RHONE MA HOLDINGS BERHAD

(Company No. 1116225-A)

ANNUAL REPORT 2018

WHAT'S INSIDE

RHONE MA VALUES

VISION

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

MISSION

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

CORE VALUES

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

Newly completed warehouse in Kapar, Selangor

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
Senior 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) 2770 0119
e customercareline@rhonema.com
w www.rhonema.com

Newly completed warehouse in Kapar, Selangor

AUDITORS

BDO PLT (LLP0018825-LCA & AF 0206)
Level 8
BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman, 50100 Kuala Lumpur
t (603) 2616 2888 f (603) 2616 2970

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (378993-D)
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya
Selangor Darul Ehsan
t (603) 7841 8088 f (603) 7841 8100

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) 7957 0007 f (603) 7957 9601

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

STOCK EXCHANGE LISTING

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

GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER		2015	2016	2017	2018
OPERATING RESULTS					
Revenue	RM'000	105,431	119,195	137,488	135,239
Profit before tax	RM'000	16,135	13,220	17,062	13,610
Net profit attributable to shareholders	RM'000	12,033	9,166	13,905	10,066
FINANCIAL POSITION					
Shareholders' equity	RM'000	55,605	95,163	102,428	104,194
Total assets	RM'000	83,656	120,206	130,963	130,966
Total borrowings	RM'000	8,014	5,244	8,116	14,555
FINANCIAL RATIOS					
Gearing ratio	times	0.14	0.06	0.08	0.14
Current ratio	times	2.87	4.61	4.64	5.98
MARKET RATIOS					
Earnings per share	sen	9.71	7.31	8.38	6.06
Net assets per share	sen	44.89	57.33	61.70	62.77
Dividend per share	sen	-	4.00	5.00	3.00 #

 # Of which 2.00 sen per share is subject to shareholders' approval at the forthcoming Annual General Meeting.

CORPORATE STRUCTURE

Rhone Ma Holdings Berhad

100%
Rhone Ma Malaysia Sdn Bhd
(525887-W)

100%
Asia-Pacific Special Nutrients Sdn Bhd
(707628-A)

100%
Vet Food Agro Diagnostics (M) Sdn Bhd
(560721-X)

100%
Link Ingredients Sdn Bhd
(771113-W)

100%
APSN Biotech Sdn Bhd
(1216617-P)

100%
APSN Healthcare & Diagnostics Sdn Bhd
(1268346-M)

RHONE MA IN THE NEWS

龍馬躍獲詩華產品分銷權

（吉隆坡2日讯）龙马跃控股（RHONEMA，5278，主要板贸服）获专有权，在我国分销法国诗华动物保健公司（Ceva Sant Animale SA）相关产品。

龙马跃控股向马证交所报备，独资子公司龙马跃大马私人有限公司，与诗华动物保健公司及诗华物保健大马私人有限公司签署分销协议。

在该协议下，龙马跃大马可在我国分销、推广及销售诗华的动物保健产品，有效期从本月1日至2020年12月31日。

根据报备文件，龙马跃控股相信这项分销协议，将贡献公司

龙马跃分销Zoetis家禽产品

（吉隆坡2日讯）龙马跃控股（RHONEMA，5278，主板贸服股）签署分销协议，将负责动物保健公司Zoetis在大马家禽相关产品的销售。

龙马跃控股今日向交易所报备，独资子公司Rhone Ma（马）私人有限公司，昨日与Zoetis大马私人有限公司签约。

的Zoetis动物保健品，合作期将从4月1日起至2021年4月1日，期满后可再自动展延1年。

龙马跃控股称，上述协议会贡献集团2018财年的营收，进而提振净利和每股净资产。

Zoetis是一家国际机构，主要涉及研究、发展、生产和营销陪伴动物医药产品及

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.

Rhone Ma eyes China next for exports

BY SYAMILAH SYED JAAFAR

KUALA LUMPUR: Tapping into the Chinese market is next on the agenda for animal health solution provider, Rhone Ma Holdings Bhd, which hopes to export its products there soon.

"While there are still a lot to be done in Southeast Asia, we are also targeting China next for export," Rhone Ma group

The group's current warehouse under construction in Kapar, Selangor is 90% ready and is expected to be completed by the third quarter of this year.

龍馬躍10送1紅股

百乐园表示，红股与凭单全面转换至母股后，股本将从4亿2827万股扩大至7亿7089万股，负债比也会从0.79倍降低至0.71倍。

龙马跃也透过文告说，建议以10送1比例，派送至多1660万股红股，计划完成后股本将从1亿6600万股扩增至1亿8260万股。两家公司皆预期红股计划可在明年首季完成。

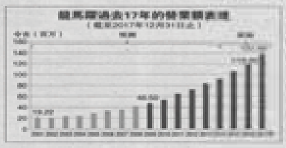
新分销权抵消营收缺口
龙马跃前景谨慎乐观

出口业务增长

林万强，龙马跃控股董事经理

林萬強用人不疑
龍馬躍打造獨有生物經濟

獸醫也能管理上市公司



盡量滿足客戶需求

營業額2013年倍數增長

靠企業文化渡難關

積極擴展 隨時備戰

year. The group has also just witnessed the groundbreaking of a good manufacturing practice-compliant plant in Nilai, Negeri Sembilan, which is expected to boost production capacity for the group going forward.

Last Friday, Rhone Ma's shares closed unchanged at 86 sen, giving it a market capitalisation of RM142.76 million. In the past one year, however, the stock has fallen about 38%.

RHONE MA IN THE NEWS (CONTINUED)

Rhone Ma to leverage on strength of partners

Malaysia based animal health solutions provider Rhone Ma Holdings Bhd plans to leverage on the strength of Zoetis and Ceva products to step up its presence in the local livestock health product segment

Rhone Ma enters distribution agreement with Zoetis Malaysia

龙马跃：助应付生活压力
盼政府提升劳动市场

龙马跃分销法国CEVA产品

（吉隆坡2日讯）龙马跃控股（RHONEMA，5278，主板贸服股）签署分销协议，获得法国兽医医药公司在大马的独家分销权。

龙马跃控股今日向交易所报备，独资子公司 Rhone Ma（马）私人有限公司（简称RMM），昨日与 CEVA Sante Animal S.A. 和 CEVA Animal Health（马）私人有限公司签约。

根据分销协议，RMM 将负责在大马分销、推广和销售与猪相关的“CEVA”动物保健品，期限为1月1日至2020年12月31日。

抵消停销Merial损失

龙马跃控股称，上述协议会贡献集团2018财年的净利和每股净资产，并抵消之前因停止分销跨国动物保健公司 Merial 的猪产品，而造成营业额损失的影响。

CEVA Sante Animal S.A.是一家国际机构，主要涉及研究、发展、生产和营销陪伴动物、家禽、反刍动物和猪的医药产品及疫苗，业务涉足45个国家。

新廠今年竣工
龍馬躍貨物儲量增3千公噸

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
Senior Independent Non-Executive Director

DIRECTORS' PROFILE

DATO' HAMZAH BIN MOHD SALLEH
Independent Non-Executive Chairman

Dato' Hamzah, a Malaysian male aged 70, 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 articled 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 Techbond Group 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 2018.

