519	8,452,260	5,258,590
US Dollar	1,569,496	111,434	-	-
Euro	-	367,488	-	-
Singapore Dollar	4,061	6,673	-	-
	33,403,095	27,928,114	8,452,260	5,258,590

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 10. TRADE AND OTHER RECEIVABLES (continued)

(d) The ageing analysis of trade receivables are as follows:

	Group	
	2017	2016
	RM	RM
Neither past due nor impaired	24,007,371	12,838,042
Past due, but not impaired:		
1 to 30 days	2,418,628	7,224,176
31 to 60 days	1,454,310	4,055,491
61 to 90 days	841,922	1,197,099
91 to 120 days	519,963	135,427
More than 120 days	818,795	436,853
	6,053,618	13,049,046
Past due and impaired	247,607	219,241
	30,308,596	26,106,329

##### Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Majority of the trade receivables of the Group arose from recurring business with the Group.

##### Receivables that are past due but not impaired

At the end of the reporting period, majority of the trade receivables of the Group are active corporate customers with healthy business relationship, in which the management is of the view that the amounts are recoverable based on their payments history. The trade receivables of the Group that are past due but not impaired are unsecured in nature.

##### Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Group	
	Individually impaired	
	2017	2016
	RM	RM
Trade receivables, gross	247,607	219,241
Less: Impairment losses	(247,607)	(219,241)
	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 10. TRADE AND OTHER RECEIVABLES (continued)

(e) The reconciliation of movements in the impairment losses of trade receivables are as follows:

	Group	
	2017 RM	2016 RM
At 1 January	219,241	219,241
Charge for the financial year	28,366	-
At 31 December	247,607	219,241

(f) Information on the financial risk of trade and other receivables is disclosed in Note 29 to the financial statements.

#### 11. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	12,335,760	42,363,207	5,127,521	30,648,893
Deposits with licensed banks (maturity not more than three (3) months)	21,637,391	2,710,000	17,249,092	-
	33,973,151	45,073,207	22,376,613	30,648,893

(a) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	32,778,836	43,950,121	22,376,613	30,648,893
US Dollar	1,194,315	1,123,086	-	-
	33,973,151	45,073,207	22,376,613	30,648,893

(b) Information on the financial risk of cash and bank balances is disclosed in Note 29 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 12. SHARE CAPITAL

##### Issued and fully paid

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
As at 1 January	166,000,000	83,000,000	2,450,002	2,450,002
Adjustment on reverse acquisition accounting by analogy on 28 September 2016	-	-	(2,450,002)	(2,450,002)
- elimination of RMM's authorised share capital	-	-	2	*
- restated to the Company's authorised ordinary share capital	-	-	2	*
Issuance of new ordinary shares	166,000,000	83,000,000	4	1
Share consolidation during the financial year	-	-	(2)	-
Issuance of new ordinary shares	-	-	123,877,998	61,938,999
- for acquisition of RMM	-	-	42,122,000	21,061,000
- for Initial Public Offering	-	-	-	-
Transfer from share premium account pursuant to Companies Act 2016	-	9,114,235	-	-
As at 31 December	166,000,000	92,114,235	166,000,000	83,000,000

\* represent RM0.50

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 12. SHARE CAPITAL (continued)

- (a) During the financial year ended 31 December 2016:
- (i) On 27 January 2016, the issued and paid-up capital of the Company was increased from RM0.50 to RM1 by way of the issuance of two (2) new ordinary shares of RM0.50. Thereafter, on 28 January 2016, the Company undertook a share consolidation of its issued and paid up share capital by way of consolidating every two (2) existing shares of RM0.50 into one (1) new ordinary share of RM1.
- (ii) On 28 September 2016, the issued and paid-up capital of the Company was increased from RM1 to RM61,939,000 by way of the issuance of 123,877,998 new ordinary shares of RM61,938,999 for the acquisition of the entire equity interest in RMM.
- (iii) On 19 December 2016, the issued and paid-up share capital of the Company was increased from RM61,939,000 to RM83,000,000 by way of the issuance of 42,122,000 new ordinary shares of RM21,061,000 at an issue price of RM31,591,500 for cash pursuant to the Initial Public Offering.
- (b) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank *pari passu* with regard to the residual assets of the Company.
- (c) With the introduction of the Companies Act 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM9,114,235 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the member as a result of this transition.

#### 13. RESERVES

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-distributable</b>					
Share premium	(a)	-	9,114,235	-	9,114,235
Reorganisation debit balance	(b)	(59,488,997)	(59,488,997)	-	-
		(59,488,997)	(50,374,762)	-	9,114,235
<b>Distributable</b>					
Retained earnings		69,803,190	62,537,815	8,376,639	6,849,249
		10,314,193	12,163,053	8,376,639	15,963,484



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 13. RESERVES (continued)

(a) **Share premium**

With the introduction of the Companies Act 2016 effective 31 January 2017, the balance within the share premium account has been transferred to the share capital account as disclosed in Note 12 to the financial statements.

(b) **Reorganisation debit balance**

The reorganisation debit balance arose from the acquisition of RMM in the previous financial year based on the difference between the share capital issued by the Company and the share capital issued by RMM amounting to RM59,488,997.

#### 14. BORROWINGS

	Group	
	2017	2016
	RM	RM
<b>Current liabilities</b>		
Hire purchase creditors (Note 14(e))	171,645	163,434
Term loans (secured)	712,172	1,386,740
	883,817	1,550,174
<b>Non-current liabilities</b>		
Hire purchase creditors (Note 14(e))	97,835	266,928
Term loans (secured)	7,134,626	3,426,523
	7,232,461	3,693,451
	8,116,278	5,243,625
<b>Total borrowings</b>		
Hire purchase creditors (Note 14(e))	269,480	430,362
Term loans (secured)	7,846,798	4,813,263
	8,116,278	5,243,625

(a) Borrowings are denominated in RM.

(b) Term loans of the Group are secured by a charge over the Group's freehold land, long term leasehold land and buildings on long term leasehold land with a carrying amount of RM12,160,643, RM10,597,627 and RM4,500,288 respectively (2016: RM8,512,003, RM9,837,698 and RM1,662,165 respectively) as disclosed in Note 7 to the financial statements and corporate guarantees by the Company.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 14. BORROWINGS (continued)

- (c) The term loans are repayable in 120 monthly instalments of RM44,753 and RM45,640 commencing from November 2015 and January 2018 respectively, which are subject to an effective rate of interest of 4.42% (2016: 4.84%) per annum. There are no fixed repricing periods for these loans.
- (d) Information on financial risks of borrowings and their remaining maturity is disclosed in Note 29 to the financial statements.
- (e) Details of hire purchase creditors are as follows:

	Group	
	2017	2016
	RM	RM
<b>Future minimum lease payments:</b>		
Not later than one (1) year	179,489	181,752
Later than one (1) year and not later than five (5) years	122,735	304,734
Total future minimum lease payments	302,224	486,486
Less: Future interest charges	(32,744)	(56,124)
Present value of hire purchase creditors	269,480	430,362
Repayable as follows:		
<b>Current liabilities</b>		
- not later than one (1) year	171,645	163,434
<b>Non-current liabilities</b>		
- later than one (1) year and not later than five (5) years	97,835	266,928
	269,480	430,362

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 15. DEFERRED TAX

- (a) The deferred tax liabilities are made up of the following:

	Group	
	2017 RM	2016 RM
Balance as at 1 January	275,813	278,268
Acquisition of subsidiaries (Note 8)	-	88,040
	275,813	366,308
Recognised in profit or loss (Note 20)		
- current year	17,269	(65,067)
- prior years	118,106	(25,428)
Balance as at 31 December	411,188	275,813

- (b) The components and movements of deferred tax liabilities during the financial year are as follows:

	Group	
	2017 RM	2016 RM
<b>Deferred tax liabilities</b>		
At 1 January	275,813	278,268
Acquisition of subsidiaries	-	88,040
Recognised in profit or loss:		
- Property, plant and equipment	135,375	(90,495)
At 31 December	411,188	275,813

- (c) The amounts of temporary differences for which no deferred tax assets have been recognised in the statements of financial position are as follows:

	Group	
	2017 RM	2016 RM
Property, plant and equipment	3,950	-

Deferred tax assets of the Group have not been recognised as it is not probable that future taxable profits of a subsidiary would be available against which the deductible temporary differences could be utilised.

The deductible temporary differences do not expire under current tax legislation.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade payables</b>				
Third parties	14,899,450	14,634,257	-	-
<b>Other payables</b>				
Other payables	1,286,254	1,319,153	-	-
Accruals	3,123,291	1,977,183	57,000	163,000
	4,409,545	3,296,336	57,000	163,000
	<u>19,308,995</u>	<u>17,930,593</u>	<u>57,000</u>	<u>163,000</u>

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 90 days (2016: 30 to 90 days) from the date of invoice.

(b) The currency exposure profiles of trade and other payables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	4,883,114	3,877,232	57,000	163,000
Thai Baht	-	16,041	-	-
US Dollar	6,072,702	6,287,955	-	-
Euro	8,353,179	7,749,365	-	-
	<u>19,308,995</u>	<u>17,930,593</u>	<u>57,000</u>	<u>163,000</u>

(c) Information on financial risks of trade and other payables is disclosed in Note 29 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 17. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sales of goods	130,647,381	118,255,075	-	-
Services rendered	6,840,687	940,237	-	-
Dividend income	-	-	8,450,000	12,000,000
	<u>137,488,068</u>	<u>119,195,312</u>	<u>8,450,000</u>	<u>12,000,000</u>

#### 18. FINANCE COSTS

	Group	
	2017 RM	2016 RM
Interest expenses on:		
Term loans	206,509	268,269
Bankers' acceptances	14,932	31,953
Bank overdraft	73,171	5,230
Hire purchase	20,870	20,868
	<u>315,482</u>	<u>326,320</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 19. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, the profit before tax is arrived at:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax is arrived at after charging:				
Auditors' remuneration				
- statutory	142,000	125,000	42,000	39,000
- others	13,000	157,000	13,000	157,000
Bad debt written off	3,281	-	-	-
Inventories written off	905,143	203,623	-	-
Listing expenses written off	-	4,140,908	-	4,140,908
Rental of premises	468,540	466,799	-	-
Loss on foreign currency translations:				
- realised	790,120	355,477	-	-
- unrealised	-	168,542	-	-
And crediting:				
Dividend income from subsidiaries	-	-	8,450,000	12,000,000
Gain on disposal of other investments	-	18,300	-	-
Interest income on deposits with licensed banks	878,558	123,933	717,575	-
Unrealised gain on foreign currency translations	523,613	-	-	-
Inventories written back	117,385	407,999	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 20. TAX EXPENSE

	Group	
	2017	2016
	RM	RM
Current tax expense based on profit for the financial year:		
- current year provision	3,237,495	4,191,299
- over-provision in prior years	(216,039)	(263,683)
	3,021,456	3,927,616
Deferred tax (Note 15):		
Origination/(Reversal) of temporary differences	17,269	(65,067)
Under/(Over)-provision in prior years	118,106	(25,428)
	135,375	(90,495)
	3,156,831	3,837,121

- (a) There is no tax charge on the Company for the current and previous financial years as the Company does not have any chargeable income.
- (b) The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the fiscal year.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 20. TAX EXPENSE (Continued)

- (c) The reconciliation of income tax expenses applicable to profit before tax at the statutory tax rate to income tax expenses at the effective tax rates of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit before tax	17,062,206	13,220,330	8,167,390	7,155,523
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	4,094,929	3,172,879	1,960,174	1,717,326
Tax effects in respect of:				
Non-allowable expenses	362,721	1,516,072	67,826	1,162,674
Non-taxable income	(1,118,834)	(465,120)	(2,028,000)	(2,880,000)
Differential in tax rates	(85,000)	(80,000)	-	-
Deferred tax assets not recognised	948	-	-	-
Utilisation of unabsorbed capital allowances not recognised in prior years	-	(17,599)	-	-
	3,254,764	4,126,232	-	-
Over-provision of tax expense in prior year	(216,039)	(263,683)	-	-
Under/(Over)-provision of deferred tax in prior years	118,106	(25,428)	-	-
	3,156,831	3,837,121	-	-

- (d) A subsidiary of the Group is an approved BioNexus status company and has been granted 100% income tax exemption on the statutory income for a period of ten (10) years from the first year the company derives taxable statutory income under the Income Tax (Exemption) (No.17) Order 2007 effective 23 July 2007. The first year whereby the abovementioned subsidiary commences to derive taxable statutory income was in the year 2011; thus the ten (10) years period commenced from the year 2011 until the year 2020.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 21. EARNINGS PER SHARE

(a) **Basic**

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Profit attributable to equity holders of the parent (RM)	13,905,375	9,165,825
Weighted average number of ordinary shares in issue	166,000,000	125,374,135 <sup>(i)</sup>
Basic earnings per ordinary share (sen)	8.38	7.31

(i) Based on the weighted average of 123,877,998 ordinary shares issued by the Company to the owners of the legal subsidiary (i.e. RMM) for the reverse acquisition and 42,122,000 ordinary shares issued by the Company pursuant to the Initial Public Offering on 19 December 2016.

(b) **Diluted**

Diluted earnings per ordinary share for the current and previous financial years is equal to the basic earnings per ordinary share for the respective financial year as there were no outstanding dilutive potential ordinary shares at the end of each reporting period.

#### 22. DIVIDENDS

	<b>Group and Company</b>	
	<b>Net</b>	<b>Amount of</b>
	<b>dividend</b>	<b>dividend net</b>
	<b>per share</b>	<b>of tax</b>
	<b>Sen</b>	<b>RM</b>
<b>In respect of financial year ended 31 December 2016</b>		
First interim dividend, paid on 21 March 2017	2.00	3,320,000
Final dividend, paid on 13 July 2017	2.00	3,320,000
	4.00	6,640,000

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 22. DIVIDENDS (Continued)

On 15 January 2018, the Board of Directors declared a first interim dividend of 2.50 sen per ordinary share, amounting to RM4,150,000 in respect of the financial year ended 31 December 2017. The dividend was paid on 13 February 2018 to shareholders at the close of business on 29 January 2018. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

The Directors propose a final dividend of 2.50 sen per ordinary share, amounting to RM4,150,000 in respect of the financial year ended 31 December 2017, subject to the approval of members at the forthcoming Annual General Meeting. This dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2018.

#### 23. EMPLOYEE BENEFITS

	Group	
	2017	2016
	RM	RM
Wages, salaries and bonuses	10,308,624	8,672,309
Contributions to defined contribution plan	1,647,664	1,309,152
Social security contributions	72,583	62,839
	12,028,871	10,044,300

#### 24. OPERATING LEASE AGREEMENTS

##### (a) Operating lease commitments

###### The Group as lessee

The Group had entered into a non-cancellable lease agreement for warehouse, resulting in future rental commitments. The Group has aggregate future minimum lease commitment as at the end of each reporting period as follows:

	Group	
	2017	2016
	RM	RM
Not later than 1 year	312,000	168,000
Later than one (1) year and not later than five (5) years	624,000	-
	936,000	168,000

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 24. OPERATING LEASE AGREEMENTS (Continued)

(b) **Capital commitments**

	Group	
	2017	2016
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	15,073,617	5,426,417

#### 25. CONTINGENT LIABILITIES

	Group and Company	
	2017	2016
	RM	RM
Corporate guarantees given to licensed banks for credit facilities granted to a subsidiary - Secured	29,950,000	-

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

#### 26. RELATED PARTY DISCLOSURES

(a) **Identities of related parties**

Parties are considered to be related to the Group if the Group 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 Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

Related parties of the Group include:

- (i) Direct and indirect subsidiaries as disclosed in Note 8 to the financial statements; and
- (ii) Key management personnel are defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Executive Directors of the Group.

The Group has a related party relationship with its subsidiaries in which certain Directors of a subsidiary has interests, Directors and key management personnel.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 26. RELATED PARTY DISCLOSURES (Continued)

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Company	
	2017 RM	2016 RM
Subsidiaries:		
Dividend income	8,450,000	12,000,000

The related parties transactions described above were carried out on terms and conditions mutually agreed with the respective related parties.