DIRECTORS' PROFILE (CONTINUED)

DR. LIM BAN KEONG
Group Managing Director

Dr. Lim, a Malaysian male aged 47, 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. He does not hold any directorship in other public companies.

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 2018.

DIRECTORS' PROFILE (CONTINUED)

FOONG KAM WENG
Executive Director / Group Sales Director

Mr. Foong, a Malaysian male aged 58, 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. He does not hold any directorship in other public companies.

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 2018.

DIRECTORS' PROFILE (CONTINUED)

DR. YIP LAI SIONG
Executive Director / Group Marketing & Technical Director

Dr. Yip, a Malaysian female aged 56, 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. She does not hold any directorship in other public companies.

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 2018.

DIRECTORS' PROFILE (CONTINUED)

MARTIN JEYARATNAM A/L THIAGARAJ

Senior Independent Non-Executive Director

Mr. Martin, a Malaysian male aged 72, 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 Senior Independent Non-Executive Director, Chairman of the Remuneration Committee, as well as 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. He does not hold any directorship in other public companies.

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 2018.

DIRECTORS' PROFILE (CONTINUED)

RAHANAWATI BINTI ALI DAWAM

Independent Non-Executive Director

Pn. Rahanawati, a Malaysian female aged 66, 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 2018.

DIRECTORS' PROFILE (CONTINUED)

TEOH CHEE YONG
Independent Non-Executive Director

Mr. Teoh, a Malaysian male aged 48, 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. He does not hold any directorship in other public 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 2018.

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 49, 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 does not hold any directorship in public companies, 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 2018.

KEY MANAGEMENT (CONTINUED)

GOH WEE CHONG
Group General Manager - Operations

Goh Wee Chong, a Malaysian male aged 60, 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 does not hold any directorship in public companies, 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 2018.

KEY MANAGEMENT (CONTINUED)

DR. LIM HANG CHERN
Head of Business Development

Dr. Lim Hang Chern, a Malaysian male aged 39, 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 does not hold any directorship in public companies, 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 2018.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, it is my utmost privilege to present to you the Annual Report and Audited Financial Statements of Rhone Ma Holdings Berhad for the Financial Year Ended 31 December 2018.

OVERVIEW

Financial year 2018 was a year where the global economy accelerated in pace and commodity prices as well as the Ringgit stabilised. However, it was also an environment steeped with challenges presented by adverse weather related situations, weak consumer sentiments, labour shortages and rising operating costs. Notwithstanding this volatile backdrop, the Group notched several achievements that further anchored our foundation in the animal health and nutrition industry.

We began 2018 with a significant development which was the signing of a three-year exclusive distribution agreement with Ceva Sante Animale S.A. and Ceva Animal Health Malaysia Sdn Bhd to distribute their swine products in Malaysia. On top of that, in another effort to further strengthen our foothold in the industry, the Group also entered into a distribution agreement in April 2018 with Zoetis Malaysia Sdn Bhd, a subsidiary of Zoetis Inc., to distribute its poultry related products in Malaysia for a period of three years. These agreements contributed positively towards the Group's financial performance for 2018 and mitigated the impact of the loss of revenue from the discontinuation of distribution of swine, ruminants and poultry products from a previous supplier. We believe that the forging of these partnerships will create a synergistic collaboration that will help us realise our vision of being an innovative leader in the animal health and nutrition industry.

In addition to these developments, we had also on 13 February 2018 established a wholly-owned subsidiary, APSN Healthcare & Diagnostics Sdn Bhd ("APSNH") to provide tests and diagnostics services for human healthcare, to conduct research and development in biotechnology and to distribute human healthcare and related products. The establishment of APSNH is a step forward in our business vision to make a foray into the human healthcare business segment.

On another note, our vision of a new Good Manufacturing Practices ("GMP")-compliant plant and a new warehouse is one step closer to being a reality. We have commenced construction of the GMP-compliant plant situated in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan and the plant is scheduled for completion in the fourth quarter of 2019. Meanwhile, our new warehouse in Taman Perindustrian Kapar Bestari in Kapar, Selangor, which will serve as our main distribution centre was completed towards the end of 2018 and we are currently awaiting the issuance of the Certificate of Completion and Compliance by the local authorities.

CHAIRMAN'S STATEMENT (CONTINUED)

FINANCIAL PERFORMANCE

Against a challenging economic background, the Group had, for the financial year ended 31 December 2018, recorded a revenue of approximately RM135.24 million, a decrease of approximately RM2.25 million or 1.64% compared to the preceding year. The drop in revenue recorded for the financial year ended 31 December 2018 was mostly contributed by the decrease in revenue from animal health products of approximately RM3.56 million. In spite of this, the decrease was mitigated by the increase in revenue from food ingredients of approximately RM0.77 million.

Nonetheless, should revenue from the importation and sale of discontinued products of a previous supplier by the wholly-owned subsidiary, Rhone Ma Malaysia Sdn Bhd to third parties nominated by the previous supplier at cost of approximately RM11.78 million be excluded, revenue for the financial year ended 31 December 2018 would have been approximately RM14.03 million lower than the revenue generated in the preceding year. Consequently, the Group also generated a slightly lower profit before tax amounting to approximately RM13.61 million for the financial year ended 31 December 2018 as compared to approximately RM17.06 million reported for the preceding financial year.

As at 31 December 2018, the total equity attributable to shareholders at the Group level stood at approximately RM104.19 million, contributing to net assets per share of 62.77 sen.

PROSPECTS

The animal health and nutrition market has emerged as a market of prime importance in the past few years. The increased focus on animal health and nutrition which is largely attributable to the outbreak of new animal diseases in recent years as well as changes in factory farming practices for bulk production, resulted in an increase in requirement for good quality animal feed additives, vaccines, pharmaceuticals and hygiene management products. This has allowed the animal health and nutrition market to expand. We are hopeful of creating a sustainable business in the animal health and nutrition industry through the expansion of our product range which will include new pharmaceuticals and feed additives developed by our in-house research and development centre as well as new products from our principals.

In addition to this, we are also expectant of growing our food ingredients business alongside the processed food industry as the consumption of processed food continues to expand with the trend likely to persist in the foreseeable future. We are also optimistic that we will be able to grow our human healthcare business which had just commenced and hopeful that we will see a more significant contribution by the business in our Group's performance in the coming years.

Based on the above and barring any unforeseen circumstances, the Board is cautiously optimistic of a satisfactory Group performance for the financial year ending 31 December 2019.

DIVIDENDS

The Board is pleased to recommend for the approval of the shareholders at the forthcoming Annual General Meeting of the Company, a final single tier dividend of 2.0 sen per share for the financial year ended 31 December 2018.

In arriving at this decision, the Board is aware of the current economic conditions and the need to ensure that adequate funds remain for us to meet our financial obligations and also to finance future growth and expansion that will ultimately enhance value for all shareholders.

ACKNOWLEDGEMENT

As ever, our success is built on the stability and effectiveness of our management and staff across the Group who had performed well in challenging economic conditions. I would like to thank everyone for their invaluable contribution and perseverance in fulfilling their responsibilities to the Group in a difficult year.