(c) **Compensation of key management personnel**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors during the financial year was as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Executive Directors' remuneration:				
Fees	283,000	258,000	150,000	150,000
Salaries and other emoluments	1,741,153	1,616,306	-	-
Defined contribution plan	257,014	224,131	-	-
	2,281,167	2,098,437	150,000	150,000
Estimated monetary value of benefits-in-kind	74,300	74,300	-	-
	2,355,467	2,172,737	150,000	150,000
Non-executive Directors' remuneration:				
Fees	210,000	210,000	210,000	210,000
Other emoluments	25,600	23,200	25,600	23,200
	235,600	233,200	235,600	233,200
Total Directors' remuneration	2,591,067	2,405,937	385,600	383,200
Total Directors' remuneration excluding benefits-in-kind	2,516,767	2,331,637	385,600	383,200
Estimated monetary value of benefits-in-kind	74,300	74,300	-	-
Total Directors' remuneration including benefits-in-kind	2,591,067	2,405,937	385,600	383,200

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 26. RELATED PARTY DISCLOSURES (Continued)

##### (c) Compensation of key management personnel (continued)

The remuneration of Directors during the financial year was as follows (continued):

	2017		2016	
	Directors' fees RM	Other emoluments/ salaries RM	Directors' fees RM	Other emoluments/ salaries RM
<b>Group</b>				
Dato' Hamzah Bin Mohd Salleh	60,000	6,400	60,000	5,600
Lim Ban Keong	74,000	805,357	74,000	736,536
Foong Kam Weng	74,000	633,062	74,000	569,147
Yip Lai Siong	74,000	350,339	74,000	333,107
Martin Jeyaratnam A/L Thiagaraj	50,000	6,400	50,000	6,400
Rahanawati Binti Ali Dawam	50,000	6,400	50,000	5,600
Teoh Chee Yong	50,000	6,400	50,000	5,600
Raymond Choo Pow Yoon	49,000	26,000	24,000	12,000
Lim Hang Chern	12,000	257,709	12,000	263,947
	<u>493,000</u>	<u>2,098,067</u>	<u>468,000</u>	<u>1,937,937</u>
<b>Company</b>				
Dato' Hamzah Bin Mohd Salleh	60,000	6,400	60,000	5,600
Lim Ban Keong	50,000	-	50,000	-
Foong Kam Weng	50,000	-	50,000	-
Yip Lai Siong	50,000	-	50,000	-
Martin Jeyaratnam A/L Thiagaraj	50,000	6,400	50,000	6,400
Rahanawati Binti Ali Dawam	50,000	6,400	50,000	5,600
Teoh Chee Yong	50,000	6,400	50,000	5,600
	<u>360,000</u>	<u>25,600</u>	<u>360,000</u>	<u>23,200</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 26. RELATED PARTY DISCLOSURES (Continued)

##### (c) Compensation of key management personnel (continued)

The remuneration of other key management personnel during the financial year was as follows:

	Group	
	2017 RM	2016 RM
Wages, salaries and bonuses	1,592,220	1,445,220
Contributions to defined contribution plan	358,855	311,026
Other emoluments	780,140	739,869
	2,731,215	2,496,115
Estimated monetary value of benefits-in-kind	116,300	116,300
Total other key management personnel's remuneration	2,847,515	2,612,415

	Salary and bonus RM	Defined contribution plan RM	Other emoluments RM	Benefits- in-kind RM	Total RM
<b>Group</b>					
Lim Ban Keong	385,000	102,387	294,020	23,950	805,357
Foong Kam Weng	262,640	81,249	265,223	23,950	633,062
Yip Lai Siong	231,980	44,749	56,210	17,400	350,339
Chan Yan San	292,600	51,870	54,029	24,000	422,499
Goh Wee Chong	261,800	46,920	51,829	18,000	378,549
Lim Hang Chern	158,200	31,680	58,829	9,000	257,709

##### (d) Material contracts

There were no material contracts, which have been entered into by the Company or its subsidiaries which involved Directors' and major shareholders' interests subsisting at the end of the financial year ended 31 December 2017 or entered into since the end of the previous financial year except as disclosed elsewhere in the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 27. OPERATING SEGMENTS

The Group is principally involved in the marketing, trading, distribution and manufacturing of animal health products as well as the distribution and supply of food ingredients. The Group is also involved in the provision of veterinary advisory services as well as undertaking research and development activities related to animal health, food safety and agriculture.

(a) **Business segments**

The Group's reportable segments were identified as animal health products and food ingredients that are required to be organised and managed separately according to the nature of products and services and specific expertise which requires different business and marketing strategies. The reportable segments are summarised as follows:

(i) **Animal health products**

Marketing, trading, distribution and manufacturing of animal health products and undertaking research and development activities related to animal health, food safety and agriculture in animal health products.

(ii) **Food ingredients**

Distribution and supply of food ingredients to manufacturers within the food and beverage industry.

(iii) **Others**

Provision of diagnostic laboratory analyses and consultation services to the veterinary, agriculture and food industries, and management services.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss before tax.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 27. OPERATING SEGMENTS (continued)

##### (a) Business segments (continued)

2017	Animal health products RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
<b>Revenue</b>					
External sales	101,576,505	33,338,487	2,573,076	-	137,488,068
Inter-segment sales	19,958,460	195,558	909,167	(21,063,185)	-
Total	<u>121,534,965</u>	<u>33,534,045</u>	<u>3,482,243</u>	<u>(21,063,185)</u>	<u>137,488,068</u>
<b>Results</b>					
Segment results	12,166,079	2,352,983	1,980,068	-	16,499,130
Interest expense	(300,550)	(518,591)	-	503,659	(315,482)
Interest income	614,439	-	767,778	(503,659)	878,558
Profit before tax					<u>17,062,206</u>
Tax expense	(2,485,107)	(406,386)	(265,338)	-	<u>(3,156,831)</u>
Profit for the year					<u>13,905,375</u>
<b>Other information</b>					
Segment assets	98,053,899	11,377,369	35,151,752	(13,620,000)	130,963,020
Segment liabilities	34,432,911	5,894,015	1,827,666	(13,620,000)	28,534,592
Capital expenditure	12,464,616	-	-	-	12,464,616
Depreciation	1,270,236	53,305	187,271	-	1,510,812
Other material non-cash items:					
- Inventories written back	(117,385)	-	-	-	(117,385)
- Inventories written off	905,143	-	-	-	905,143



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 27. OPERATING SEGMENTS (continued)

##### (a) Business segments (continued)

2016	Animal health products RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
<b>Revenue</b>					
External sales	92,111,394	26,494,143	589,775	-	119,195,312
Inter-segment sales	180,907	349,300	288,358	(818,565)	-
Total	<u>92,292,301</u>	<u>26,843,443</u>	<u>878,133</u>	<u>(21,063,185)</u>	<u>119,195,312</u>
<b>Results</b>					
Segment results	16,486,104	1,536,209	(4,599,596)	-	13,422,717
Interest expense	(294,367)	(563,980)	-	532,027	(326,320)
Interest income	655,960	-	-	(532,027)	123,933
Profit before tax					<u>13,220,330</u>
Tax expense	(3,603,105)	(226,245)	(7,771)	-	<u>(3,837,121)</u>
Profit for the year					<u>9,383,209</u>
<b>Other information</b>					
Segment assets	76,388,722	10,318,335	39,168,665	(5,670,000)	120,205,722
Segment liabilities	24,080,761	6,262,986	368,922	(5,670,000)	25,042,669
Capital expenditure	316,824	-	-	-	316,824
Depreciation	1,200,762	33,805	67,722	-	1,302,289
Other material non-cash items:					
- Inventories written back	(407,999)	-	-	-	(407,999)
- Inventories written off	203,623	-	-	-	203,623

##### (b) Geographical information

The business activities of the Group are predominantly located in Malaysia and as such segment reporting by geographical location is not presented.

##### (c) Major customers

The Group does not have major customers with revenue equal to or more than ten percent (10%) of the revenue of the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 28. FINANCIAL INSTRUMENTS

(a) **Capital management**

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2017 and 31 December 2016.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by equity. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances. Total capital represents equity attributable to the owners of the parent.

	Group	
	2017 RM	2016 RM
Borrowings	8,116,278	5,243,625
Trade and other payables	19,308,995	17,930,593
	27,425,273	23,174,218
Less: cash and bank balances	(33,973,151)	(45,073,207)
	(6,547,878)	(21,898,989)
Total capital	102,428,428	95,163,053
Net surplus	(6,547,878)	(21,898,989)
Equity	95,880,550	73,264,064

Gearing ratio is not presented as the Company is in net surplus position.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2017.

The Group is not subject to any other externally imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 28. FINANCIAL INSTRUMENTS (continued)

##### (b) Financial instruments

	Group	
	2017	2016
	RM	RM
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Trade and other receivables, net of prepayments	33,403,095	27,928,114
Cash and bank balances	33,973,151	45,073,207
	67,376,246	73,001,321

	Group	
	2017	2016
	RM	RM
<b>Financial assets</b>		
<b>Other financial liabilities</b>		
Borrowings	8,116,278	5,243,625
Trade and other payables	19,308,995	17,930,593
	27,425,273	23,174,218

	Company	
	2017	2016
	RM	RM
<b>Financial assets</b>		
<b>Loans and receivables</b>		
Trade and other receivables, net of prepayments	8,452,260	5,258,590
Cash and bank balances	22,376,613	30,648,893
	30,828,873	35,907,483

	Company	
	2017	2016
	RM	RM
<b>Financial liabilities</b>		
<b>Other financial liabilities</b>		
Trade and other payables	57,000	163,000
	57,000	163,000

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 28. FINANCIAL INSTRUMENTS (continued)

##### (c) **Methods and assumptions used to estimate fair value**

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value.

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, amount owing by a subsidiary, trade and other payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amount of borrowings are reasonable approximation of fair value as the current rates offered to the Group approximate to the market rates for similar borrowing of the same remaining maturities.

- (ii) Hire purchase liabilities

The fair value of hire purchase liabilities are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

##### (d) **Fair value hierarchy**

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

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

Fair values of non-derivative financial liabilities, which are determined for disclosure purposes, are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 28. FINANCIAL INSTRUMENTS (continued)

##### (d) Fair value hierarchy (continued)

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

2017	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
<b>Group</b>										
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
- Hire purchase creditors	-	-	-	-	-	282,137	-	282,137	282,137	269,480
<b>2016</b>										
<b>Financial liabilities</b>										
<b>Other financial liabilities</b>										
- Hire purchase creditors	-	-	-	-	-	446,895	-	446,895	446,895	430,362

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below:

(i) **Credit risk**

Cash deposits and trade receivables could give rise to credit risk, which requires the loss to be recognised if a counterparty fails to perform as contracted. It is the policy of the Group to monitor the financial standing of these counterparty on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables while the primary exposure of the Company is through the amounts owing by subsidiaries. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to three (3) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

**Exposure to credit risk**

At the end of each reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

**Credit risk concentration profile**

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

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any individual customer or counterparty except that 20% (2016: 19%) of total Group's trade receivables as at reporting date were due from three (3) (2016: three (3)) major customers.

The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries and dividends receivables from subsidiaries constituting approximately 100% (2016: 100%) of the total receivables of the Company.

The Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2017 (CONTINUED)

### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(i) **Credit risk (Continued)**

**Financial assets that are neither past due nor impaired**

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 10 to the financial statements. Deposits with banks that are neither past due nor impaired are placed with or entered into with reputable financial institutions and no history of default.

(ii) **Liquidity and cash flow risk**

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The table below summarises the maturity profile of the liabilities of the Group and the Company at the end of each reporting period based on contractual undiscounted repayment obligations:

Group	←----- 2017 ----->			Total RM
	On demand or within one year RM	One to five years RM	Over five years RM	
<b>Financial liabilities</b>				
Trade and other payables	19,308,995	-	-	19,308,995
Hire purchase creditors	179,489	122,735	-	302,224
Term loans	1,055,519	4,276,253	4,121,975	9,453,747
Total undiscounted financial liabilities	20,544,003	4,398,988	4,121,975	29,064,966

Group	←----- 2016 ----->			Total RM
	On demand or within one year RM	One to five years RM	Over five years RM	
<b>Financial liabilities</b>				
Trade and other payables	17,930,593	-	-	17,930,593
Hire purchase creditors	181,752	304,734	-	486,486
Term loans	1,598,565	2,148,444	2,016,851	5,763,860
Total undiscounted financial liabilities	19,710,910	2,453,178	2,016,851	24,180,939

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) **Liquidity and cash flow risk (continued)**

The table below summarises the maturity profile of the liabilities of the Group and the Company at the end of each reporting period based on contractual undiscounted repayment obligations (continued):

	On demand or within one year	
	2017 RM	2016 RM
<b>Company</b>		
<b>Financial liabilities</b>		
Trade and other payables	57,000	163,000
Total undiscounted financial liabilities	57,000	163,000

(iii) **Interest rate risk**

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

The exposure of the Group and of the Company to interest rates arises primarily from borrowings. The Group does not use derivative financial instruments to hedge its risks but regularly reviews its debt portfolio to enable it to source low interest funding.





## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

##### (iii) Interest rate risk (continued)

###### Sensitivity analysis for interest rate risk

The exposure of interest rate risk on borrowings is low as the Group and the Company has minimal floating rate bank borrowings.

##### (iv) Foreign currency risk

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

The Group is exposed to foreign exchange rate risk on purchases of raw materials that are denominated in a currency other than the functional currencies of the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Euro ("EUR").

###### Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the USD and EUR exchange rates against the Ringgit Malaysia ("RM") respectively, with all other variables held constant. 10% is the sensitivity rate used when reporting foreign currency risk exposures internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates.

	Group	
	2017	2016
	RM	RM
<b>Profit after tax</b>		
USD/RM		
- strengthen by 10%	(556,428)	(469,416)
- weaken by 10%	556,428	469,416
EUR/RM		
- strengthen by 10%	(627,419)	(561,022)
- weaken by 10%	627,419	561,022

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 30. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 12 December 2017, Rhone Ma Malaysia Sdn Bhd ("RMM"), a subsidiary of the Company, received a signed amendment dated 8 December 2017 to the distribution agreement dated 7 November 2000 between RMM and Merial Societe Par Actions Simplifree ("Merial") (as amended on 31 July 2001, 31 January 2003, 6 June 2003 and 23 July 2014) to replace the current products list with a new products list which excludes swine, poultry, ruminant and veterinary public health products ("Amendment").

RMM had been the distributor of Merial products comprising products for swine, poultry, ruminant and companion animals as well as veterinary public health products. Pursuant to the Amendment, RMM was required to sell all remaining inventory of the excluded swine, veterinary public health and ruminant products by 31 December 2017 and sell all remaining inventory of the excluded poultry products by 30 March 2018. RMM will continue to distribute companion animal products of Merial.

The discontinuation of distribution of swine and poultry products from Merial does not have any material impact during the financial year but is expected to affect the Group's revenue for the financial year ending 31 December 2018.

#### 31. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

- (i) On 1 January 2018, RMM entered into a distribution agreement with Ceva Sante Animale S.A. and Ceva Animal Health Malaysia Sdn Bhd (collectively referred to as "Ceva") for the exclusive distribution of Ceva's animal health products related to swine ("Ceva Agreement"). Ceva Sante Animale S.A. is an international corporation engaged in research, development, production and marketing of pharmaceutical products and vaccines for companion animal, poultry, ruminant and swine with presence in 45 countries.

The Ceva Agreement allows RMM to distribute, promote and sell Ceva's animal health products related to swine in Malaysia and is valid from 1 January 2018 until 31 December 2020. The Ceva Agreement shall be renewed and continue in full force and effects for a successive periods of one year unless and until either party gives to the other written notice of termination at least three months prior to the end of the initial term or any successive one-year period.

On 1 April 2018, RMM signed a distribution agreement with Zoetis Malaysia Sdn Bhd. ("ZMSB") for the distribution of ZMSB's animal health products related to poultry ("ZMSB Agreement"). ZMSB is a subsidiary company of Zoetis Inc. which is a leading animal health company with more than 60 years of experience in animal health and with sales of its products in more than 100 countries.

The ZMSB Agreement allows RMM to distribute ZMSB's animal health products related to poultry in Malaysia and is effective from 1 April 2018 for a period of three years. Thereafter, it shall be automatically extended for a further period of one year ("Extension Term") and the parties may further extend the term of the ZMSB Agreement by providing written notice prior to the expiration of the Extension Term on mutually agreed new terms and conditions.

The Ceva Agreement and ZMSB Agreement are expected to contribute positively towards the Group's earnings and net assets per share for the financial year ending 31 December 2018 and the contributions from the agreements are expected to mitigate the impact of the loss of revenue from the discontinuation of distribution of swine and poultry products from Merial.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2017 (CONTINUED)

#### 31. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD (continued)

- (ii) On 13 February 2018, APSN, a wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary known as APSN Healthcare & Diagnostics Sdn. Bhd. which intended principal activities comprise trading in biotechnology and animal health products and the provision of related services.

# LIST OF GROUP PROPERTIES

Registered owner	Title / Location	Description / Existing use	Tenure / Expiry	Land area (Sq. ft.)	Approximate age of building (Years)	Net book value as at 31/12/2017 (RM)	Date of last revaluation (* Date of acquisition)
Rhone Ma Malaysia Sdn Bhd	PN 33666, Lot 603, Seksyen 32, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor  Lot 18A, Jalan 241, Seksyen 51A, 46100 Petaling Jaya, Selangor Darul Ehsan	Industrial / Land with a three storey office building and a single-storey warehouse annexed	Leasehold / Expiring on 2 September 2072	27,082	43	5,480,723	25/9/2012
Rhone Ma Malaysia Sdn Bhd	PN 33667, Lot 604, Seksyen 32, Bandar Petaling Jaya, Daerah Petaling, Negeri Selangor  Lot 18B, Jalan 241, Seksyen 51A, 46100 Petaling Jaya, Selangor Darul Ehsan	Industrial / Land with a three storey office building and a single-storey warehouse annexed	Leasehold / Expiring on 2 September 2072	27,082	43	5,794,110	25/9/2012
Rhone Ma Malaysia Sdn Bhd	GRN 212778, Lot 16008, Bandar Nilai Utama, Daerah Seremban, Negeri Sembilan  Lot 14, Phase NU1A, Nilai Utama Enterprise Park, Nilai, Negeri Sembilan Darul Khusus	Industrial / Vacant	Freehold	165,323	-	3,070,000	26/9/2012
Rhone Ma Malaysia Sdn Bhd	H.S. (D) 153802, PT 73996, Mukim Kapar, Daerah Klang, Negeri Selangor  No. 2, Jalan Bestari 2/KU7, Taman Perindustrian Kapar Bestari, Sungai Kapar Indah, 42200 Kapar, Selangor Darul Ehsan	Industrial / Land with a proposed three storey office building and a single-storey warehouse annexed currently under construction	Freehold	94,561	-	5,442,004	*18/4/2013

## LIST OF GROUP PROPERTIES (CONTINUED)

Registered owner	Title / Location	Description / Existing use	Tenure / Expiry	Land area (Sq. ft.)	Approximate age of building (Years)	Net book value as at 31/12/2017 (RM)	Date of last revaluation (* Date of acquisition)
Rhone Ma Malaysia Sdn Bhd	H.S. (D) 230680, PT 24504, Mukim Sungai Raya, Daerah Kinta, Negeri Perak  No. 27, Persiaran Teknologi, Perindustrian Gopeng II, 31600 Gopeng, Perak Darul Rizuan	Industrial / Land with a two storey office building and a single-storey warehouse annexed	Leasehold / Expiring on 30 November 2115	24,548	1	1,733,726	*3/7/2017
Rhone Ma Malaysia Sdn Bhd	H.S. (D) 158399, PT 75672, Mukim Kapar, Daerah Klang, Negeri Selangor  No. 21, Jalan Wawasan 2C/KU7, Sungai Kapar Indah, 42200 Kapar, Selangor Darul Ehsan	Industrial / Land with a two storey office building, a mezzanine floor and a single-storey warehouse annexed	Freehold	18,841	1	5,737,998	*1/8/2017

There was no revaluation on the land and properties owned by the Group for the financial year ended 31 December 2017.

# ANALYSIS OF SHAREHOLDINGS

## AS AT 19 APRIL 2018

Total number of issued shares	: 166,000,000
Class of shares	: Ordinary Shares
Voting right	: One vote per Ordinary Share

### DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	13	1.39	100	0.00
100 to 1,000	93	9.96	66,900	0.04
1,001 to 10,000	422	45.18	2,469,800	1.49
10,001 to 100,000	335	35.87	11,151,500	6.72
100,001 to less than 5% of issued shares	68	7.28	50,112,300	30.19
5% and above of issued shares	3	0.32	102,199,400	61.56
<b>Total</b>	<b>934</b>	<b>100.00</b>	<b>166,000,000</b>	<b>100.00</b>

### SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names of Substantial Shareholders	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
Blue Advantage Sdn Bhd	84,856,400	51.12	-	-
Chew Chong Hock	8,671,500	5.22	-	-
Ker Boon Tong	8,671,500	5.22	-	-
Dr Lim Ban Keong	4,105,000	2.47	84,856,400 <sup>(1)</sup>	51.12
Foong Kam Weng	-	-	84,856,400 <sup>(1)</sup>	51.12
Dr Yip Lai Siong	-	-	84,856,400 <sup>(1)</sup>	51.12

Note:

(1) Deemed interested by virtue of his/her substantial shareholdings in Blue Advantage Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

# ANALYSIS OF SHAREHOLDINGS

## AS AT 19 APRIL 2018 (CONTINUED)

### DIRECTORS' SHAREHOLDINGS

Name of Directors	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
Dato' Hamzah Bin Mohd Salleh	100,000	0.06	-	-
Dr Lim Ban Keong	4,105,000	2.47	84,856,400 <sup>(1)</sup>	51.12
Foong Kam Weng	-	-	84,856,400 <sup>(1)</sup>	51.12
Dr Yip Lai Siong	-	-	84,856,400 <sup>(1)</sup>	51.12
Martin Jeyaratnam A/L Thiagaraj	100,000	0.06	-	-
Teoh Chee Yong	100,000	0.06	-	-
Rahanawati Binti Ali Dawam	50,000	0.03	-	-

Note:

(1) Deemed interested by virtue of his/her substantial shareholdings in Blue Advantage Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

### TOP THIRTY (30) SHAREHOLDERS

No.	Names	No. of Shares	%
1.	Blue Advantage Sdn Bhd	84,856,400	51.12
2.	Chew Chong Hock	8,671,500	5.22
3.	Ker Boon Tong	8,671,500	5.22
4.	Tan Leong Ann	8,272,600	4.98
5.	Raymond Choo Pow Yoon	6,193,900	3.73
6.	Lim Ban Keong	3,716,300	2.24
7.	Lim Hang Chern	3,300,000	1.99
8.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	3,063,700	1.85
9.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kok Chew Leng	2,010,000	1.21
10.	Hock Soon Poultry Farm Sdn Bhd	1,985,000	1.20
11.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	1,860,000	1.12
12.	Solid Pairs Sdn Bhd	1,675,200	1.01
13.	Quah Teik Jin	1,577,800	0.95



# ANALYSIS OF SHAREHOLDINGS

## AS AT 19 APRIL 2018 (CONTINUED)

### TOP THIRTY (30) SHAREHOLDERS (CONTINUED)

No.	Names	No. of Shares	%
14.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yap Tuan Tay	1,185,700	0.71
15.	Yeong Min Fatt	880,000	0.53
16.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Malaysia Dividend Fund	821,500	0.49
17.	Chai Yune Loong	610,000	0.37
18.	Lim Guoy Yen	600,100	0.36
19.	Ong Boon Leng	538,000	0.32
20.	Chan Chooi Foong	537,000	0.32
21.	Chai Yew Fai	530,000	0.32
22.	Lim Beng Chia	478,000	0.29
23.	Chen Yet Chin	440,000	0.27
24.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	388,700	0.23
25.	Ng Loon Em & Sons Poultry Farm (M) Sdn Bhd	381,000	0.23
26.	Yong Chau Chin	371,000	0.22
27.	Ng Kheng Yee	361,000	0.22
28.	Chung Lea Chun	350,000	0.21
29.	Teo Kwee Hock	347,000	0.21
30.	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Lee Thim Fatt (PB)	320,000	0.19

# NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Fourth Annual General Meeting of Rhone Ma Holdings Berhad will be held at Atlanta East, Level 3, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 19 June 2018 at 11.00 a.m. for the following purposes:

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.
2. To approve the payment of Final Single-Tier Dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2017.
3. To approve the Directors' Fees and Benefits Payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM226,000 per annum until the next Annual General Meeting of the Company.
4. To re-elect the following Directors retiring pursuant to the Article 88 of the Constitution of the Company:
  - 4.1 Dr. Yip Lai Siong
  - 4.2 Teoh Chee Yong
  - 4.3 Martin Jeyaratnam A/L Thiagaraj
5. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration.

**Please refer to Note A**

**Ordinary Resolution 1**

**Ordinary Resolution 2**

**Ordinary Resolution 3**

**Ordinary Resolution 4**

**Ordinary Resolution 5**

**Ordinary Resolution 6**

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions with or without modifications:

6. **AUTHORITY TO ALLOT AND ISSUE SHARES BY DIRECTORS PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016**

**Ordinary Resolution 7**

"THAT pursuant to Section 76 of the Companies Act 2016, the Directors be and are hereby empowered to allot and issue shares in the Company, at any time, at such price, upon such terms and conditions, for such purpose and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued share/ total number of voting shares of the Company (excluding treasury shares) at the time of issue and THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad and THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

# NOTICE OF THE FOURTH ANNUAL GENERAL MEETING (CONTINUED)

## 7. PROPOSED ADOPTION OF NEW CONSTITUTION

## Special Resolution

"THAT the existing Constitution of the Company be and are hereby deleted in its entirety and THAT the new Constitution as set out in Appendix 1 in the Annual Report be and is hereby adopted as the new Constitution of the Company."

8. To transact any other business that may be transacted at an annual general meeting of which due notice shall have been given in accordance with the Companies Act 2016 and Constitution of the Company.

## NOTICE OF DIVIDEND ENTITLEMENT

**NOTICE IS ALSO HEREBY GIVEN THAT** the final single-tier dividend of 2.5 sen per ordinary share in respect of the financial year ended 31 December 2017, if approved by the shareholders at the Fourth Annual General Meeting, will be paid on 13 July 2018 to Depositors whose names appear in Record of Depositors at the close of business on 28 June 2018.

A depositor shall qualify for entitlement to the dividend only in respect of the following:

- (a) Shares transferred into the Depositor's Securities Account on or before 4.00 p.m. on 28 June 2018 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

TAI YIT CHAN (MAICSA 7009143)  
TAN AI NING (MAICSA 7015852)  
Company Secretaries  
Selangor Darul Ehsan  
27 April 2018

## NOTES:

1. A proxy may but need not be a member.
2. To be valid, this form, duly completed must be deposited at the Office of the Company not less than 48 hours before the time for holding the meeting provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

# NOTICE OF THE FOURTH ANNUAL GENERAL MEETING (CONTINUED)

5. If the appointor is a corporation, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Boardroom Corporate Services (KL) Sdn. Bhd. at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

## EXPLANATORY NOTES:

### Note A

#### **To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.**

This resolution is meant for discussion only as the provision of Section 340 (1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

### Ordinary Resolution 7

#### **Authority to Allot and Issue Shares by Directors Pursuant to Section 76 of the Companies Act 2016**

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten per centum (10%) of the total number of issued share/ total number of voting shares of the Company (excluding treasury shares) at the time of such allotment and issuance of shares and for such purposes as they consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The rationale for this resolution is to eliminate the need to convene general meeting(s) from time to time to seek shareholders' approval as and when the Company issues new shares for future business opportunities for the purpose of funding investment project(s), working capital and/or acquisitions and thereby reducing administrative time and cost associated with the convening of such meeting(s).

# NOTICE OF THE FOURTH ANNUAL GENERAL MEETING (CONTINUED)

## **Special Resolution**

The proposed Special Resolution, if passed, will render the Constitution of the Company to be in line with the Companies Act 2016, which came into force on 31 January 2017, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, and prevailing statutory and regulatory requirements as well as to render clarity and consistency throughout. Details of which are set out in Appendix 1 of the Annual Report.

## **Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("AGM") and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY

## THE COMPANIES ACT 2016 MALAYSIA PUBLIC COMPANY LIMITED BY SHARES CONSTITUTION OF RHONE MA HOLDINGS BERHAD

1. The name of the Company is "RHONE MA HOLDINGS BERHAD".
2. The registered office of the Company will be situated in Malaysia.
3. The objects for which the Company is established are:
  - (1) To carry on the business of investment holding in stocks, debentures, debenture stocks, bonds, notes, obligations, securities and other financial instruments issued or guaranteed by any company or persons carrying on business in Malaysia or by any government, sovereign ruler, commissioners, public body or authority, supreme, dependent, municipal, local or otherwise in any part of the world and to invest, purchase, take on lease, sub-lease or in exchange, or otherwise acquire land and building.
  - (2) To provide technical, management, operation, consulting services and advices in animal health products and services, formulations, practices, conducts, equipment, tools and solutions which include, but not limited to training and laboratory support and to provide veterinary diagnostic laboratory test and analysis.
  - (3) To carry on research and development in the field of veterinary, life sciences business, and biotechnology activities and to market, distribute and trade in veterinary pharmaceuticals, health and food products, manufacture of veterinary formulations and other animal test kits and the provision of veterinary advisory services.
4. The Company shall have full capacity and powers to achieve such objects as mentioned above.
5. The liability of the Members is limited.
6. The provisions set out in the Companies Act 2016 which may be modified or substituted by the provisions of these clauses shall not apply to the Company, except in so far as the same are repeated or contained in this Constitution.

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## INTERPRETATION

7. In these Constitution the words standing in the first column of the table next hereinafter contained shall bear the meanings set opposite to them respectively in the second column thereof, if not inconsistent with the subject or context: Interpretation Clause

WORDS	MEANINGS
Act	The Companies Act 2016 and any statutory modification, amendment or re-enactment thereof for the time being in force.
Beneficial Owner	The ultimate owner of the shares and does not include a nominee of any description.
Board	The board of directors for the time being of the Company.
Bursa Depository	Bursa Malaysia Depository Sdn. Bhd. (Company No. 165570-W) including any further change of name.
Central Depositories Act	Securities Industry (Central Depositories) Act 1991, and any statutory modification, amendment or re-enactment thereof for the time being in force.
Clause	Clauses of this Constitution as originally framed or altered from time to time by Special Resolution.
CMSA	Capital Markets and Services Act 2007, and any statutory modification, amendment or re-enactment thereof for the time being in force.
Company	Rhone Ma Holdings Berhad (Company No. 1116225-A).
Constitution	This Constitution as originally framed or as altered from time to time by Special Resolution and this "Constitution" means any one of them.
Deposited Security	A security in the Company standing to the credit of a Securities Account of a Depositor and includes securities in the Securities Account that is in suspense subject to the provisions of the Central Depositories Act and the Rules.
Depositor	A holder of a Securities Account as defined in Section 2 of the Central Depositories Act.
Directors	The directors for the time being of the Company as defined in Section 2(1) of the CMSA.
Documents	Any document required to be sent under the Listing Requirements to the securities holder.
Electronic Address	Any address or number used for the purpose of sending or receiving documents or information by electronic means.

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

Electronic Communication	A document or information is sent or supplied by electronic communication if it is sent initially, and received at its destination by means of electronic equipment for the processing (which expression includes digital compression) or storage of data, and entirely transmitted, conveyed and received by wire, by radio, by optical means or by other electromagnetic means.
Electronic Form	Document or information sent or supplied in electronic form are those sent by "electronic communication" or by any other means while in an electronic form whereby a recipient of such document or information would be able to retain a copy.
Exchange	Bursa Malaysia Securities Berhad (Company No. 635998-W) and / or any other Exchange on which the Company is listed.
Exempt Authorised Nominee	An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
Listing Requirements	Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendments thereto that may be made from time to time.
Market Day	A day on which the stock market of the Exchange is open for trading in securities.
Member	Unless otherwise expressed to the contrary, any person(s) for the time being holding one or more shares in the Company and whose name(s) appears in the Register of Members and includes a Depositor who shall be treated as if he were a member pursuant to Section 35 of the Central Depositories Act but excludes the Bursa Depository in its capacity as a bare trustee member.
Office	The registered office for the time being of the Company.
Record of Depositors	A record provided by the Bursa Depository to the Company or its registrar(s) under Chapter 24.0 of the Rules.
Register	The register of members to be kept pursuant to the Act, and unless otherwise expressed to the contrary, includes the Record of Depositors.
Registrar	Such person, firm or company which for the time being maintains in Malaysia, the register of securities holders.
Rules	The Rules of the Bursa Depository and any appendices thereto, as amended, modified and supplemented from time to time.
Seal	The Common Seal of the Company or in appropriate case the official seal.
Secretary	Any person or persons appointed to perform the duties of the secretary of the Company and shall include a joint secretary, temporary assistant or deputy secretary.