I would also like to thank everyone in the Group's wider community - our shareholders, customers, business partners and supporters, for their continued trust.

Last but not least, I also wish to place on record my sincere thanks to my fellow directors for their valuable guidance and support.

Dato' Hamzah Bin Mohd Salleh
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS

Business Activities

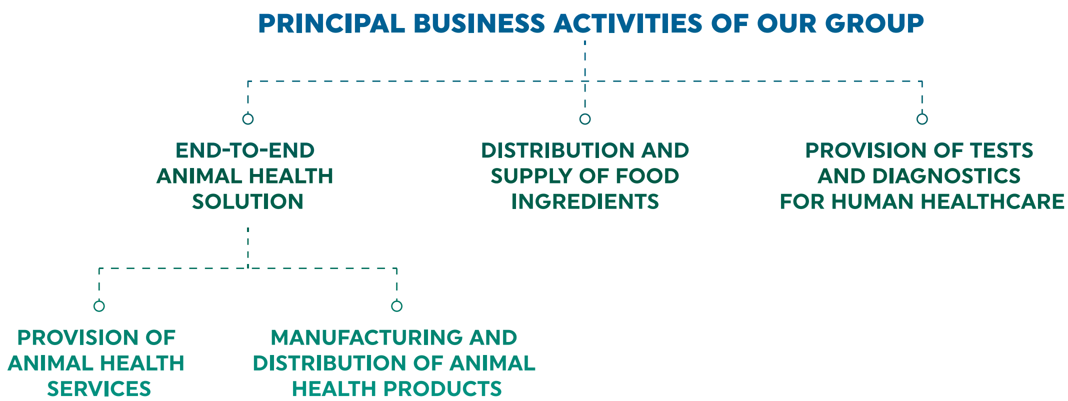
The Rhone Ma Holdings Berhad group of companies ("Group") is primarily an end-to-end animal health solution provider, integrating the provision of animal health services as well as the manufacturing and distribution of animal health products focused mainly on the livestock industry.

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.

On 13 February 2018, Asia-Pacific Special Nutrients Sdn Bhd, a wholly-owned subsidiary of the Company, incorporated a wholly-owned subsidiary known as APSN Healthcare & Diagnostics Sdn Bhd ("APSNH") which intended principal activities comprise the provision of tests and diagnostics services for human healthcare, conducting R&D in biotechnology and distribution of human healthcare and related products. APSNH commenced operations during the financial year but is still in its infancy and did not contribute significantly to the Group's operations in the financial year ended ("FYE") 31 December 2018.

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 FYE 31 December 2018, our animal health services accounted for approximately 2.27% and 4.74% of our Group's total revenue and total gross profit respectively whereas our animal health products accounted for approximately 72.48% and 80.88% 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 25.22% of our Group's total revenue and 14.29% of our Group's total gross profit for the FYE 31 December 2018. The provision of tests and diagnostics for human healthcare is still in its infancy and did not contribute significantly to the Group's financial performance in the FYE 31 December 2018.

Location of Operations

Our Group's head office, laboratory, in-house R&D centre and manufacturing plant are currently located in Petaling Jaya, Selangor whereas our two warehouses are situated in Section 51A, Petaling Jaya and Excellent Technology Park III, Kapar, both of which are in Selangor. We also operate an alpha base in Gopeng, Perak that serves as warehouse and office for our Northern region operations.

Due to the shortage of storage space, our Group also engaged two third party logistics companies for their warehouse facilities in Klang, Selangor during the FYE 31 December 2018 and rents a warehouse in Section 51A, Petaling Jaya, Selangor.

The construction of our new warehouse in Taman Perindustrian Kapar Bestari in Kapar, Selangor was completed towards the end of the FYE 31 December 2018, and we are currently awaiting the issuance of the Certificate of Completion and Compliance ("CCC") by the local authorities. We expect to have sufficient storage space to cater to our increasing storage needs for both animal health products and food ingredients once the CCC is obtained and the warehouse is fully functional.

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 97.99% of our total revenue for the FYE 31 December 2018, whilst the remaining 2.01% revenue was derived from overseas markets which include Thailand, Indonesia, Brunei, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 Utama Enterprise Park, 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; and
(iii) Expanding our market presence in the existing regional markets and to develop new markets.

Highlights of Financial Information for the Past Four Financial Years

Financial Information

Description	2015 RM	2016 RM	2017 RM	2018 RM
Revenue	105,431,499	119,195,312	137,488,068	135,239,103
Profit before tax	16,134,533	13,220,330	17,062,206	13,609,656
Finance costs	187,227	326,320	315,482	659,628
Net profit attributable to shareholders	12,032,929	9,165,825	13,905,375	10,065,500
Shareholders' equity	55,604,607	95,163,053	102,428,428	104,193,928
Total assets	83,656,080	120,205,722	130,963,020	130,966,222
Total borrowings	8,013,580	5,243,625	8,116,278	14,555,255
Gearing ratio (times)	0.14	0.06	0.08	0.14
Current ratio (times)	2.87	4.61	4.64	5.98
Earnings per share (sen)	9.71	7.31	8.38	6.06
Net assets per share (sen)	44.89	57.33	61.70	62.77
Dividend per share (sen)	-	4.00	5.00	3.00 #

Of which 2.00 sen per share is subject to shareholders' approval at the forthcoming Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Share Performance

	2016 (1)	2017	2018
Year high	RM1.02	RM1.47	RM1.05
Year low	RM0.81	RM0.76	RM0.75
Year close	RM0.985	RM0.965	RM0.835
Total trading volume for the financial year	109.12 million	165.32 million	20.07 million
Market capitalisation as at 31 December	RM163.51 million	RM160.19 million	RM138.61 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	2017		2018	
	RM	%	RM	%
Animal health services	2,573,076	1.87	3,065,025	2.27
Animal health products	101,576,505	73.88	98,019,034	72.48
Food ingredients	33,338,487	24.25	34,106,624	25.22
Human healthcare services	-	-	48,420	0.03
Total	**137,488,068**	**100.00**	**135,239,103**	**100.00**

Revenue generated from animal health products is our Group's main source of income, contributing between 73.88% and 72.48% of our total revenue for the FYE 31 December 2017 and the FYE 31 December 2018 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.

Our Group's revenue is predominantly generated from Malaysia which accounted for 97.99% of our total revenue for the FYE 31 December 2018. Revenue contribution from exports, which is mainly comprised of sale of animal health products, had decreased slightly to 2.01% in the FYE 31 December 2018 as compared to 3.11% for the previous financial year due mainly to lower demand from our existing markets in Thailand and Brunei.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Animal Health Services

Revenue from animal health services which is derived from Vet Food Agro Diagnostics Sdn Bhd increased by approximately RM0.49 million during the FYE 31 December 2018. The increase in revenue generated from this segment was due to an overall increase in laboratory tests conducted especially from tests for Mycotoxins which revenue increased by approximately RM0.22 million compared to the previous financial year.

Animal Health Products

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

Revenue	2017		2018	
	RM	%	RM	%
Vaccines	44,803,271	44.11	35,194,243	35.91
Pharmaceuticals	26,886,619	26.47	28,908,343	29.49
Feed additives	29,886,615	29.42	33,916,448	34.60
Total	**101,576,505**	**100.00**	**98,019,034**	**100.00**

The sale of animal health products recorded a decline of approximately RM3.56 million or 3.50% as compared to the previous financial year. The decrease was due to the following:

- Decrease in revenue generated from vaccines of approximately RM9.61 million or 21.45% which was mainly due to the discontinuation of distribution of swine, ruminants and poultry products from a previous supplier. Revenue from the sale of the previous supplier's vaccines dropped by approximately RM16.44 million during the FYE 31 December 2018 and the decrease was mitigated by the increase in revenue of approximately RM6.63 million from the new suppliers, Ceva Sante Animale S.A. and Ceva Animal Health Malaysia Sdn Bhd (collectively referred to as "Ceva") and Zoetis Malaysia Sdn Bhd ("Zoetis");
- Increase in revenue generated from pharmaceuticals by approximately RM2.02 million or 7.52%. Despite the disruption caused by the discontinuation of distribution of swine, ruminants and poultry products from a previous supplier, the increase in revenue from the sale of the companion animal product Nexgard of approximately RM2.44 million together with the increase in sale of Carnitol of approximately RM0.22 million and our in-house manufactured Bioclean and Farmsafe products of approximately RM0.87 million and RM0.22 million respectively contributed to the overall increase in revenue generated from pharmaceuticals; and
- Increase in revenue generated from feed additives by approximately RM4.03 million or 13.48% as a result of the increase in the sale of Clopiden of approximately RM1.44 million, Cocci-Guard of approximately RM0.35 million, Delac products of approximately RM0.73 million, as well as our in-house manufactured products Rhonamox, Sow Care and Vetolein of approximately RM0.35 million, RM0.63 million and RM1.35 million respectively. The increase compensated for the decrease in sale of Coyden products of approximately RM0.91 million.

Food Ingredients

Revenue generated from food ingredients increased by approximately RM0.77 million or 2.30% as compared to the previous financial year due mainly to increase in demand from new customers as well as existing customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Healthcare Services

Revenue from human healthcare services which is derived from APSNH comprise of revenue generated from the provision of tests and diagnostics services for human healthcare. APSNH's operations is still in its infancy and contributed RM0.05 million to the Group's revenue in the FYE 31 December 2018.

Cost of Sales

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

Cost of sales	2017		2018	
	RM	%	RM	%
Animal health services	1,213,899	1.24	1,319,993	1.34
Animal health products	67,350,802	68.78	68,236,575	69.33
Food ingredients	29,364,047	29.98	28,845,244	29.31
Human healthcare services	-	-	15,799	0.02
Total	**97,928,748**	**100.00**	**98,417,611**	**100.00**

Animal Health Services

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

Please refer to the "Gross Profit" section below for a more detailed analysis on the cost of sales of animal health products for the FYE 31 December 2018.

Food Ingredients

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

Despite the increase in revenue from food ingredients of approximately RM0.77 million during the FYE 31 December 2018, cost of sales of food ingredients decreased by approximately RM0.52 million or 1.77% as compared to the FYE 31 December 2017. This was largely due to more favorable foreign exchange rates resulting in lower cost of goods and achievement of economies of scale as a result of bulk purchases.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Human Healthcare Services

The cost of sales of human healthcare services mainly comprised consumables used in tests and diagnostic laboratory analysis including test kits and laboratory testing fee.

Gross Profit

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

GP	2017		2018	
	RM	%	RM	%
Animal health services	1,359,177	3.43	1,745,032	4.74
Animal health products	34,225,703	86.52	29,782,459	80.88
Food ingredients	3,974,440	10.05	5,261,380	14.29
Human healthcare services	-	-	32,621	0.09
Total	**39,559,320**	**100.00**	**36,821,492**	**100.00**

GP margin	2017	2018
	%	%
Animal health services	52.82	56.93
Animal health products	33.69	30.38
Food ingredients	11.92	15.43
Human healthcare services	-	67.37
Group GP margin	**28.77**	**27.23**

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 decreased from approximately RM39.56 million for the FYE 31 December 2017 to approximately RM36.82 million for the FYE 31 December 2018, representing a decrease of approximately RM2.74 million or 6.92%. This was due primarily to the decrease in GP of approximately RM4.44 million from our animal health products as a result of the discontinuation of distribution of swine, ruminants and poultry products from a previous supplier. Consequently, animal health products' contribution to our Group's total GP dropped from 86.52% in the previous financial year to 80.88% for the FYE 31 December 2018. The decrease was partly mitigated by the increase in GP of approximately RM1.29 million from food ingredients and approximately RM0.39 million from animal health services.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The GP margin of the Group had decreased from 28.77% for the FYE 31 December 2017 to 27.23% for the FYE 31 December 2018 due primarily to the decrease in the GP margin of animal health products.

Please refer to the "Animal health products" section below for a more detailed analysis on the GP margin of the Group for the FYE 31 December 2018.

Animal Health Services

GP from animal health services of approximately RM1.75 million for the FYE 31 December 2018 was approximately RM0.39 million higher than the GP of approximately RM1.36 million for the previous financial year. The GP margin of 56.93% for the FYE 31 December 2018 was also higher than the GP margin of 52.82% recorded in the previous financial year. The high GP margin for animal health services was due mainly to the nature of its business which only required minimal cost of sales.

Animal Health Products

GP from animal health products for the FYE 31 December 2018 was approximately RM4.44 million or 12.98% lower compared to the previous financial year. Although revenue from animal health products for the FYE 31 December 2018 was approximately RM3.56 million lower than the FYE 31 December 2017, cost of sales increased by approximately RM0.89 million during the financial year. This resulted in a decrease in the GP margin of animal health products from 33.69% for the FYE 31 December 2017 to 30.38% for the current financial year.

The variation in GP margins between the FYE 31 December 2017 and the FYE 31 December 2018 was largely due to a term in the agreement between Rhone Ma Malaysia Sdn Bhd ("RMM"), a wholly-owned subsidiary of the Company, and a previous supplier of swine, ruminants and poultry animal health products whereby RMM is required to continue importation and sale of the discontinued products to the previous supplier's nominated third parties at cost with reimbursement of handling charges, up to when all regulatory assignments and product registrations for the products are successfully transferred to the previous supplier and/or to its nominated third parties. As a result, approximately RM11.78 million of animal health products revenue for the FYE 31 December 2018 was generated from importation and sale of the discontinued products to the previous supplier's nominated third parties.

For information purposes only, the revenue, cost of sales, GP and GP margin of the animal health products segment and the Group after adjusting for importation and sale of the discontinued products to the previous supplier's nominated third parties are as follows:

Animal health products segment	FYE 31 December 2018	Less: Importation and sale to previous supplier's nominated third parties	Adjusted FYE 31 December 2018
	RM	RM	RM
Revenue	98,019,034	11,781,874	86,237,160
Less: Cost of sales	(68,236,575)	11,781,874	(56,454,701)
GP	29,782,459		29,782,459
GP margin	**30.38%**		**34.54%**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Group	FYE 31 December 2018	Less: Importation and sale to previous supplier's nominated third parties	Adjusted FYE 31 December 2018
	RM	RM	RM
Revenue	135,239,103	11,781,874	123,457,229
Less: Cost of sales	(98,417,611)	11,781,874	(86,635,737)
GP	36,821,492		36,821,492
Group GP margin	**27.23%**		**29.83%**

The adjusted GP margin of animal health products of 34.54% for the FYE 31 December 2018 was slightly higher than the GP margin of 33.69% for the FYE 31 December 2017 due to more favorable foreign exchange rates resulting in lower cost of goods. The adjusted GP margin of the Group of 29.83% for the FYE 31 December 2018 was also higher than the GP margin of 28.77% for the FYE 31 December 2017 due to the improved margins across all business segments.