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

Securities	As defined in Section 2(1) of the CMSA.
Securities Account	An account established by the Bursa Depository for a Depositor for the recording of deposit or withdrawal of Securities and for dealing in such Securities by the Depositor as permitted under the Central Depositories Act and/or the Rules.
Share	Issued share capital of a corporation and includes stock except where a distinction between stock and shares is expressed or implied.

Writing shall include printing and lithography and any other mode or modes of representing or reproducing words, symbols or other information which may be displayed in a visible form, whether in a physical document or in an electronic communication or form or otherwise howsoever.

Words importing the singular number only shall include the plural number and vice versa and the masculine shall include the feminine and neuter genders and vice versa.

Words importing persons shall include corporations and companies.

Clear day means exclusive of the day on which the notice is served or deemed to be served or the date an announcement/notification is made by the Company or the Board and the day which the meeting or event is to take place.

Subject as aforesaid, any words or expressions contained in these Clauses shall be interpreted in accordance with the provisions of the Interpretation Act, 1948 and 1967 of Malaysia, as amended, modified and supplemented from time to time and any re-enactment thereof.

## EFFECT OF THE LISTING REQUIREMENTS

- |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                            |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| <p>8. (a) Notwithstanding anything contained in this Constitution, if the Listing Requirements prohibit an act being done, the act shall not be done.</p> <p>(b) Nothing contained in this Constitution prevents an act being done that the Listing Requirements require to be done.</p> <p>(c) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).</p> <p>(d) If the Listing Requirements require this Constitution to contain a provision and it does not contain such a provision, this Constitution is deemed to contain that provision.</p> <p>(e) If the Listing Requirements require this Constitution not to contain a provision and it contains such a provision, this Constitution is deemed not to contain that provision.</p> <p>(f) If any provision of this Constitution is or becomes inconsistent with the Listing Requirements, this Constitution is deemed not to contain that provision to the extent of the inconsistency.</p> | <p>Effects of the Listing Requirements</p> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (g) Notwithstanding anything contained in this Constitution, nothing herein contained shall prevent the Directors from applying to the Exchange for a waiver from compliance or observance of any of the Listing Requirements. In the event the compliance or observance of such Listing Requirements are waived by the Exchange, the Company shall not be required to comply with any of the Clauses relating to those Listing Requirements in respect of which compliance or observance has been waived by the Exchange.
- (h) The provisions of this Clause 8 shall only apply so long as any of the securities of the Company are listed on the Exchange.

## SHARE CAPITAL AND VARIATION OF RIGHTS

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|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| <p>9. Subject to the Act and this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>Power to issue shares with special rights</p> |
| <p>10. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, the Act and the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:</p> <ul style="list-style-type: none"> <li>(a) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;</li> <li>(b) every issue of shares or options to employees and/or Directors shall be approved by Members in general meeting and in respect of issuance of shares or options to Directors, such approval shall specifically detail the amount of shares or options to be issued to such Directors;</li> </ul> | <p>Allotment of shares</p>                       |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (c) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, a Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive of the Company shall not participate, directly or indirectly, in an issue of ordinary shares or other securities with rights of conversion to ordinary shares unless the shareholders of the Company in general meeting have approved the specific allotment to be made to the Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive of the Company and the Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive of the Company has abstained from voting on the relevant resolution;

In this Clause, "major shareholder", "chief executive" and "person connected to any Director, major shareholder or chief executive" shall have the same meaning described thereto in the Listing Requirements.

- (d) without limiting the generality of Sections 75 and 76 of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares if those shares or securities, when aggregated with any such shares or securities which the Company has issued during the preceding twelve (12) months, exceeds ten percent (10%) of the issued and paid-up capital (excluding treasury shares) of the Company, except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue; and
- (e) in working out the number of shares or securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of shares into which it can be converted or exercised.

11. Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital or winding up or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and/or privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.

Issuance of preference capital

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------|
| 12. | Notwithstanding Clause 11, the repayment of preference share capital other than redeemable preference capital or any other alteration of preference shareholder's rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained not less than 75% of the total voting rights of the preference shareholders within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Repayment of preference capital      |
| 13. | Subject to the provisions of Sections 71 and 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the sanction of a special resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than 75% of the total voting rights of the shareholders of that class within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons who are shareholders present in person or represented by proxy holding at least one-third (1/3) of the number of issued shares of the class, excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll. For adjourned meeting, quorum is one person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply. | Modifications of class rights        |
| 14. | The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari passu therewith.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Ranking of class rights              |
| 15. | The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in the Company <b>PROVIDED THAT</b> the rate in percentage or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, that such commission shall not exceed the rate of ten per cent (10%) of the price at which such shares are issued, or an amount equivalent to such percentage of that price, whichever is the less and that the requirements of Section 80 of the Act shall be observed. Subject to the provisions of Section 78 of the Act, such commission may be satisfied by the payment of cash or allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Commission on subscription of shares |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                               |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 16. | Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of the plant construction of the works or buildings or the provision of any plant. | Interest on share capital during construction |
| 17. | Except as required by this Constitution or by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even with notice thereof) any equitable, contingent, future or partial interest in any share or any unit of share or any other right in respect of any shares, except an absolute right to the entirety thereof in the registered holder.                                                                                          | Trusts not to be recognised                   |

## ISSUE OF SECURITIES

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                    |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|
| 18. | The Company must ensure that all new issues of Securities for which listing is sought are made by way of crediting the Securities Accounts of the allottees with such Securities save and except where they are specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event they shall so similarly be exempted from compliance with this provision. For this purpose, the Company must notify the Bursa Depository of the names of the allottees and all such particulars required by the Bursa Depository, to enable the Bursa Depository to make the appropriate entries in the Securities Accounts of such allottees. The Company must not cause or authorise its Registrar to cause the Securities Accounts of the allottees to be credited with the additional securities until after the Company has filed with the Exchange an application for listing of such additional securities and has been notified by the Exchange that they have been authorised for listing. | Issue of Securities                |
| 19. | Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such Securities within the period as may be prescribed by the Exchange and deliver to the Bursa Depository the appropriate certificates in such denominations as may be specified by the Bursa Depository and registered in the name of the Bursa Depository or its nominee company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Timing for allotment of securities |
| 20. | The certificate of title to share, stock, debentures, debenture stock, notes and other Securities of the Company shall be issued under the Seal and bear the signatures or the autographic signatures of one Director and the Secretary or a second Director or such other person as may be authorised by the Board, and shall specify the shares to which it relates, and the amount paid up thereon provided that the Board may by resolution determine that such signatures, or either of them, shall be dispensed with or shall be affixed by such other person as may be authorised by the Board or some method or system of mechanical signature.                                                                                                                                                                                                                                                                                                                                                                  | Issue of Share Certificates        |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## LIEN

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                            |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| 21. | The Company shall have a first and paramount lien on every share and dividend from time to time declared in respect of such share for all unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the Member or deceased Member. The Company shall be entitled to charge interest thereon, not higher than the overdraft rate charged for the time being by the Company's principal bankers or such other reasonable rate as the Directors may determine. The Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Clause.         | Company's lien on shares and dividend      |
| 22. | Subject to the Central Depositories Act and the Rules, the Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless a sum in respect of which the lien exists is presently payable, nor until the expiration of fourteen (14) days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.                                                                                                                                  | Lien may be enforced by the sale of shares |
| 23. | To give effect to any such sale, the Directors may authorise its registrar to cause Bursa Depository to credit the Securities Account of the purchaser of the shares sold or otherwise in accordance with the directions of the purchaser. The purchaser shall be registered as the holder of the shares comprised in any such transfer and the Directors shall not be bound to see to the application of the purchase money nor shall the purchaser's title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale and the remedy of the holder of such shares or of any person claiming under or through him in respect of any alleged irregularity or invalidity, shall be against the Company. | Directors may effect transfer              |
| 24. | The proceeds of the sale after payment of the amount of interest and costs relating to the sale, shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall be paid to the person entitled to the shares at the date of the sale or his executors, administrators or assignees or as he directs.                                                                                                                                                                                                                                                                                                                                 | Application of proceed of sale             |

## CALL ON SHARES

- |     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                          |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|
| 25. | The Directors, subject to the Act and the provisions of the Listing Requirements, may from time to time make calls upon the Members in respect of any money unpaid on their shares and not by the conditions of allotment thereof made payable at fixed times, provided that no calls shall exceed one-fourth of the issued price of the share or be payable at less than one (1) month from the date fixed for the payment of the last preceding call, and each Member shall (subject to receiving at least fourteen (14) days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified, the amount called on his shares. A call may be revoked or postponed as the Directors may determine. | Directors may make calls |
|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| 26. | A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be required to be paid by instalments. No shareholder shall be entitled to receive any dividend or to exercise any privilege as a Member, until he shall have paid all calls for the time being due and payable on every share held by him, together with interest and expenses (if any).                                                                                                                                                                                                                                                                                                                                                                                                          | Effective date of call           |
| 27. | If a sum called in respect of shares is not paid before or on the day appointed for payment thereof, the person from whom the sum is due, shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight per cent (8%) per annum or such other rate as the Directors may determine, but the Directors shall be at liberty to waive payment of the interest, wholly or in part.                                                                                                                                                                                                                                                                                                                                                                              | Interest on unpaid calls         |
| 28. | Any sum which by the terms of issue of a share is payable on allotment or at any fixed date, shall, for the purposes of this Constitution be deemed to have been duly called for and shall be payable on the date on which by the terms of issue such sum becomes payable, and in case of non-payment, all the relevant provisions of this Constitution in respect of payment of interest and expenses, forfeiture or otherwise, shall apply as if the sum had become payable by virtue of a call duly made and notified.                                                                                                                                                                                                                                                                                                            | When calls deemed made           |
| 29. | The Directors may, from time to time: <ul style="list-style-type: none"> <li>(a) make arrangements on the issue of shares for varying the amounts and times of payment of calls as between Members;</li> <li>(b) accept from any Member the whole or a part of the amount remaining unpaid on any shares although no part of that amount has been called up; and</li> <li>(c) pay dividends in proportion to the amount paid up on each share where a larger amount is paid up on some shares than on others.</li> </ul>                                                                                                                                                                                                                                                                                                             | Difference in calls              |
| 30. | The Directors may, if they think fit, receive from any Member willing to advance all or any part of the money uncalled and unpaid upon any shares held by him, and upon all or any part of the money so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in general meeting shall otherwise direct) eight per cent (8%) per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Such capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits. Except in liquidation, capital paid in advance of calls shall not, until the same would have become payable, be treated as paid up on the shares in respect of which they have been paid. | Capital paid in advance of calls |

## INFORMATION ON SHAREHOLDING

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|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| 31. | (1) Subject to Clause 17, the Company may by notice in writing, require any Member of the Company, within such reasonable time as is specified in the notice: <ul style="list-style-type: none"> <li>(a) to inform the Company whether he holds any voting shares in the Company as beneficial owner or as trustee; and</li> </ul> | Company may require information |
|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (b) if he holds them as trustee, to indicate so far as he can, the persons for whom he holds them by name and by other particulars sufficient to enable those persons to be identified and the nature of their interest.
- (2) Where the Company is informed pursuant to a notice given to any person under sub-section (1) hereof or under this sub-section, that any other person has an interest in any of the voting shares in the Company, the Company may by notice in writing require that other person within such reasonable time as is specified in the notice:
- (a) to inform the Company whether he holds that interest as beneficial owner or as trustee; and
- (b) if he holds it as trustee, to indicate so far as he can, the person for whom he holds it by name and by other particulars sufficient to enable them to be identified and the nature of their interest.
- (3) The Company may by notice in writing require a Member of the Company to inform it, within such reasonable time as is specified in the notice, whether any of the voting rights carried by any voting shares in the Company held by him, are the subject of any agreement or arrangement under which another person is entitled to control his exercise of those rights and, if so, to give particulars of the agreement and the parties to it.

Member to inform  
Company

## TRANSFER OF SECURITIES

32. The instrument of transfer of any Securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof. The transfer of any listed Securities or class of listed Securities of the Company, shall be by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Securities.
33. Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.
34. The Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No Securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.
35. Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

Transfer transferor's  
right

Suspension  
registration

Refusal to register  
transfer

Renunciation



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

36. Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Bursa Depository in registering or acting upon a transfer of Securities apparently made by a Member or any person entitled to the Securities by reason of death, bankruptcy or insanity of a Member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or the Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the Securities proposed or professed to be transferred, and although the transfer may, as between the transferor Member and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor Member in the blank as to the name of the transferee, of the particulars of the Securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.
- Indemnity

## DISPOSAL OF SHARES OF MEMBERS WHOSE WHEREABOUTS UNKNOWN

37. Where by the exercise of reasonable diligence, the Company is unable to discover the whereabouts of a Member for a period of not less than ten (10) years, the Company may cause an advertisement to be published in a newspaper circulating in the place shown in the Register or the Record of Depositors as the address of the Member stating that the Company, after expiration of thirty (30) days from the date of the advertisement, intends to transfer the shares to the Minister charged with the responsibility for finance.
- Reasonable diligence
38. If after the expiration of thirty (30) days from the date of the advertisement the whereabouts of the Member remains unknown, the Company may transfer the shares held by the Member to the Minister charged with the responsibility for finance and for that purpose may execute for and on behalf of such Member, a transfer of those shares to the Minister charged with the responsibility for finance.
- Transfer of shares to Minister charged with responsibility for finance

## TRANSMISSION OF SHARES

39. In the case of the death of a Member, the legal representative(s), the executors or administrators of the deceased shall be the only person(s) recognised by the Company and / or Bursa Depository as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share which had been held by him.
- Recognition of persons on death

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

40. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member may, upon such evidence being produced as may from time to time properly be required by the Rules and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors and / or Bursa Depository shall in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that Member before his death or bankruptcy. Provided always that where the share is a Deposited Security, subject to the Rules, a transfer or withdrawal of the shares may be carried out by the person becoming so entitled.
- Share of deceased or bankrupt Member
41. If any person so becoming entitled to a share in consequence of the death or bankruptcy of a Member elects to register himself as the holder of the share, he shall deliver or send to the Company, a notice in writing signed by him and stating that he so elects, provided that where the share is a Deposited Security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him on the Bursa Depository. If he elects to have another person registered, he shall evidence his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer is a transfer signed by that Member.
- Notice of election
42. Subject to the provisions of any law, where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee or his estate, as the case may be, shall, upon the production of such evidence as may from time to time be required by the Directors and / or the Bursa Depository in that behalf, be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the registered holder would have been entitled to if he had not died or become bankrupt.
- Person entitled may receive dividends etc.
43. Where:
- (a) the Securities of a company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act, 1998, as the case may be, under the Rules in respect of such Securities,
- the Company shall, upon the request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the Registrar of the Company in Malaysia and vice versa provided that there shall be no change in ownership of such Securities.
- Transmission of Securities from foreign register