Food Ingredients

GP of food ingredients had increased by approximately RM1.29 million or 32.38% as compared to the FYE 31 December 2017 due to the 2.30% increase in revenue during the FYE 31 December 2018, more favorable foreign exchange rates resulting in lower cost of goods and the 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 3.51% as compared to the previous financial year.

Human Healthcare Services

Human healthcare services contributed a minimal GP of approximately RM0.03 million or 0.09% to the Group's total GP for the FYE 31 December 2018 as APSNH only commenced operations during the financial year. The high GP margin of human healthcare services was due mainly to the nature of its business which only required minimal cost of sales.

Operating Expenses

Distribution costs increased marginally by 1.40% from approximately RM9.02 million for the FYE 31 December 2017 to approximately RM9.15 million for the FYE 31 December 2018 despite the decrease in revenue of approximately 1.64% as the increase is mainly inflationary in nature. Distribution costs as a percentage of revenue of 6.77% for the current financial year was relatively consistent with the 6.56% in the FYE 31 December 2017.

Administration expenses decreased by 0.29% from approximately RM14.70 million for the FYE 31 December 2017 to approximately RM14.65 million for the FYE 31 December 2018. Administration expenses as a percentage of revenue of 10.83% for the FYE 31 December 2018 was slightly higher compared to the 10.69% in the previous financial year due mainly to increase in staff costs.

Finance costs increased from approximately RM0.32 million for the FYE 31 December 2017 to approximately RM0.66 million for the current financial year due to the drawdown of a term loan amounting to RM2.86 million for the construction of our new

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

warehouse in Taman Perindustrian Kapar Bestari, Kapar, Selangor. In addition to the above, the term loan of RM4.42 million for the acquisition of our warehouse in Excellent Technology Park III, Kapar, Selangor was obtained during the second half of 2017, thereby incurring a full year's finance cost during the FYE 31 December 2018.

Profit Before Tax

Our Group's profit before tax ("PBT") of approximately RM13.61 million for the FYE 31 December 2018 was approximately RM3.45 million or 20.24% lower than the PBT of approximately RM17.06 million for the FYE 31 December 2017. This was largely due to the decrease in GP of approximately RM4.44 million from our animal health products as a result of the discontinuation of distribution of swine, ruminants and poultry products from a previous supplier and the increase in finance costs of approximately RM0.34 million. The decrease was partly mitigated by the increase in GP of approximately RM1.29 million from food ingredients and approximately RM0.39 million from animal health services.

Taxation

The effective tax rate of the Group for the FYE 31 December 2018 was approximately 26.04%. It was higher than the statutory tax rate of 24.00% due to expenses non-allowable for tax purposes and under provision of tax in the previous financial year.

Assets

Trade Receivables

Trade receivables of approximately RM22.96 million as at 31 December 2018 was approximately RM7.10 million lower compared to the previous financial year. This was due primarily to lower sales during the current financial year. The trade receivables turnover period of 62 days for the current financial year was in line with the normal credit term of 30 days to 90 days granted to our customers.

Inventories

Inventories of approximately RM28.14 million as at 31 December 2018 was approximately RM0.16 million lower than at the end of the previous financial year. The inventories turnover period of 105 days for the FYE 31 December 2018 was consistent with the 106 days recorded for the previous financial year and was 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.

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 had been for working capital and purchase of property, plant and equipment. As at 31 December 2018, our Group had cash and bank balances of approximately RM24.44 million which included the balance of approximately RM9.21 million from the proceeds of our Initial Public Offering that we have yet to utilise.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Liabilities

Trade Payables

Trade payables of approximately RM6.67 million as at 31 December 2018 was approximately RM8.22 million lower than the trade payables as at 31 December 2017. The trade payables turnover period of 25 days for the FYE 31 December 2018 was lower than the 56 days recorded for the previous financial year and was also lower than the credit term granted by our suppliers which ranges from 30 days to 60 days. The marked reduction of trade payables turnover period during the FYE 31 December 2018 was due to the fact that the 45 days credit term granted by Zoetis and the 60 days credit term provided by Ceva, our new suppliers of swine, ruminants and poultry products, were much shorter than the 90 days granted by the previous supplier of these products. Our Group also believes that timely settlement with suppliers will benefit our Group in terms of favourable pricing from our suppliers, and this had partly contributed to the 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 RM14.56 million as at 31 December 2018 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 and construction of the warehouse in Taman Perindustrian Kapar Bestari, Kapar, Selangor, acquisition of the warehouse in Excellent Technology Park III, Kapar, Selangor and for acquisition of motor vehicles. As at 31 December 2018, our Group has unutilised banking facilities of approximately RM10.55 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 2018 had increased marginally to 0.14 times compared to the ratio of 0.08 times as at 31 December 2017 due to the drawdown of a term loan amounting to RM2.86 million for the construction of our new warehouse in Taman Perindustrian Kapar Bestari, Kapar, Selangor.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Expenditure

Capital expenditure incurred by our Group for the FYE 31 December 2018 amounted to approximately RM14.69 million and consists of the following:

Description	RM
Laboratory equipment	385,709
Office and computer equipment	257,845
Capital work in progress relating to construction of warehouse in Taman Perindustrian Kapar Bestari, Kapar, Selangor	8,517,066
Capital work in progress relating to construction of GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan	4,996,082
Capital work in progress relating to acquisition of shop houses in Kuching, Sarawak	433,600
Others	100,555
Total	**14,690,857**

The capital commitments of the Group that have been approved and contracted for as at the end of the FYE 31 December 2018 were as follows:

Description	Capital commitment RM
Construction of GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan	29,702,581
Acquisition of shop houses in Kuching, Sarawak	1,517,600
Acquisition of GMP equipment	8,212,086
Total	**39,432,267**

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(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 1.25% of our sales were transacted in United States Dollar ("USD") for the FYE 31 December 2018. Our purchases are primarily denominated in foreign currency as majority of our purchases are from USA and France. For the FYE 31 December 2018, approximately 82.54% 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 2018 amounted to approximately RM0.29 million.

REVIEW OF OPERATING ACTIVITIES

Distribution Agreements

On 1 January 2018, RMM entered into a distribution agreement with 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 for the distribution of Zoetis' animal health products related to poultry ("Zoetis Agreement"). Zoetis 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 Zoetis Agreement allows RMM to distribute Zoetis' 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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Term") and the parties may further extend the term of the Zoetis Agreement by providing written notice prior to the expiration of the Extension Term on mutually agreed new terms and conditions.

The Ceva Agreement and Zoetis Agreement contributed positively towards the Group's earnings and net assets per share for the FYE 31 December 2018 and mitigated the impact of the loss of revenue from the discontinuation of distribution of swine and poultry products from RMM's previous supplier.

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 our new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan. Once completed, the plant will allow us to increase our production capacity by approximately four times of the existing maximum production capacity and to cater to the increasing demand of our products. We have commenced construction and the plant is estimated to be completed by the end of 2019.

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

- 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.

  Although the Group's export revenue of approximately RM2.73 million for the FYE 31 December 2018 was approximately RM1.54 million lower compared to the export revenue of approximately RM4.27 million recorded in the FYE 31 December 2017 due to lower demand from our existing markets in Thailand and Brunei, we expect the setback to be temporary in nature.

- The construction of our new warehouse in Taman Perindustrian Kapar Bestari in Kapar, Selangor was completed towards the end of the FYE 31 December 2018, and we are currently awaiting the issuance of the Certificate of Completion and Compliance ("CCC") by the local authorities. The warehouse 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. We also expect to have sufficient storage space to cater to our increasing storage needs for both animal health products and food ingredients once the CCC is obtained and the warehouse is fully functional.

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 2018, approximately 1.25% of our sales were transacted in USD whereas approximately 82.54% 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.

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 continue to focus on strengthening its production capabilities, product competitiveness and market position, while constantly seeking ways to mitigate the risks associated with its business. The Group will also continue to improve its internal controls and processes based on prudent management practices.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The Board believes that with our forward looking strategy of continuing to improve on our operating efficiency and effectiveness and investing in our people's development and training whilst operating responsibly, we are well placed to meet 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 2.0 sen per ordinary share for the FYE 31 December 2018. This proposal is pending our shareholders' approval at the forthcoming Annual General Meeting of the Company. Including the interim dividend of 1.0 sen per ordinary share paid on 13 February 2019, the proposed final dividend will bring the total dividends for the FYE 31 December 2018 to 3.0 sen per ordinary share.

SUSTAINABILITY STATEMENT

OUR SUSTAINABILITY APPROACH

We, at Rhone Ma Holdings Berhad group of companies ("Rhone Ma" or "Group"), have had an interesting year progressing our sustainability agenda and have successfully achieved a higher level of awareness, comprehension and adoption of our sustainability initiatives. In the financial year ended 31 December 2018, we have had three main pillars, which are: Maximising Value to Society, Preserving the Environment and Supporting Our People and Our Community. These sustainability commitments have further anchored into our operations, focused management's attention and helped us boost our sustainability performance throughout the year.

The drive to continue embedding these initiatives into our business strategies was further supported by a corporate governance system that was designed to facilitate a clearly defined decision-making process, business execution system and supervisory system. The system is led by our Board of Directors, who play a critical role in ensuring that the principles and best practices in corporate governance are observed and practiced throughout the Group.

Going into 2019, we are set on maintaining the aforementioned three pillars as the framework for delivering growth and value for our business as well as for our shareholders. To retain the trust and faith that the public and stakeholders have invested in us, we will continue striving to maintain our stance and standards on transparent and honest reporting.

SUSTAINABILITY STATEMENT (CONTINUED)

FIRST PILLAR: MAXIMISING VALUE TO SOCIETY

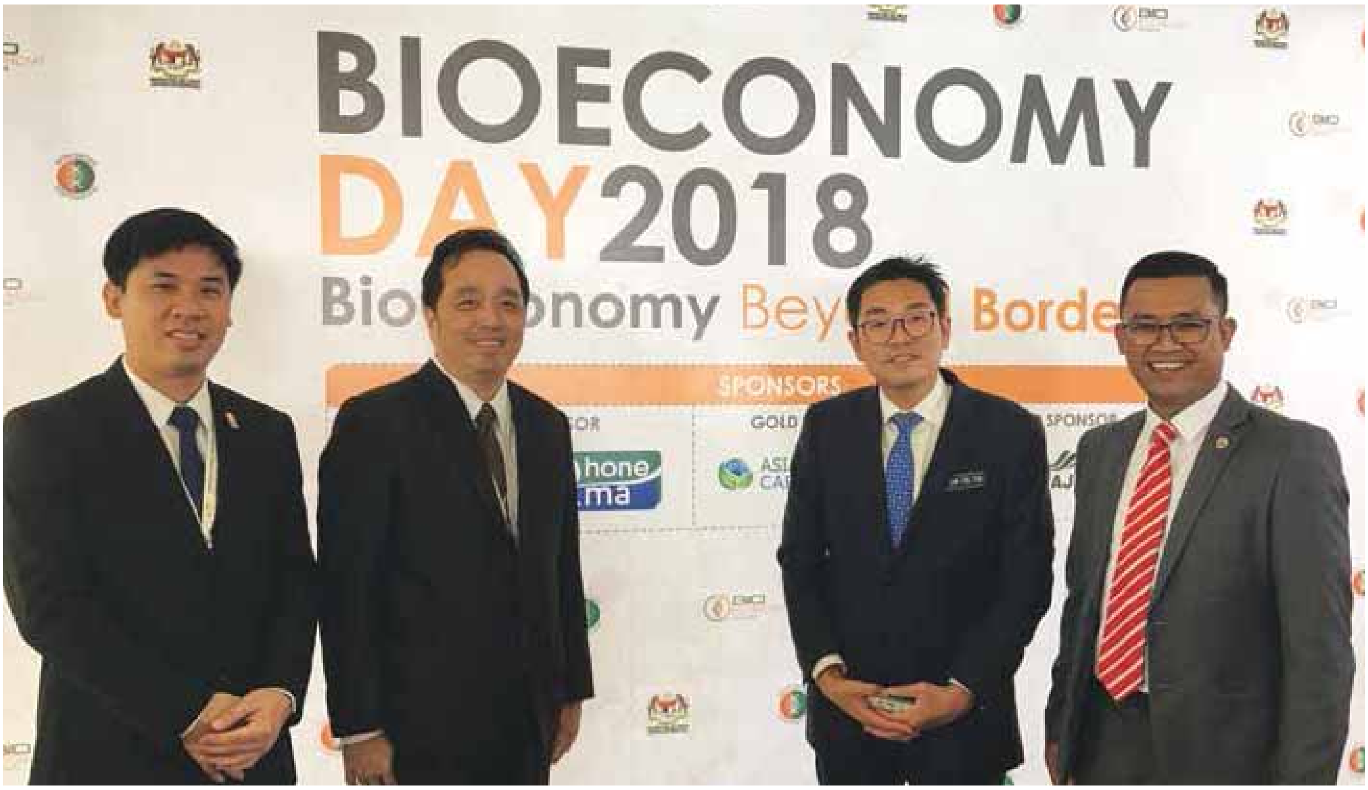
Community Investment

At Rhone Ma, charity is adopted as a company culture and is held dearly by each and every employee. In this spirit, we have been providing support to organisations and communities around us through sponsorship of relevant initiatives and programmes. In line with this, we constantly encourage our employees to contribute their time through voluntary and social responsibility programmes such as visits to orphanages and old folks' homes. During the year, we visited the Trinity Community Children Home, Siddhartan Care Centre and Pusat Jagaan Suci Rohani where our employees spent time entertaining and also motivating the children who are in less fortunate circumstances. We also visited the Sungai Way Old Folks Home where we tended to and interacted with the residents. We had also contributed to these homes as well as several activities organised by the Dignity for Children Foundation in hopes that it would assist in improving the lives of those in need.