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## FORFEITURE OF SHARES

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|-----|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------|
| 44. | If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him or on the person entitled to the share by transmission, requiring payment of so much of the call or instalment as is unpaid, together with any interest, not exceeding eight per cent (8%) per annum or at such rate as the Directors shall determine and any expenses that may have accrued by reason of such non-payment.                                                                                                                                    | Notice requiring payment                                                                |
| 45. | The notice shall specify a further day (not earlier than the expiration of fourteen (14) days from the date of the notice) on or before which the payment required by the notice is to be made and the place where payment is to be made and shall state that in the event of non-payment on or before the time and at the place appointed, the shares in respect of which the call was made will be liable to be forfeited.                                                                                                                                                                                                                                                                                                                   | Particulars of notice                                                                   |
| 46. | If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture of shares shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.                                                                                                                                                                                                                                                                                                           | Forfeiture                                                                              |
| 47. | A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition, the forfeiture may be cancelled on such terms as the Directors think fit. Notice of sale or disposal shall be sent to the holder of the shares sold or disposed of within fourteen (14) days of the date of sale or disposal. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit. | Directors may sell shares or cancel forfeiture                                          |
| 48. | A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall remain liable to pay to the Company all monies which, at the date of forfeiture, was payable by him to the Company in respect of the shares (together with interest at the rate of eight per cent (8%) per annum from the date of forfeiture on the money for the time being unpaid if the Directors think fit to enforce payment of such interest), but his liability shall cease if and when the Company receives payment in full of all such money in respect of the shares.                                                                                                                                             | Liability of Member in respect of forfeited shares                                      |
| 49. | The forfeiture of a share shall involve the extinction at the time of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the shareholder whose share is forfeited and the Company, except only such of those rights and liabilities as are by this Constitution expressly saved, or as are by the Act given or imposed in the case of past Members.                                                                                                                                                                                                                                                                               | Forfeiture of shares shall involve extinction of interest in any claims against Company |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| 50. | A statutory declaration in writing by a Director or the Secretary that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration, together with the receipt of the Company for the consideration (if any), given for the share on the sale or disposition thereof, shall constitute a good title to the share, and such person shall be registered as the holder of the share and shall be discharged from all calls made prior to such sale or disposition, and the Company shall not be bound to see the application of the purchase money (if any), nor shall the purchaser's title to the share be affected by any act, omission or irregularity relating to or connected with the proceedings in reference to the forfeiture, sale, re-allotment or disposal of the share. The provision on the forfeiture in this Constitution shall apply in the case of non-payment of any sum which, by the terms of issue a share, becomes payable at a fixed time, as if the same had been payable by virtue of a call duly made and notified. | Evidence of forfeiture                                  |
| 51. | The Company may receive the consideration, if any, given for any forfeited share on any sale or disposition thereof and authorise any person to execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not have his title to the share be affected by an irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share. Any residue of the proceeds of sale of shares which are forfeited and sold or disposed of, after the satisfaction of the unpaid calls and accrued interest and expenses, shall be paid to the person whose shares have been forfeited or his executors, administrators or assignees or as he directs.                                                                                                                                                                                                                                                                                                                                                                                                              | Proceeds of sale                                        |
| 52. | The provisions of this Constitution as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, as if the same had been payable by virtue of a call duly made and notified.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Non-payment of any sum pursuant to the issue of a share |
| 53. | Where any share has been forfeited in accordance with this Constitution, notice of the forfeiture shall, within fourteen (14) days from the date of forfeiture thereof, be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof forthwith be made in the Register or the Record of Depositors, as appropriate, opposite the share.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Notice to holder of forfeited shares                    |

## CONVERSION OF SHARES INTO STOCK

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|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|
| 54. | The Company may by special resolution passed at a general meeting convert any paid-up shares into stock or reconvert any stock into paid-up shares of any number.                                                                                                                                                                                                                                                                         | Conversion by special resolution |
| 55. | The holders of the stock may transfer the same, or any part thereof in the same manner and subject to the same Clauses as and subject to which, the shares from which the stock arose might prior to conversion have been transferred, or as near thereto as circumstances permit; but the Directors may from time to time fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum. | Transfer of stock                |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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| 56. The holders of stock shall, according to the amount of the stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such part of stock as it would not, if existing in shares, have conferred that right, privilege or advantage. | Rights of stock holders |
| 57. Such Clauses of this Constitution as are applicable to paid-up shares shall apply to stock and the words "share" and "shareholder" therein shall include "stock" and "stockholder".                                                                                                                                                                                                                                                                                                                                                                 | Definition              |

## INCREASE OF CAPITAL

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------|
| 58. The Company may from time to time, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special, limited or conditional voting rights for the time being attached to any existing class of shares) to carry such preferential rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorising such increase, directs.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Power to increase capital               |
| 59. Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or Security which (by reason of the ratio which the new shares or Securities bear to the shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause. | Issue of new Securities to Members      |
| 60. Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | New shares to rank with original shares |

## ALTERATION OF CAPITAL

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|---------------------------------------------------------------------------------------------------------------------------|------------------------|
| 61. The Company may by ordinary resolution:                                                                               | Power to alter capital |
| (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or |                        |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (b) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or
  - (c) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or
  - (d) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or
  - (e) cancel shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.
62. Subject to and in accordance with the provisions of the Act and the requirements of the Exchange and such other relevant law, regulation or guideline, the Company is allowed and shall have power, to the fullest extent permitted, to purchase its own shares. Any shares in the Company so purchased by the Company shall be dealt with as provided by the Act, the requirements of the Exchange and any other relevant authority. Share buy back
63. The Company may reduce its share capital by: Power to reduce capital
- (a) a special resolution and confirmation by the Court in accordance with Section 116 of the Act; or
  - (b) a special resolution supported by a solvency statement in accordance with Section 117 of the Act.

## GENERAL MEETINGS

64. An annual general meeting of the Company shall be held in accordance with the provisions of the Act. All general meetings other than the annual general meeting shall be called extraordinary general meetings. All general meetings shall be held at such time, date and place as the Directors shall determine. Every notice of an annual general meeting shall specify the meeting as such and every meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution. General meetings

Such meeting of its Members may be held within Malaysia at more than one venue using any technology or method that allows all Members a reasonable opportunity to participate and to exercise the Members' rights to speak and vote at the meeting, and using any available technology to provide notice, conduct and record or facilitate voting at that meeting or any adjournment of that meeting of Members subject to rules, regulations and laws prevailing. The main venue of the meeting shall be in Malaysia and the Chairman shall be present at the main venue of the meeting.

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|-----|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|
| 65. | The Directors may, whenever they so decide by resolution, convene an extraordinary general meeting of the Company. In addition, an extraordinary general meeting shall be convened on such requisition as is referred to in Section 311 of the Act, or if the Company makes default in convening a meeting in compliance with a requisition received pursuant to Section 312, a meeting may be convened by the requisitionists themselves in the manner provided in Section 313 of the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Extraordinary general meeting |
| 66. | <p>(1) The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all Members at least fourteen (14) days before the meeting or at least twenty one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting must be given by advertisement in at least one (1) nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.</p> <p>(2) Subject to the Act, Listing Requirements, laws, rules or regulations, notice of a meeting of Members shall be in writing or Document which is required or permitted to be given, sent or served under the Act or under this Constitution shall be given to the Members either:</p> <p>(a) in hard copy,</p> <p>(b) in Electronic Form, or</p> <p>(c) partly in hard copy and partly in Electronic Form.</p> <p>(3) A notice or Document:</p> <p>(a) given in hard copy shall be sent to any Member/ securities holder either personally or by post to the address supplied by the Member/securities holder to the Company for such purpose; or</p> <p>(b) given in Electronic Form shall be transmitted to the Electronic Address provided by the Member/securities holder to the Company for such purpose or by publishing on a website.</p> <p>(4) A notice of a meeting of Members or Document shall not be validly given by the Company by means of a website unless a notification to that effect is given in accordance with Section 320 of the Act.</p> <p>(5) The Company shall notify a Member/securities holder of the publication of the notice or Document on the website and such notifications shall be in writing and shall be given in hard copy or electronic form stating:</p> <p>(a) that it concerns a meeting of Members;</p> <p>(b) the place, date and time of the meeting;</p> <p>(c) the general nature of the business of the meeting; and</p> <p>(d) whether the meeting is an annual general meeting.</p> | Notice of meetings            |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

If the Company sends the notice or Document or notifications through electronic mail, there must be proof of electronic mail delivery. In the event of delivery failure, the Company shall send for a hard copy of the notice or Document to him.

Notice of meeting of Members may include text of any proposed resolutions and other information as the Directors deem fit.

- (6) The notice or Document shall be made available on the website throughout the period beginning from the date of the notification referred to in Clause 66(5) until the conclusion of the meeting.
- (7) The contact details of the Member/ securities holder as provided to the Depository shall be deemed as the last known address provided by the Member to the Company for purposes of communication with the Member.
- (8) Where any Member/securities holder requests for a hard copy of the Document, the Company shall forward a hard copy of these Documents to the Member/ securities holder as soon as reasonably practicable after the receipt of the request, free of charge.
- (9) Where it relates to Documents required to be completed by Members/ securities holders for a rights issue or offer for sale, the Company must send these Documents through electronic mail, in hard copy or in any other manner as the Exchange may prescribe from time to time.
67. The Company shall request the Bursa Depository, in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company. Notice of meeting to Depositors on Record of Depositors
68. The Company shall also request the Bursa Depository in accordance with the Rules, to issue a Record of Depositors, as at the latest date which is reasonably practicable which shall in any event be not less than three (3) Market Days before the general meeting (hereinafter referred to as the **"General Meeting Record of Depositors"**). Depositors on the General Meeting Record of Depositors eligible to be present and vote
69. Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a Depositor shall not be regarded as a Member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors. Depositors not on the General Meeting Record of Depositors
70. No business shall be transacted at any extraordinary general meeting except business of which notice has been given in the notice convening the meeting and no business shall be transacted at an annual general meeting other than business of which notice has been given aforesaid, with the exception of the laying of the audited financial statement and the report of the Directors and auditors, the fixing of the Directors' fees and benefits payable, the election of Directors in the place of those retiring by rotation or otherwise, and the appointment and fixing of the remuneration of the auditors. Business at meetings



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- |     |                                                                                                                                                                                                                                             |                              |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 71. | In every notice calling a meeting of the Company there shall appear with reasonable prominence, a statement that a Member entitled to attend and vote is entitled to appoint not more than two (2) proxies to attend and vote in his stead. | Notice that proxy is allowed |
| 72. | The accidental omission to give notice of meeting to, or the non-receipt of notice of a meeting, by any person entitled to receive such notice shall not invalidate any resolution passed or the proceedings at any such meeting.           | Omission to give notice      |

## PROCEEDINGS AT GENERAL MEETING

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|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 73. | No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. Save as otherwise provided, two (2) Members present in person shall be a quorum. For the purposes of constituting a quorum:<br>(i) one or more representatives appointed by a corporation shall be counted as one Member;<br>or<br>(ii) one or more proxies appointed by a person shall be counted as one Member.                                                                                                                                                                                                                                                                                                                                                                                                                                 | Quorum                       |
| 74. | If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if that day be a public holiday then to the next business day following that public holiday) at the same time and place or to such other day and at such other time and place as the Directors may determine, but if a quorum is not present within half an hour at any adjourned meeting, the meeting shall be dissolved. For the purpose of this Clause, "business day" means a day (not being a Saturday, Sunday or public holiday) on which licensed financial institutions are open for general banking business in Selangor Darul Ehsan.                                                                                               | Adjournment                  |
| 75. | The Chairman of the Board (if any) shall preside as Chairman at every general meeting. If the Company has no Chairman or if at any general meeting, the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting or if the Chairman of the Board is not willing to act as Chairman for the general meeting, the Directors present shall choose one of their number, to act as Chairman or if one (1) Director only is present, he shall preside as Chairman if he is willing to act. If no Director is present, or if each of the Directors present declines to preside as Chairman, the Members present and entitled to vote shall elect one (1) of their number to be the Chairman. A Proxy attending the meeting shall not be entitled to be elected as Chairman of the general meeting. The election of the Chairman shall be by a show of hands. | Chairman of general meetings |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

76. The Chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

Adjournment with consent of meeting

Without prejudice to any other power which the Chairman may have under the provisions of this Constitution or at common law and subject to the Act and the Listing Requirements, the Chairman shall have full discretion on the general conduct of meeting, procedures to be adopted at the meeting to ensure proper and orderly conduct of the business of all general meetings and the Chairman's decision on matters of procedure or arising accidentally from the business of such meetings shall be final, as shall be his determination as to whether any matter is of such a nature. The Chairman may also at his discretion and in accordance with applicable laws, decides whether to admit new business at a meeting of shareholders.

The Board shall be entitled to ask shareholders or proxies wanting to attend the general meeting to submit, to searches or other security arrangements which the Board decide. The Board can, in their discretion refuse entry to, or remove from, a general meeting, a shareholder or proxy who does not submit to those searches or comply with those security arrangements. Security arrangements may include shareholders or proxies not being allowed in to a general meeting with recording or broadcasting devices or an article which the Chairman of the meeting considers to be dangerous, offensive or liable to cause disruption.

77. Subject to Listing Requirements, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting shall be voted by poll. Notwithstanding the above, poll may be demanded in writing:

Voting and evidence of passing resolutions

- (a) by the Chairman of the meeting;
- (b) by at least three (3) Members present in person or by proxy or by attorney or in the case of a corporation by a representative;
- (c) by any Member or Members present in person or by proxy or by attorney or in the case of a corporation by a representative and representing not less than one-tenth (1/10) of the total voting rights of all the Members having the right to vote at the meeting, excluding any voting rights attached to shares in the Company held as treasury shares; or
- (d) by a Member or Members present in person or by proxy or by attorney or in the case of a corporation by a representative holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid-up equal to not less than one-tenth (1/10) of the total sum paid-up on all the shares conferring that right, excluding any voting rights attached to shares in the Company held as treasury shares.

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

Unless a poll is so demanded, a declaration by the Chairman of the meeting that a resolution has been carried or has not been carried by a particular majority or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

78. (1) Any poll duly demanded on the election of a Chairman of a meeting or on a question of adjournment of meetings shall be taken forthwith at the meeting and without adjournment. A poll demanded on any other question shall be taken either immediately or at such subsequent time (not being more than thirty (30) days from the date of the meeting or adjourned meeting at which the poll was demanded) and place as the Chairman of the meeting may direct. If a poll is demanded before the declaration of the result of a show of hands and the demand is duly withdrawn, the meeting shall continue as if the demand had not been made.
- (2) The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. The Chairman of the meeting may (and if so directed by the meeting shall) appoint scrutineers and may in addition to the powers of adjourning meetings contained in Clause 76, adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.
- (3) If:
- (a) any objection shall be raised as to the qualification of any voter; or
  - (b) any votes have been counted which ought not to have been counted or which might have been rejected; or
  - (c) any votes are not counted which ought to have been counted;

How a poll is to be taken

the objection or error shall not vitiate the decision of the meeting or adjourned meeting on any resolution unless the same is raised or pointed out at the meeting or the adjourned meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the Chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the Chairman decides that the same is of sufficient magnitude to vitiate the resolution or may otherwise have affected the decision of the meeting. The decision of the Chairman of the meeting on such matters shall be final and conclusive.

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (4) A poll shall be taken in such manner as the Chairman of the meeting may direct and at least one (1) scrutineer must be appointed to validate the votes cast at the general meeting. The appointed scrutineer must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process. The Chairman of the meeting may fix a place and time for declaring the results of the poll. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

The poll may be conducted manually using voting slips or electronically using various forms of electronic voting devices. Such votes shall be counted by the poll administrator, and verified by the scrutineers, as may be appointed by the Chairman of the meeting for the purpose of determining the outcome of the resolution(s) to be decided by poll. The appointed scrutineer must not be an officer of the Company or its related corporation, and must be independent of the person undertaking the polling process.

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| 79. | In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote in addition to any other vote he may have.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Chairman's casting vote                    |
| 80. | Subject to any rights or restrictions for the time being attached to any class of shares at meetings of Members or classes of Members and Clause 67, Clause 68 and Clause 69 above, each Member shall be entitled to be present and to vote at any general meeting in respect of any share or shares of which he is the registered holder and upon which all calls due to the Company have been paid, and may vote in person or by proxy or by attorney or by duly authorised representative for a corporation, and on a resolution to be decided on a show of hands, each holder of an ordinary share or, each holder of a preference share who is personally present and entitled to vote, shall be entitled to one (1) vote and on a poll, every such Member present in person or by proxy or attorney or representative for a corporation shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands or on a poll, on any question, at any general meeting. In a voting by poll, each proxy shall be entitled to such number of votes equal to the proportion of the Member's shareholdings represented by such proxy. A proxy may only vote as directed in the proxy form. However, if the appointer or representative attend and vote on a resolution, the proxy or attorney must not vote. | Votes of Members                           |
| 81. | Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Shares of different monetary denominations |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| 82. | A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person as properly has the management of his estate, and any such committee or other person may vote by proxy or attorney. Any person entitled under Clause 39 to transfer any shares, may vote at any general meeting in the same manner as if he was the registered holder of such shares provided that he shall satisfy the Directors of his right to transfer such shares, unless the Directors shall have previously admitted his right to vote at such meeting in respect thereof, at least forty-eight (48) hours prior to the time of the meeting or adjourned meeting, at which he proposes to vote.                                                                                                                                                                                      | Members of unsound mind vote by his committee |
| 83. | No person shall be entitled to be present or to vote on any resolution either as a Member or otherwise as a proxy or attorney or representative for a corporation at any general meeting or demand a poll or be reckoned in the quorum in respect of any shares upon which calls are due and unpaid.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Member barred from voting while call unpaid   |
| 84. | No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Time for objection                            |
| 85. | <p>(1) A Member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of Members of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting, and that a proxy may but need not be a Member. There shall be no restriction as to the qualification of the proxy. Where a Member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.</p> <p>(2) Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.</p> | Appointment of proxy                          |
| 86. | The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. The Directors, may but shall not be bound to, require evidence of the authority of any such attorney or officer. The instrument appointing a proxy shall be deemed to confer authority on the appointed proxy to demand or join in demanding a poll.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Instrument appointing proxy to be in writing  |
| 87. | Where it is desired to afford Members an opportunity of voting for or against a resolution, the instrument appointing a proxy shall be in the following form or a form as near thereto as circumstances admit or in such other form as the Directors may approve or in any particular case, may accept:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Form of proxy                                 |



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## **Notes:**

A proxy may but need not be a Member.

To be valid, this form, duly completed must be deposited at the Office of the Company not less than forty eight (48) hours before the time for holding the meeting Provided That in the event the Member(s) duly executes the form of proxy but does not name any proxy, such Member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, Provided Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the Member(s).

A Member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.

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|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| 88. | The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a duly notarised certified copy of that power or authority, shall be deposited at the Office or at such other place within Malaysia as is specified for that purpose in the notice convening the meeting, not less than forty eight (48) hours before the time appointed for holding the meeting or adjourned meeting as the case may be, at which the person named in the instrument proposes to vote, and in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid. The Company may specify a fax number and an Electronic Address in the notice of meeting, for the purpose of receipt of proxy appointments subject to the Rules, regulations and laws at that time specified therein. | Deposit of proxy form                            |
| 89. | <p>(1) Subject to the Act and the Listing Requirements, the Directors or any agent of the Company so authorised by the Directors, may accept the appointment of proxy received by Electronic Communication on such terms and subject to such conditions as they consider fit. The appointment of proxy by Electronic Communication shall be in accordance with this Constitution.</p> <p>(2) For the purpose of Clause 89, the Directors may require such reasonable evidence they consider necessary to determine:</p> <p>(a) the identity of the Member and the proxy; and</p> <p>(b) where the proxy is appointed by a person acting on behalf of the Member, the authority of that person to make the appointment.</p>                                                                                                                                                                                                                    | Appointment of proxy by electronic communication |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (3) Without prejudice to Clause 89, the appointment of proxy by Electronic Communication must be received at the Electronic Address specified by the Company in any of the following sources and shall be subject to any terms, conditions or limitations specified therein:-
- (a) Notice calling the meeting;
  - (b) Instrument of proxy sent out by the Company in relation to the meeting; or
  - (c) Website maintained by or on behalf of the Company.
- (4) An appointment of proxy by Electronic Communication must be received at the Electronic Address specified by the Company pursuant to Clause 89(3) not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the form of appointment of proxy proposes to vote, or, in the case of a poll, not less than forty-eight (48) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
- (5) An appointment of proxy by Electronic Communication which is not made in accordance with this Clause shall be invalid.
90. Every power, right or privilege of any Member to convene, attend, vote and in anyway take part in any meeting of the Company, may be exercised in the event of such Member being out of Malaysia by any attorney, whether a Member or not, duly appointed by such Member for the purpose, by a power of attorney produced at the Office during business hours not less than two (2) Market Days before the same is acted on. Any vote given or things done by such attorney shall be valid notwithstanding the previous death or unsoundness of mind of the Member giving such power of attorney or revocation of such power of attorney by other means provided no intimation in writing of such death or unsoundness mind or revocation shall have been received at the Office before such vote is given or thing done. Power of attorney
91. A vote given in accordance with the terms of an instrument of proxy or attorney or authority shall be valid, notwithstanding the previous death or unsoundness of mind of the principal or revocation of the instrument of proxy or attorney or authority under which the instrument of proxy was executed, or the transfer of the share in respect of which the instrument of proxy is given, if no intimation in writing of such death, unsoundness of mind, revocation or transfer as aforesaid has been received by the Company at the Office or at such other place within Malaysia before the commencement of the meeting or adjourned meeting or in the case of a poll before the time appointed for the taking of the poll, at which the instrument of proxy is used. Validity of vote given under proxy



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

92. A corporation may by resolution of its directors or other governing body, if it is a Member, authorise such person as it thinks fit to act as its representative either at a particular meeting or at all meetings of the Company or of any class of Members and a person so authorised shall act in accordance with his authority and until his authority is revoked by the corporation, be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it was an individual Member.

Corporate  
representative

If the corporation authorises more than one person as its representative, every one of the representative is entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if every one of the representative was an individual Member of the Company

If the corporation authorises more than one person and more than one of the representatives purport to exercise the power on the above:

- (a) where the representatives purport to exercise the power in the same way, the power is treated as exercised in that way; or
- (b) where the representatives do not purport to exercise the power in the same way, the power is treated as not exercised.

## **DIRECTORS: APPOINTMENT, REMOVAL, ETC.**

93. Unless otherwise determine by the Company in general meeting and subject to the Listing Requirements, the number of Directors shall not be less than two (2) or more than nine (9). The remaining Directors may continue to act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the aforesaid minimum, the remaining directors may, except in emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company.
94. Unless otherwise determined by the Company in general meeting, by the Listing Requirements or under law, at least two (2) Directors or one-third (1/3) of the Board, whichever is higher, shall be independent Directors. If the number of Directors is not three (3) or multiple of three (3), then the number nearest one-third (1/3) shall be used for the purpose of determining the requisite number of independent Directors.
95. An election of Directors shall take place each year. At the first annual general meeting of the Company, all the Directors shall retire from office, and at the annual general meeting in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election PROVIDED ALWAYS that all Directors shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires whether adjourned or not.

Number of Directors

Independent Directors

Retirement of  
Directors

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| 96.  | The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Selection of Directors to retire             |
| 97.  | No person, not being a retiring Director, shall be eligible for election to the office of Director at any general meeting unless a Member intending to propose him for election has, at least eleven (11) clear days before the meeting, left at the Office, a notice in writing duly signed by the nominee, giving his consent to the nomination and signifying his candidature for the office, or the intention of such Member to propose him for election, provided that in the case of a person recommended by the Directors for election, nine (9) clear days' notice only shall be necessary, and notice of each and every candidature for election to the Board shall be served on the registered holders of shares at least seven (7) days prior to the meeting at which the election is to take place. | Notice of intention to appoint Directors     |
| 98.  | The Company at the meeting at which a Director so retires may fill the vacated office by electing a person thereto. Unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for the re-election of the Director retiring at that meeting is put to the meeting and lost or some other person is elected a Director in place of the retiring Director, the retiring Director shall, if offering himself for re-election and not being disqualified under the Act from holding office as a Director, be deemed to have been re-elected.                                                                                                                                                                                                                                    | Retiring Director deemed to be reappointed   |
| 99.  | At any general meeting at which more than one (1) Director is to be elected, each candidate shall be the subject of a separate motion and vote unless a motion for the appointment of two (2) or more persons as Directors by a single resolution shall have first been agreed to by the meeting without any vote being given against it.                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | Motion for appointment of Directors          |
| 100. | The Company may from time to time by ordinary resolution passed at a general meeting, increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Increase or reduction of number of Directors |
| 101. | The Company may by ordinary resolution of which special notice is given, remove any Director before the expiration of his period of office and may if thought fit, by ordinary resolution appoint another Director in his stead. The person so appointed shall hold office for so long as the Director in whose place he is appointed would as if he had not been removed.                                                                                                                                                                                                                                                                                                                                                                                                                                      | Removal of Directors                         |
| 102. | The Directors shall have power at any time and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors but so that the total number of Directors shall not at any time exceed the maximum number fixed in accordance with this Constitution. Any Director so appointed shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.                                                                                                                                                                                                         | Power to fill vacancy or to add Directors    |
| 103. | The shareholding qualification for Directors may be fixed by the Company in general meeting and until so fixed, no shareholding qualification for Directors shall be required. All Directors shall be entitled to receive notice of and to attend all general meetings of the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Directors' shareholding qualification        |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## ANNUAL SHAREHOLDER APPROVAL FOR DIRECTORS' FEES AND BENEFITS

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|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|
| 104. | <p>The fees and benefits payable to the Directors of the Company and its subsidiaries including any compensation for loss of employment of Director or former Director shall from time to time be determined by the Company in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:</p> <ul style="list-style-type: none"> <li>(a) fee payable to non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover;</li> <li>(b) remuneration and other emoluments (including bonus, benefits, or any other elements) payable to Executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;</li> <li>(c) fees payable to Directors and any benefits payable to Directors shall be subject to annual shareholder approval at a general meeting,</li> <li>(d) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and</li> <li>(e) the fees and / or benefits payable to non-executive Directors who is also Director of the subsidiaries includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiaries, but does not include insurance premium or any issue of securities.</li> </ul> | Directors' remuneration   |
| 105. | <ul style="list-style-type: none"> <li>(1) The Directors shall be paid for all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors or general meetings or otherwise.</li> <li>(2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Director.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Reimbursement of expenses |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## DISQUALIFICATION OF DIRECTORS

106. The office of a Director shall become vacant if the Director:
- (a) becomes bankrupt or makes any arrangement or composition with his creditor generally during his term of office;
  - (b) has been convicted of an offence relating to the promotion, formation or management of a corporation;
  - (c) has been convicted of an offence involving bribery, fraud or dishonesty;
  - (d) becomes disqualified from being a Director by reason of any order made under the Act or has been convicted of an offence under Sections 213, 217, 218, 228 and 539 of the Act;
  - (e) becomes of unsound mind or a person whose person or estate is liable to be dealt with in any way under the law relating to mental disorder during his term of office;
  - (f) is absent from more than fifty percent (50%) of the total Board meetings held during a financial year unless an exemption or waiver is obtained from the Exchange;
  - (g) resigns from his office by notice in writing to the Company and deposited at the Office of the Company;
  - (h) is removed from his office of Director by resolution of the Company in general meeting of which special notice has been given;
  - (i) has retired in accordance with the Act or this Constitution of the Company but is not re-elected;
  - (j) otherwise vacate his office in accordance with the Act or this Constitution of the Company; or
  - (k) is convicted by a court of law, whether in Malaysia or elsewhere, in relation to offences under the Act or any securities laws.
- When office of Director deemed vacant

## POWERS AND DUTIES OF DIRECTORS

107. The business and affairs of the Company shall be managed by Directors or under the direction of the Board who may pay all expenses incurred in promoting and registering the Company. The Board has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Company and exercise all such powers of the Company as are not by this Constitution or by the Act required to be exercised by the Company in general meeting, subject nevertheless, to any of the provisions of this Constitution, the Act, and such regulations, which are not being inconsistent with this Constitution or the provisions of the Act as may be prescribed by the Company in general meeting but no regulation made by the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.
- Business of Company to be managed by Directors

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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| <p>108. The Directors shall not without the prior approval of the Company in general meeting:</p> <p>(a) exercise any power of the Company to issue shares unless otherwise permitted under the Act;</p> <p>(b) arrange or enter or carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or controlling interest in the Company's undertaking or property (include the whole or substantially the whole of the rights, including developmental rights and benefits);</p> <p>(c) subject to Sections 228(2) and 229 of the Act, enter or carry into effect any arrangement or transaction with a Director or a substantial shareholder of the Company or its holding Company, or its subsidiary or with a person connected with such a Director or substantial shareholder to acquire from or dispose to such Director or substantial shareholder or person connected with such a Director any shares or non-cash assets of the requisite value as stated in the Act; or</p> <p>(d) issue any securities on such terms and subject to such conditions which confer a right to subscribe for new shares of the Company.</p> | <p>Limitation on Directors' powers</p> |
| <p>109. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company or associate company or any related third party subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | <p>Directors' borrowing power</p>      |
| <p>110. The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other securities, whether outright or as security, for any debt, liability or obligation of an unrelated third party.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <p>Restriction on borrowing powers</p> |
| <p>111. The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme, share option/incentive scheme and trusts or other funds for the benefit of, or pay a gratuity, pension or emolument, and to issue and allot and/or transfer shares or Securities to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such person as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him under this Clause subject only, where the Act requires, for proper disclosure to the Members and the approval of the Company in general meeting.</p>                                                                                                   | <p>Power to maintain funds</p>         |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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| 112. | The Directors may exercise all the powers of the Company conferred by the Act in relation to any official seal for use outside Malaysia and in relation to branch registers. The Company may have a duplicate Common Seal as referred in Section 62 of the Act which shall be an exact copy of the Common Seal with the addition on its face of the word "Share Seal". The official seal when duly affixed to a document has the same effect as the Company's common seal. The person affixing the official seal shall certify in writing on the deed or other document to which the seal is affixed the date and place it is affixed.                                                                                                                                             | Power to use official seal |
| 113. | The Directors may from time to time by power of attorney under the Seal, appoint any corporation, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney/attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him. | Appointment of attorneys   |
| 114. | All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for money paid to the Company shall be signed, drawn, accepted, endorsed, or otherwise executed, as the case may be in such manner as the Directors may from time to time by resolution determine.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Signing of cheques etc.    |
| 115. | Subject to the Act, the Company's documents shall be executed, as the case may be, in such manner and by such person as the Directors shall from time to time determine.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | Execution of documents     |
| 116. | A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain directly or indirectly an improper advantage for himself or for any other person or to cause detriment to the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Discharge of duties        |
| 117. | Every Director shall give notice to the Company of such events and matters affecting or relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Notice of disclosures      |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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| 118. | Subject always to the Act and requirements of the Exchange, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the nature and extent of interest must be declared by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case, at the first meeting of the Directors after the acquisition of the interest. | Director may hold other office                |
| 119. | Unless prohibited by the rules and / or requirements of the Exchange, any Director may act by himself or his firm in a professional capacity for the Company and he or his firm shall be entitled to remuneration for his or his firm's professional services as if he was not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company and provided further that such professional services shall be provided at normal commercial terms.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Director may act in his professional capacity |

## PROCEEDINGS OF DIRECTORS

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| 120. | The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Any Director may at any time and the Secretary shall on the requisition of any of the Directors, summon a meeting of the Directors by giving them not less than seven (7) days' notice thereof unless such requirement is waived by them.                                                                                     | Meeting of Directors            |
| 121. | Unless otherwise determined by the Directors from time to time, notice of all Directors' meetings shall be given and circulated to all Directors and their alternates by facsimile, electronic mail or other communication modes / equipment. Except in the case of an emergency, reasonable notice of every Directors' meeting shall be given in writing. The majority of the Board may waive notice of any meeting and any such waiver may be retroactive. | Notice of Directors' meeting    |
| 122. | The quorum necessary for the transaction of business of the Directors shall be two (2) and a meeting of the Director for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally.                                                                                                                  | Quorum of meetings of Directors |
| 123. | Directors may participate in a meeting of Directors by means of conference telephone, conference videophone or any similar or other communications by electronic means.                                                                                                                                                                                                                                                                                      | Meeting by electronic means     |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

124. A person in communication by electronic means with the Chairman and with all other parties to a meeting of the Directors or of a committee of Directors shall be regarded for all purposes as personally attending such a meeting and shall be counted in a quorum and be entitled to vote but only for so long he has the ability to communicate interactively and simultaneously with all other parties attending the meeting including all persons attending by electronic means.
125. A meeting at which one or more of the Directors attends by electronic means is deemed to be held at such place as the Directors shall at the said meeting resolve. In the absence of a resolution as aforesaid, the meeting shall be deemed to be held at the place, if any, where a majority of the Directors attending the meeting are physically present, or in default of such a majority, the place at which the Chairman of the meeting is physically present.
126. Subject to the Act, all business transacted in the manner provided above by electronic means shall for the purpose of this Constitution be deemed to be validly and effectively transacted at a meeting of the Board PROVIDED that at least one (1) of the Directors present at the meeting was at such place as resolved or deemed (as the case may be) pursuant to Clause 125 for the duration of the meeting. All information and documents must be made equally available to all participants prior to or at/during the meeting.
127. The Directors may elect and remove a Chairman of their meetings and determine the period for which he is to hold office but if no such Chairman is elected, or if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the Directors present may choose one of their members to be Chairman of the meeting. Chairman of Board
128. The Directors shall not have any power to appoint any person from time to time as their proxies to represent them at Directors' meetings, save and except for their duly appointed alternate Directors. Appointment of proxy
129. Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. The Chairman of the meeting shall however not have a second or casting vote where two (2) Directors form a quorum and only such a quorum is present at the meeting or only two (2) Directors are competent to vote on the question at issue. Votes by majority and Chairman to have casting vote