Aside from these, in our effort to promote community empowerment, part of our corporate social responsibility efforts involves educational endeavours such as the provision of scholarships, specifically two academic awards each for Universiti Putra Malaysia ("UPM") and Universiti Malaysia Kelantan ("UMK") for studies in the veterinary field. We had also contributed to various bodies and participated in a host of other events, such as the Malaysia Small Animal Veterinary Association (MSAVA) Annual General Meeting and Dinner 2018, UMK's Vet Night, a fun run themed Jom Cermat Guna Antibiotik Haiwan organised by Kelab Sukan dan Kebajikan Veterinar Ibu Pejabat Perkhidmatan Veterinar, Putrajaya (KESUVET), Love in Action 4.0 Charity Run organised by Trinity Community Children Home, UPM Fitness Vibes' Health Walk, World Animal Day and Awareness Week 2018, Dogathon 2018 and CP Treasure Run 2018 organised by Charoen Pokphand Group Malaysia.

SUSTAINABILITY STATEMENT (CONTINUED)

SUSTAINABILITY STATEMENT (CONTINUED)



In addition, we had also impressed upon our employees the importance of preserving the environment while instilling the importance of sustainable development as part of our obligation in fulfilling our environmental responsibilities. As part of this initiative, we have lent our support to the Bioeconomy Plantopia Programme which was part of the Bioeconomy Day 2018 programme organised by the Malaysian Bioeconomy Development Corporation Sdn Bhd. The objectives of the programme were to emphasise focus on the economic prospects and future direction of bioeconomy development in Malaysia and to support our national agenda to overcome and work around climate change. As one of the corporate sponsors, we participated in the launch event which was officiated by Yang Berhormat Puan Yeo Bee Yin, Minister of Energy, Science, Technology, Environment and Climate Change, as well as Yang Berhormat Tuan Sim Tze Tzin, Deputy Minister of Agriculture and Agro-Based Industry. In addition to this, we were also part of a tree planting event at Sekolah Kebangsaan Puchong Utama 2 in Puchong, Selangor under the Bioeconomy Plantopia Programme.

As an organisation, we are constantly on the lookout for skilled employees who could help us in our journey to realise our corporate vision and mission. For this purpose, we participated in a career talk hosted by UPM which allowed us access to a pool of qualified candidates and to network with potential employees while simultaneously sharing insights from the industry with them.

SUSTAINABILITY STATEMENT (CONTINUED)

Indirect Economic Impact

As part of our efforts to empower the local community, Rhone Ma is also committed to contributing to the development of the local communities through ways beyond direct monetary contributions. Since the inception of the Group, we have contributed to direct job creation by providing employment for the local community at the locations where we operate.

Furthermore, we have also put in place an internship programme targeting local university students that aims to help our local youths and young adults explore career paths in the animal health and nutrition sector as well as hone their soft skills which are essential when they enter the workforce. During the year, we had provided internship opportunities for students studying in areas of 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

Emissions

Global warming and climate change are some of the biggest challenges and threat that the humankind as a whole has ever faced. As a responsible corporate citizen, we have observed several steps to minimise the adverse impact of our emissions on the environment and to achieve continuous improvement of our environmental performance. This includes ensuring strict compliance with the environmental laws and regulations put in place by the Department of Environment through constant monitoring.

Concurrently, in order to preserve the quality of the environment, our waste management methods and standards are also given high priority. We have complied with all requirements from the relevant government authorities, and have also put in place a scheduled toxic waste disposal procedure by engaging the services of Kualiti Alam Sdn Bhd to dispose of toxic wastes thus ensuring that our business has minimal impact on the environment. Meanwhile, in an effort to inculcate a habit of recycling non-hazardous wastes such as paper and plastic in our employees, we have also implemented a few measures such as the ethical recycling of ink cartridges as well as encouraging the creation of a paperless environment.

SUSTAINABILITY STATEMENT (CONTINUED)

THIRD PILLAR: SUPPORTING OUR PEOPLE AND OUR COMMUNITY

Diversity

We believe in tapping the resources of a diverse workforce that utilises the unique skill of each individual as we work towards a common goal. By recruiting and retaining a diverse pool of people, we believe that we would enhance our competitive edge as it brings about different benefits to the Group as well as our employees.

Rhone Ma is committed to the principle of equal employment opportunity for all employees and to providing employees with a work environment free of discrimination and harassment. All employment decisions at Rhone Ma are based on business needs, job requirements and individual qualifications without regard to race, religion, age and gender. Currently, our Board of Directors is made up of 5 male and 2 female Directors, with their ages ranging from 47 to 72 years old. Furthermore, our entire workforce is well represented by all races and ethnicities, as well as genders.

SUSTAINABILITY STATEMENT (CONTINUED)

Human Rights

As a key player in the animal health and nutrition industry, Rhone Ma considers strict adherence to corporate rules and applicable laws and practices in the places we operate in to be a fundamental principle underpinning our business activity. Furthermore, Rhone Ma is committed to delivering valuable and sustainable mobility to all and acknowledges that, in order for us to realise this, it is essential that the human rights of all stakeholders are respected and that employees uphold the highest ethical standards.

Hence, we have adopted a work-life balance policy which focuses on fostering better ties amongst our employees and improving their quality of life. One of the ways that this is achieved is by way of promoting healthy lifestyles and team cohesiveness through sporting activities such as badminton, futsal and bowling. In further efforts to facilitate team spirit within our Group, corporate gatherings such as festive lunches were organised to enable our employees to bond with each other and unwind. Similarly, our employees also participated in a team building exercise at the Plantzania Ninja Park in Rantau, Negeri Sembilan to foster camaraderie and build community spirit among our people.

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.

Occupational Safety and Health

We are committed, based on our philosophy of respecting people, to creating a physically and mentally safe workplace through consistent effort and appropriate and careful attention. Hence, we have implemented the Occupational Safety, Health & Environment Policy which promotes a comfortable, safe and healthy working environment for our employees and those who may be affected by our activities. This policy is supported by our Integrated Quality and Occupational Health & Safety ("IQOHS") Committee which advocates and strives to provide a safe and conducive environment to prevent work related accidents, injuries and ill health amongst our employees, contractors and others.

In addition to this, the IQOHS Committee which is chaired by an Executive Director and comprises employees from various sections of the organisation also ensures all initiatives implemented on safety and health are in compliance with the

SUSTAINABILITY STATEMENT (CONTINUED)

Occupational Safety and Health Act 1994 and other legal requirements. As part of our emergency preparedness initiative, our Emergency Preparedness and Response Teams have been trained to provide a quick response to ensure business continuity and to attend to incidents such as fire, spillage and other emergencies. Members of the team are required to attend trainings to ensure that they are equipped to manage 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.

In a bid to further instill awareness on maintaining safety at the workplace, fire and emergency situation drills as well as spillage control are conducted on a periodic basis and briefings in relation to evacuation procedures are also given to employees.