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| 130. | The remaining Director or Directors may continue to act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the minimum number fixed by or pursuant to this Constitution as the necessary quorum of Directors, the remaining Director or Directors may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or to summon a general meeting of the Company.                                                                                                                                                      | Directors may act<br>Notwithstanding<br>vacancy |
| 131. | Every Director shall comply with the provisions of Sections 221 and 219 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director.                                                                           | Disclosure of interest                          |
| 132. | A Director may contract with and be interested in any contract or proposed contract with the Company and shall not be liable to account for any profit made by him by reason of any such contract; PROVIDED ALWAYS THAT the nature of the interest of the Director in any such contract be declared at a meeting of the Directors as required by Section 221 of the Act.                                                                                                                                                                                                                                             | Directors may contract<br>with the Company      |
| 133. | A Director shall not participate in any discussion or vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted).                                                                                                                                                                                                                                                                                                                                                                                 | Restriction on voting                           |
| 134. | A Director notwithstanding his interest may, provided that none of the other Directors present disagree, be counted in the quorum present at any meeting whereat any decision is taken upon any contract or proposed contract or arrangement in which he is in any way interested PROVIDED ALWAYS that he has complied with Section 221 and all other relevant provisions of the Act and this Constitution.                                                                                                                                                                                                          | Quorum<br>notwithstanding<br>interest           |
| 135. | A Director may vote in respect of: <ul style="list-style-type: none"> <li>(a) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and</li> <li>(b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.</li> </ul> | Relaxation of<br>restriction on voting          |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

136. A Director of the Company may be or become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly and indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as directors of such other corporation, in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be or is about to be appointed a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.
- Directors may become Directors of other corporation

## ALTERNATE DIRECTOR

137. (1) A Director may from time to time nominate any person to act as his alternate Director, PROVIDED that:
- (i) Such person is not a Director of the Company;
  - (ii) Such person does not act as an alternate for more than one Director of the Company;
  - (iii) The appointment is approved by a majority of the other Directors.
- (2) An alternate Director shall (except as regards the power to appoint an alternate Director and remuneration) be subject in all respects to the terms and conditions existing with reference to the other Directors, and shall be entitled to receive notices of all meetings of the Directors and to attend, speak and vote at any such meeting at which his appointor is not present.
- (3) A Director may at any time by writing revoke the appointment of any alternate appointed by him, and appoint another person approved as aforesaid. An alternate Director shall ipso facto vacate office if the Director appointing him vacates office as director or removes the alternate Director from office. Any appointment or removal of an alternate Director may be made and communicated by his appointor to the Office by electronic transmission or in any other manner approved by the Directors. Any electronic transmission shall be confirmed as soon as possible by letter, but may be acted upon by the Company in the meantime.
- (4) If a Director making any such appointment as aforesaid shall cease to be a Director (otherwise than by reason of vacating his office at a meeting of the Company at which he is re-elected), the person appointed by him shall thereupon cease to have any power or authority to act as an alternate Director.
- Alternate Directors

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (5) An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.
- (6) No Director may act as an alternate director and a person may not act as an alternate director for more than one Director.
- (7) Every person acting as an alternate Director shall be deemed to be an officer of the Company, and shall alone be responsible to the Company for his own acts and defaults, and he shall not be deemed to be an agent of or for the Director appointing him.

## MANAGING AND/OR EXECUTIVE DIRECTORS

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| 138. | The Directors may from time to time appoint one (1) or more of their body to any executive office or person performing the functions of a Managing Director by whatever name called including the offices of Managing Director, Deputy Managing Director or Executive Director for such period and upon such terms as they think fit. The appointment may entrust to and confer upon the Directors holding such executive office, any powers exercisable by them as Directors generally as they may think fit, but such Managing Director, Deputy Managing Director or Executive Director shall be subject to the control of the Board. The Board may from time to time (subject to any provisions of any contract between him and the Company) remove or dismiss him or them from office and appoint another or others in his or their place or appoint a substitute during his or their absence from illness or any other cause and in case of any breach of any agreement his or their remedy against the Company shall be in damages only and he or they shall have no right or claim to continue in such office contrary to the will of the Directors or of the Company in general meeting. | Managing / Executive Director                                         |
| 139. | The remuneration of a Director holding an executive office pursuant to this Constitution shall, subject to Clause 104, be fixed by the Board and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Remuneration of Director holding executive office                     |
| 140. | A Managing Director or a Deputy Managing Director shall while he continues to hold that office, be subject to retirement by rotation and shall be reckoned as a Director for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire, but he shall, subject to provisions of any contract between him and the Company, be subject to the same provision as to resignation and removal as the other Directors of the Company and if he ceases to hold the office of Director for any cause shall ipso facto and immediately cease to be a Managing Director or Deputy Managing Director.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Special position of Managing Director and/or Deputy Managing Director |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## COMMITTEES OF DIRECTORS

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|------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| 141  | The Directors may establish any committees (including, without limitation, a management committee), local boards or agencies comprising two (2) or more persons for managing any other affairs of the Company either in Malaysia or elsewhere, and may lay down, vary or annul such rules and regulations as they may think fit for the conduct of the business thereof, and may appoint any person or persons to be the member or members of any such committee or local board or agency and may fix their remuneration and may delegate to any such committee or local board or agency any of the powers, authorities and discretion vested in the Directors, with power to sub-delegate, and may authorise the member or members of any such committee or local board or agency or any of them, to fill any vacancies therein, and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no persons dealing in good faith and without notice of any such annulment or variation shall be affected thereby. The regulations herein contained for the proceedings of Directors shall so far as not altered by any regulations made by the Directors apply also to the meetings and proceedings of any committee. | Power of Directors to appoint committees                                    |
| 142. | Subject to any rules and regulations made pursuant to Clause 141, a committee may meet and adjourn as it thinks proper and questions arising at any meeting shall be determined by a majority of votes of the members of such committee present and in the case of any equality of votes, the Chairman shall have a second or casting vote.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Meeting of Committees                                                       |
| 143. | A committee may elect a Chairman of its meetings. If no such Chairman is elected or if at any meeting the Chairman is not present within fifteen (15) minutes after the time appointed for holding the meeting, the members of the committee present may choose one (1) of their number to be Chairman of the meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | Chairman of committees                                                      |
| 144. | Notwithstanding any provisions to the contrary contained in this Constitution, any member of a committee may participate at a committee meeting by way of telephone and video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other, in which event such member shall be deemed to be physically present at the meeting whether for the purposes of this Constitution or otherwise. A member participating in a meeting in the manner aforesaid may also be taken into account in ascertaining the presence of a quorum at the meeting. Any meeting held in such manner shall be deemed to be held at such place as shall be agreed upon by the members attending the meeting PROVIDED that at least one (1) of the members present at the meeting was at such place for the duration of that meeting.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Participation at Committee Meeting by way of telephone and video conference |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## VALIDATION OF ACTS OF DIRECTORS

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| 145. | All acts done by any meeting of the Directors or a committee of Directors or by any person acting as a Director shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director, or member of such committee as aforesaid. | Directors' acts to be valid |
| 146. | Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to approval by shareholders in general meeting.                                                                                                                                                                                                                                                                                      | Substantial disposal        |

## DIRECTORS' CIRCULAR RESOLUTIONS

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| 147. | <p>A resolution in writing signed, approved or assented by letter, electronic mail or facsimile by a majority of the Directors for the time being present in Malaysia entitled to receive notice of a meeting of the Directors shall be valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted provided that where a Director is not so present but has an alternate who is so present, then such resolution must also be signed by such alternate. Any such resolution may consist of several documents in like form (prepared and circulated by facsimile, electronic mail or other communication modes / equipment), each signed by one (1) or more Director or their alternates. An approval by letter or other written means of a proposed resolution in writing (which has been prepared and circulated as aforesaid) signed by a Director and sent by him by facsimile, electronic mail or other communication modes / equipment shall be deemed to be a document signed by him for the purposes of the foregoing provisions.</p> <p>Any such document may be accepted as sufficiently signed by a Director or his alternate if transmitted to the Company by any technology purporting to include a signature and/or electronic or digital signature of the Director or his alternate.</p> | Directors' circular resolution |
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## AUTHENTICATION OF DOCUMENTS

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| 148. | <p>Any Director or the Secretary shall have power to authenticate any documents affecting this Constitution of the Company and any resolution passed by the Company or the Directors and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts.</p> <p>Where any books, records, documents or accounts are kept elsewhere than in the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.</p> | Authentication of documents |
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# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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| 149.                         | A document purporting to be a copy of a resolution of the Directors or any extract from the minutes of a meeting of the Directors which is certified by person having powers to authenticate the documents as such in accordance with the provisions of Clause 148, shall be conclusive evidence in favour of all persons dealing with the Company on the faith that such resolution has been duly passed or that such extract is a true and accurate record of a duly constituted meeting of the Directors, as the case may be.                                                                                                                                                                                                                                                                                                                              | Conclusive evidence of resolutions and extract of minutes of meetings |
| <b>MINUTES AND REGISTERS</b> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |                                                                       |
| 150.                         | The Directors shall cause minutes to be duly entered in books provided for the purpose: <ul style="list-style-type: none"> <li>(a) of all appointments of officers;</li> <li>(b) of the names of all the Directors present at each meeting of the Directors and of any committee of Directors and of the Company in general meeting;</li> <li>(c) of all resolutions and proceedings of general meetings and of all meetings of the Company, class of Members, Directors and committee of Directors; and</li> <li>(d) of all orders made by the Directors and any committee of Directors.</li> </ul> <p>Such minutes shall be signed by the Chairman of the meeting at which the proceedings were held or by the Chairman of the next succeeding meeting and shall be accepted as prima facie evidence without further proof of the facts stated therein.</p> | Minutes to be entered                                                 |
| 151.                         | The Company shall in accordance with the provisions of the Act keep at the Office, a register containing such particulars with respect to the Directors, Managers and Secretaries of the Company as are required by the Act, and shall from time to time notify the Registrar of Companies of any change in such register and of the date of change in the manner prescribed by the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Particulars of Directors, Managers and Secretaries                    |
| 152.                         | The books containing the minutes of proceedings of any general meeting shall be kept by the Company at the Office or the principal place of business in Malaysia of the Company and shall be open to the inspection of any Member without charge.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Minutes kept at Office                                                |
| 153.                         | The Company shall also keep at the Office, registers which shall be open to the inspection of any Member without charge and to any other person on payment of a prescribed fee for each inspection, all such matters required to be so registered under the Act, and in particular: <ul style="list-style-type: none"> <li>(a) a register of substantial shareholders and of information received in pursuance of the requirements under Sections 144 and 56(4) of the Act; and</li> <li>(b) a register of the particulars of each of the Directors' shareholdings and interests as required under Section 59 of the Act.</li> </ul>                                                                                                                                                                                                                          | Registers to be kept                                                  |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## SECRETARY

154. The Secretary or Secretaries shall in accordance with the Act be appointed by the Directors for such term and at such remuneration and upon such conditions as they think fit. The Secretary may resign from his office by giving notice to the Board and his resignation shall take immediate effect.
- Secretary

## SEAL

155. (1) The Directors shall provide for the safe custody of the Seal which shall only be used pursuant to a resolution of the Directors or a committee of the Directors authorising the use of the Seal. The Directors may from time to time make such regulations as they think fit determining the persons and the number of such persons in whose presence the Seal shall be affixed and, until otherwise so determined, the Seal shall be affixed in the presence of at least one (1) Director and counter-signed by the Secretary or by a second Director or by some other person appointed by the Directors for the purpose who shall sign every instrument to which the Seal is affixed. The Directors may by resolution determine either generally or in any particular case that the signature of any Director, the Secretary or such other persons appointed as aforesaid may be affixed or reproduced by facsimile, autographic or other mechanical means provided that the use of such is restricted to a certificate or other documents of title in respect of any share, stock, debenture or marketable security created or issued by the Company to be given under the Seal of the Company. The Company may exercise the powers of Section 62 of the Act, and such powers are accordingly hereby vested in the Directors.
- Authority for use of  
Seal
- (2) The Company may also have a share seal pursuant to Section 63 of the Act.
- Share seal

## ACCOUNTS

156. The Company, Directors and managers of the Company shall cause to be kept proper books of account with respect to all sums received and expended by the Company and the matters in respect of which such receipt and expenditure takes place and of the assets, credits and liabilities of the Company. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations, the accounts and other records of the Company or any of them, shall be opened to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or this Constitution or authorised by the Directors or by the Company in general meeting. Subject always to Section 245 of the Act, the books of account or records of operations shall be kept at the Office or at such other place as the Directors think fit and shall always be open to inspection by the Directors.
- Keeping and  
inspection of books of  
account

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|
| 157. | A copy of the reports by the Directors and auditors of the Company, the profit and loss accounts, balance sheets and group accounts (if any) (including all documents required by law to be annexed or attached to all or any of them) shall be sent (not later than the time prescribed by the Listing Requirements and/or the Act) to all Members, holders of debentures and all other persons entitled to receive notices of general meetings under the Act or this Constitution in electronic form, which shall be transmitted to the electronic address provided by the securities holders to the Company for such purpose by publishing on a website. | To whom copies of profit and loss account etc. may be sent |
| 158. | Auditors shall be appointed and their duties regulated in accordance with the Act.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Auditors                                                   |

## DIVIDENDS AND RESERVES

- |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                                                                        |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| 159. | <p>(1) The Company in general meeting may declare dividend, but no dividend shall exceed the amount recommended by the Directors. No dividend shall be payable otherwise than out of profits of the Company or shall bear interest against the Company.</p> <p>(2) The Directors may, if they think fit from time to time, declare and pay to the Members such interim dividends as appear to the Directors to be justified by the profits of the Company. If at any time the share capital of the Company is divided into different classes, the Directors may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights, as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend.</p> <p>Provided that the Directors act bona fide, they shall not incur any responsibility to the holder of shares conferring any preferential rights for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights. The Directors may also pay half-yearly or at other suitable intervals to be settled by them, any dividend which may be payable at a fixed rate if they are of the opinion that the profits justify the payment.</p> <p>(3) The Directors may authorise a distribution of dividend at such time and in such amount as the Directors consider appropriate, if the Directors are satisfied that the Company will be solvent immediately after the distribution is made, and in accordance with the Act.</p> <p>(4) No higher dividend shall be paid than is authorised by the Directors, and the declarations of the Directors as to the distribution shall be conclusive.</p> | <p>Declaration of dividends</p> <p>Interim dividend</p> <p>Solvent</p> |
| 160. | The Directors may, before recommending any dividend, set aside out of the profits available of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied. Pending any such application, such profits may, at the discretion of the Directors, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit. The Directors may also without placing the profits to reserve, carry forward any profits which they think prudent not to divide.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Directors may form reserve fund and invest                             |



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------|
| 161. | The Directors may establish a reserve to be called either "capital reserve" or "realisation account" and shall carry to the credit of such reserve from time to time, all monies realised on the sale of any investments held by the Company in excess of the then book price of the same in providing for depreciation or contingencies. Such capital reserve or realisation account and all other monies in the nature or otherwise, shall be treated for all purposes as capital monies and not as profits available for dividend. Any losses realised on the sale of any investments may be carried to the debit of capital reserve or realisation account except in so far as the Directors shall decide to make good the same out of other monies of the Company.                                 | Capital reserve or realisation account           |
| 162. | Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Constitution as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.                                 | Payment of dividends                             |
| 163. | The Directors may deduct from any dividend payable to any Member, all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company held by him.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Deduction of dividends                           |
| 164. | The Directors may retain the dividends payable upon shares in respect of which any person is entitled to become a Member under the provision as to the transmission of shares in this Constitution, or which any person is under this Constitution entitled to transfer, until such person shall become a Member in respect of such shares or shall transfer the same.                                                                                                                                                                                                                                                                                                                                                                                                                                  | Dividends due may be retained until registration |
| 165. | All dividends unclaimed for one (1) year, subject to the Unclaimed Monies Act, 1965 after having been declared may be invested or otherwise used by the Directors for the benefit of the Company until claimed or paid pursuant to the Unclaimed Monies Act, 1965. No unpaid dividend, bonus, or interest shall bear interest as against the Company.                                                                                                                                                                                                                                                                                                                                                                                                                                                   | Unclaimed dividends may be invested              |
| 166. | Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus, wholly or partly by the distribution of specific assets and in particular, of paid-up shares, debenture or debenture stock of any other company or in any one or more of such ways and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and fix the value for the distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors. | Manner of realisation of dividend and bonus      |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|
| 167. (1) | Any dividend, interest or other money payable in cash in respect of shares or other Securities may be paid by direct transfer by means of the electronic payment systems upon terms and subject to conditions as the Directors may stipulate or by cheque or warrant sent by post to the registered address of the holder on the Register or the Record of Depositors or to such person and to such address as the holder may direct in writing. Every such cheque or warrant or remittance via the electronic payment systems shall be made payable to the order of the person to whom it is sent or to such person as the holder may direct, and the payment of any such cheque or warrant or remittance via the electronic payment systems shall operate as a good and full discharge of the Company in respect of the dividend, interest or other money payable in cash in respect of shares or other Securities represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that the endorsement thereon has been forged. Every such cheque or warrant shall be sent at the risk of the any person entitled to the money thereby represented. | Mode of Payment |
| (2)      | Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary shares of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Stock Dividend  |
|          | (i) the basis of any such allotment shall be determined by the Directors;                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                 |
|          | (ii) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such elections or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Constitution;                                                                                                                                                                                                                                  |                 |
|          | (iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of the election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion; and                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                 |

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "Elected Ordinary Shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the Elected Ordinary Shares on the basis of allotment determined as aforesaid and for such purpose (notwithstanding any provision of this Constitution to the contrary), the Directors shall (i) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise available for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis, or (ii) apply the sum which would otherwise have been payable in cash to the holders of Elected Ordinary Shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the Elected Ordinary Shares on such basis.
- (3) The ordinary shares allotted pursuant to the provisions of paragraph (2) of this Clause shall rank *pari passu* in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify. Ranking
- (4) The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (2) of this Clause, with full power to make such provisions as they think fit in the case of fractional entitlements to ordinary shares (including, notwithstanding any provision to the contrary in this Clause, provisions whereby, in whole or in part, fractional entitlements are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than the Members). Capitalisation on stock dividend
- (5) The Directors may, on any occasion when they resolve as provided in paragraph (2) of this Clause, determine that the rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or the Depository Register, as the case may be, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Constitution shall be read and construed to such determination. Rights of election on stock dividend

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

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|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|
| <p>(6) The Directors may, on any occasion when they resolve as provided in paragraph (2) of this Clause, further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register or the Record of Depositors, as the case may be, is outside Malaysia or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlements of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.</p>                                     | <p>Rights of Directors on stock dividend</p>                 |
| <p>(7) Notwithstanding the foregoing provisions of this Constitution, if at any time after the Directors' resolution to apply the provisions of paragraph (2) of this Clause in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that, by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and as they deem fit in the interest of the Company, cancel the proposed application of paragraph (2) of this Clause.</p> | <p>Rights of Directors on cancellation of stock dividend</p> |

## CAPITALISATION OF PROFITS

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| <p>168. The Company in general meeting may upon the recommendation of the Directors resolve that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of the profit and loss account or otherwise available for distribution, and accordingly that the sum be set free for distribution amongst the Members who would have been entitled thereto if distributed by way of dividend and in the same proportions on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by those Members respectively or paying up in full unissued shares or debentures of the Company to be allotted and distributed, credited as fully paid-up to and amongst the Members in the proportion aforesaid, or partly in the one way and partly in the other, and the Directors shall give effect to such resolution. Subject to the Act, amount standing to the credit of the capital redemption reserve may, for the purposes of this Clause, be applied in paying up unissued shares to be issued to Members as fully paid bonus shares or any other Members as set out in the Act.</p> | <p>Capitalisation of profits by bonus issue etc.</p> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

169. Whenever such a resolution as aforesaid shall have been passed, the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid shares or debentures, if any, and generally shall do all acts and things required to give effect thereto, with full power to the Directors to make such provision by the issue of fractional certificates or by payment in cash or otherwise as they think fit for the case of shares or debentures becoming distributable in fractions, and also to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid-up, of any further shares or debentures to which they may be entitled upon the capitalisation, or (as the case may require) for the payment by the Company on their behalf, by the application thereto of their respective proportions of the profit resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares, and any agreement made under such authority shall be effective and binding on all such Members.
- Director's duties and powers in capitalisation

## LANGUAGE

170. Where any accounts, minute books or other records required to be kept by the Act are not kept in Bahasa Malaysia or English language, the Directors shall cause a true translation of such accounts, minute books and other records to be made in either English or Bahasa Malaysia, from time to time at intervals of not more than seven (7) days and shall cause such translation to be kept with the original accounts, minute books and other records for so long as the original accounts, minute books and other records are required by the Act to be kept.
- Translation

## DESTRUCTION OF DOCUMENTS

171. The Company shall be entitled to destroy all instruments of transfer which shall have been registered at any time after a reasonable time from the date of registration thereof, and all share certificates and dividend mandates which have been cancelled or have ceased to have effect at any time after the expiration of one (1) year from the date of cancellation or cessation thereof, and all notifications of change of name or address after the expiration of one (1) year from the date they were recorded, and in favour of the Company it shall conclusively be presumed that every entry in the register which purports to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company PROVIDED THAT:
- (a) the foregoing provisions of this Clause shall apply only to the destruction of a document in good faith and without express notice that the preservation of such document was relevant to a claim;
- Company may destroy documents

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (b) nothing contained in this Clause shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company but for the provisions of this Clause; and
- (c) reference in this Clause to the destruction of any document include references to its disposal in any manner.

## NOTICES

172. (1) Any notice or other document if served personally or sent by post, shall be deemed to be served or delivered at the time personally or when the letter containing the same is put into the post, and in proving such service or sending it shall be sufficient to prove that the letter containing the notice or document was properly addressed and put into the post office as a pre-paid letter. Any notice or other document given in electronic form shall be transmitted to the Electronic Address provided by the Member for such purpose or by publishing on the website. Every person who, by operation of law, transfer, transmission or other means whatsoever, becomes entitled to any share, shall be bound by every notice which have been duly served to the person from whom he derives the title of such shares, prior to his name and address being entered in the Register or Record of Depositors as the registered holder of such shares. The contact details (including electronic address) of the Member are as set out in the Record of Depositors shall be deemed the last known address provided by the Member to the Company for purposes of communication with the Member/ securities holder.
- (2) Where a notice, or any other document or information is served, sent or supplied by Electronic Communication:
- (a) to the current address of Member/ securities holder, shall be deemed to have been duly given, sent, or served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current address of Members (notwithstanding any delayed receipt, non-delivery or "returned mail" reply message or any other error message indicating that the Electronic Communication was delayed or not successfully sent) unless otherwise provided under the Act and/ or any other applicable laws.
  - (b) by making it available on a website, it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, or unless otherwise provided under laws.
- (3) A notice, document or information served, sent or supplied by means of a website is deemed to have been given to or received by the intended recipient when the material was first made available on the website and the Company notifying the Member/ securities holder in the following manner in writing:
- (a) The publication of the notice, document or information on the website; and
- Service of notices

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (b) The designated website link or address where a copy of the notice, document or information may be downloaded.
- (4) A Member/securities holder shall be implied to have agreed to receive such notice or document or information by way of such Electronic Communications. However, Members are given a right to request for a hard copy of such notice, document or information and the Company shall forward a hard copy of such notice or document or information to the Member within the prescribed period specified under the Listing Requirements.
- (5) The Directors may, at their discretion, at any time give a Member/securities holder an opportunity to elect within a specified period of time whether to receive such notice, document or information by way of Electronic Communications or as a physical copy, and such Member shall be deemed to have consented to receive such notice, document or information by way of Electronic Communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have right to receive a physical copy of such notice, document or information.
173. A notice including notice given in Electronic Form or any other document, may be given by the Company to the person entitled to a share in consequence of the death or bankruptcy of a Member by sending it through representatives of the deceased or assignee of the bankrupt or by any like description, at the address, if any, within Malaysia supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred. Every person who shall become entitled to any share by operation of law, transfer, transmission or other means whatsoever, shall be bound by every notice in respect of such share, which prior to his name and address being entered in the Register or Record of Depositors as the registered holder of such shares, shall have been duly given to the person from whom he derives the title to such share.
174. (1) Notice of every general meeting shall be given in a manner herein before specified to:
- (a) every Director with a registered address in Malaysia or an address for service of notices in Malaysia;
  - (b) every Member with a registered address in Malaysia or an address for service of notices in Malaysia;
  - (c) every person entitled to a share in consequence of the death or bankruptcy of a Member who, but for his death or bankruptcy, would be entitled to receive notice of the meeting;
  - (d) the auditors for the time being of the Company; and
  - (e) every Exchange on which the Company is listed and any other relevant authorities.
- (2) Except as aforesaid no other person shall be entitled to receive notices of general meetings.
- Notice in case of death or bankruptcy
- Who may receive notice of general meeting

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

- (3) Whenever any notice is required to be given under the provisions of the laws of Malaysia or of this Constitution, waiver or the shortening of the period of such notice, may be effectively given by complying with Section 316(4) of the Act.

## WINDING UP

175. If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company, divide amongst the Members in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the contributor as the liquidator, with the like sanction, think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability. Distribution of assets  
in specie
176. (1) Save that this Constitution shall be without prejudice to the rights of holders of shares issued upon special terms and conditions, the following provisions shall apply: Distribution of assets
- (a) if the Company shall be wound up and the assets available for distribution among the Members as such, shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that as nearly as may be the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively; and
- (b) if in a winding-up the assets available for distribution among the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding-up, the excess shall be distributed among the Members in proportion to the capital paid up, or which ought to have been paid up at the commencement of the winding-up, on the shares held by them respectively.
- (2) Where it is proposed that the whole or part of the business or property of the Company is to be transferred or sold to another corporation in a voluntary winding up, with the sanction of a special resolution of the Company conferring either a general authority on the liquidator or an authority in respect of any particular arrangement, the liquidator of the Company may:
- (a) receive in compensation or part compensation for the transfer or sale of the shares, debentures, policies or other like interests in the corporation for distribution among the Members of the Company; or
- (b) enter into any other arrangement whereby the Members of the Company may, in lieu of receiving cash, shares, debentures, policies or other like interests or in addition to the arrangement, participate in the profits of or receive any other benefit from the corporation,



# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

and any such transfer, sale or arrangement shall be binding on the Members of the Company.

- (3) If any Member of the Company expresses his dissent on matters referred to in subsection (2) in writing addressed to the liquidator and delivered to the office of the liquidator within seven (7) days from the passing of the resolution, the Member may require the liquidator to either abstain from carrying the resolution into effect or to purchase his interest at a price to be determined by an agreement or by arbitration in the manner set out in Section 457 of the Act.

177. Subject to Section 454 of the Act, on the voluntary liquidation of the Company, no commission or fee shall be paid to a liquidator unless it shall have been approved by the Members. The amount of such payment shall be notified to all Members at least seven (7) days before the meeting at which the commission or fee is to be considered.

Liquidator's fees in voluntary liquidation

## SECRECY CLAUSE

178. Save as may be provided by the Act, no Member shall be entitled to enter into or inspect any premises or property of the Company or to require disclosure of any information in respect of any detail of the Company's trading, manufacturing or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors, it would be inexpedient in the interest of the Members to communicate to the public.

Secrecy

## INDEMNITY

179. Except where any liability which by law would otherwise attach to an officer or auditor of the Company in respect of any negligence, default, breach of duty or breach of trust of which he may be guilty in relation to the Company, every Director, whether holding an executive office pursuant to this Constitution or not, auditor, Secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company (including effect of insurance) against:
- (a) any loss or liability incurred by him that related to the liability for any act or omission in his capacity as an officer or auditor and in which judgment is given in favour of the officer or auditor or in which the officer or auditor is acquitted or in which the officer or auditor is granted relief under this Act, or where proceedings are discontinued or not pursued; and
- (b) any cost incurred by him in defending any proceedings relating to any liability to any person, other than Company for any act or omission in his capacity as an officer or auditor except a fine imposed in criminal proceedings, a sum payable to regulatory authority, any liability incurred in defending criminal proceedings in which he is convicted or in defending civil proceedings brought by the Company, or an associated company, in which judgment is given against him.

Indemnity

# APPENDIX 1 - PROPOSED CONSTITUTION OF THE COMPANY (CONTINUED)

## ALTERATION OF CONSTITUTION

- |      |                                                                                                                                                                 |                        |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|
| 180. | Subject to the Act and to the provisions of the Listing Requirements (if any), the Company may by special resolution delete, alter or add to this Constitution. | Alteration of Articles |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|

## COMPLIANCE WITH STATUTES, REGULATIONS AND RULES

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|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| 181. | The Company shall comply with the provisions of the Act, relevant governing statutes, regulations and rules as may be amended, modified or varied from time to time, or any other directive or requirement imposed by the Exchange, the Bursa Depository and other appropriate authorities, to the extent required by law, notwithstanding any provisions in this Constitution to the contrary. | Compliance with statutes, regulations and rules |
|------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|

# PROXY FORM



<b>CDS ACCOUNT NO. OF AUTHORISED NOMINEE</b>	
<b>NUMBER OF SHARES HELD</b>	

**RHONE MA HOLDINGS BERHAD**  
(Company No. 1116225-A)  
(Incorporated in Malaysia)

I/We, \_\_\_\_\_ NRIC/Company No. \_\_\_\_\_  
(Full name in block letters)

of \_\_\_\_\_  
(Full Address)

being a member/members of RHONE MA HOLDINGS BERHAD, hereby appoint \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
(Full name in block letters) (Full Address)

or failing him/her, \_\_\_\_\_ of \_\_\_\_\_  
(Full name in block letters) (Full Address)

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Fourth Annual General Meeting of Rhone Ma Holdings Berhad to be held at Atlanta East, Level 3, Hotel Armada Petaling Jaya, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 19 June 2018 at 11.00 a.m. and at any adjournment thereof.

*Mark either box if you wish to direct the proxy how to vote. If no mark is made the proxy may vote on the resolution or abstain from voting as the proxy thinks fit. If you appoint two proxies and wish them to vote differently this should be specified.*

My/our proxy/proxies is/are to vote as indicated below:

NO.	RESOLUTION	FOR	AGAINST
	<b>Ordinary Business</b>		
Ordinary Resolution 1	To approve the Final Single-Tier Dividend of 2.5 sen per ordinary share		
Ordinary Resolution 2	To approve the Directors' Fees and Benefits Payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM226,000 per annum until the next Annual General Meeting of the Company		
Ordinary Resolution 3	To re-elect Dr. Yip Lai Siong		
Ordinary Resolution 4	To re-elect Teoh Chee Yong		
Ordinary Resolution 5	To re-elect Martin Jeyaratnam A/L Thiagaraj		
Ordinary Resolution 6	To re-appoint Messrs BDO as Auditors of the Company		
	<b>Special Business</b>		
Ordinary Resolution 7	To authorise the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016		
Special Resolution	To approve the adoption of new Constitution		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

\_\_\_\_\_  
Signature / Common Seal of Shareholder

Contact No: \_\_\_\_\_

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

**Notes:**

1. A proxy may but need not be a member.
2. To be valid, this form, duly completed must be deposited at the Office of the Company not less than forty eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Boardroom Corporate Services (KL) Sdn. Bhd. at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time set for holding the meeting or any adjournment thereof, or in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. Any notice of termination of person's authority to act as a proxy must be forwarded to the Company prior to the commencement of the Annual General Meeting or Adjourned Annual General Meeting.
7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 April 2018.

First Fold

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Affix  
Stamp

THE COMPANY SECRETARIES  
**RHONE MA HOLDINGS BERHAD** (1116225-A)  
Lot 6.05, Level 6, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya, Selangor Darul Ehsan  
Malaysia

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Second Fold



**RHONE MA HOLDINGS BERHAD** (1116225-A)

Lot 18A & 18B, Jalan 241, Seksyen 51A, 46100 Petaling Jaya, Selangor Darul Ehsan

**Tel** (603) 7873 7355    **Fax** (603) 7873 9209

[www.rhonema.com](http://www.rhonema.com)