Last but not least, as part of an ongoing employee wellness effort we have established an Employee Health Programme that provides an opportunity for all our employees to be immunised annually with flu vaccination.

Anti-Competitive Behaviour

As a business entity that advocates fair competition in our business practices, we ensure our employees have the relevant knowledge to comply with anti-competition laws and regulations. Rhone Ma's business Code of Conduct outlines general principles to safeguard against violations of anti-competition law. These principles are also expanded to those employees who interact with external parties and are therefore at risk of engaging in or witnessing anti-competitive conduct.

Anti-Corruption

Our Code of Conduct outlines the Group's policy towards bribery and corruption. The Group provides guidance to our employees on conducting business while complying with Group policies and applicable laws in all the countries in which we do business. Our policy prohibits the offer, promise or giving of any payment or benefit at any time to an individual or entity for the purpose of improperly influencing decisions or actions with respect to our business. This applies to direct engagements as well as to indirect engagements.

Labour Practices

One of the key corporate responsibility initiatives that we champion is the development of human capital as our employees are our greatest asset. The development is achieved through the implementation of various initiatives such as in-house trainings and external trainings. 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.

Our employee evaluation criteria have also been revamped over the years and we have in place comprehensive evaluation systems that measure the hard skills as well as the soft skills of our employees. We conduct biannual performance appraisals to ensure alignment to the Group's key performance metrics and values, to provide career path guidance and to obtain feedback from employees on their view of the Group.

SUSTAINABILITY STATEMENT (CONTINUED)

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

As part of our efforts to further the growth of the animal health and nutrition industry, we have encouraged our employees to actively participate in societal matters in Malaysia. Having said this, one of our employees have been involved with the Malaysia Animal Health and Nutrition Industries Association (MAHNIA) as a committee member for the registration of veterinary products in Malaysia. On top of that, one of our veterinarians is sitting on the technical committee of the Federation of Livestock Farmers' Association of Malaysia (FLFAM) to provide advice on matters relating to the industry.

MOVING FORWARD

Rhone Ma has been a purpose-driven company from its origins as we believe that businesses that thrive in the future will be those that serve society today. Today, our purpose is simple but clear - to make sustainable living commonplace. In order to achieve that, we are working to help transform the system in which business is done. By being part of the solution to challenges, we have the opportunity to win the trust of our stakeholders while helping to create societies and economies in which everyone can grow and succeed.

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

This statement is prepared in compliance with Bursa Malaysia Securities Berhad's ("Bursa Securities") Main Market Listing Requirements ("MMLR") and it is meant to be read together with the Statement on Corporate Governance and the Corporate Governance Report. The Corporate Governance Report provides details on how the Company has applied each practices as set out in the Code for the financial year ended 31 December 2018, a copy of which is available on the Company's website (www.rhonema.com) as well as via an announcement on the website of Bursa Securities.

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 2018, 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 52 to 68 of this Annual Report

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

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) Human resources;

(ii) Financial operations;

(iii) Procurement;

(iv) Inventory management; and

(v) Annual 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 74 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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

The Group acknowledge the pivotal role played by the Board 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.

The Board met five (5) times during the financial year ended 31 December 2018. Details of attendance are as follows:

Directors	Attendance	%
Dato' Hamzah Bin Mohd Salleh	5/5	100%
Dr Lim Ban Keong	5/5	100%

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors	Attendance	%
Foong Kam Weng	5/5	100%
Dr Yip Lai Siong	5/5	100%
Martin Jeyaratnam A/L Thiagaraj	5/5	100%
Rahanawati Binti Ali Dawam	5/5	100%
Teoh Chee Yong	5/5	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 MMLR of Bursa Securities 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 MMLR 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	11 July 2018	Star Empowerment Leadership Series - Becoming Organisational Savvy
Dr Lim Ban Keong	15 March 2018	Building High Performance Company
	18 April 2018	Advancement in Modern Farming
	28 June 2018	Negotiation Skills for CEO
	18 July 2018	Using NLP for Effective Communication
	19 July 2018	Approach and Strategies for Resolving Key Public Health Issues in the Poultry Industry
	8 - 9 August 2018	The First Northeast Agricultural University Swine Industry Forum
	16 August 2018	P2P Financing
	24 October 2018	Addressing Sustainable Transition in Livestock Feed Industry

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors	Date	Programmes attended
Foong Kam Weng	1 February 2018	Vaccine Equipment Hands-on Training
	28 March 2018	Zoetis Product & Technical Training (1)
	20 June 2018	Zoetis Sales Training
	17 August 2018	Zoetis Product & Technical Training (2)
	24 October 2018	Feed Safety Seminar 3.0
Dr Yip Lai Siong	1 February 2018	Vaccine Equipment Hands-on Training
	28 March 2018	Zoetis Product & Technical Training (1)
	3 May 2018	Zoetis Outcome Research Training
	20 June 2018	In Ovo Device Hatchery Training
	20 June 2018	Zoetis Sales Training
	21 June 2018	Introduction of Ventilation System of Modern Close House System
	17 August 2018	Zoetis Product & Technical Training (2)
	24 October 2018	Feed Safety Seminar 3.0
	31 October 2018	WPSA Poultry Seminar
	6 December 2018	The 5th World Veterinary Poultry Association Malaysia Seminar 2018
Martin Jeyaratnam A/L Thiagaraj	15 March 2018	Seminar on MSSG Reporting & CG Guide
	5 July 2018	Sustainability Engagement Series for Directors/Chief Executive Officers
	28 August 2018	International Professional Practices Framework Workshop for Audit Committee
	10 October 2018	Seminar on Gearing Up for Corporate Liability
	5 December 2018	Breakfast Series for Directors of Listed Companies: Non-Financials - Does It Matter?
Rahanawati Binti Ali Dawam	28 August 2018	International Professional Practices Framework Workshop for Audit Committee
	5 December 2018	Breakfast Series for Directors of Listed Companies: Non-Financials - Does It Matter?
Teoh Chee Yong	10 October 2018	Seminar on Gearing Up for Corporate Liability

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 74 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.

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:

Rahanawati 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 2018 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;

(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.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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
Rahanawati Binti Ali Dawam	Member
Teoh Chee Yong	Member

The Remuneration Committee met once (1) during the financial year ended 31 December 2018 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.

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:

- 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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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.

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 and Procedures

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.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 MMLR.

The Code of Conduct and the Code of Ethics can be found on the Company's website at 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.

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 MMLR;

(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;

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

(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 cope 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.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 MMLR of Bursa Securities 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 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 2018. 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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 2019, 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.

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 Dato' Hamzah Bin Mohd Salleh and Rahanawati Binti Ali Dawam.

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 2018 can be obtained on pages 150 to 153 of this Annual Report.

A copy of the Directors' Remuneration Policy can be found on the Company's website at www.rhonema.com.

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
Rahanawati 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 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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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, understanding of internal controls relevant to the audit 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.

For the financial year ended 31 December 2018, fees paid to the external auditors, Messrs BDO PLT and its affiliated firms by the Company and the Group are stated in the table below:

Nature of Services	Company RM	Group RM
Audit	45,000	160,000
Non-Audit		
- Tax filing	2,000	33,900
- Review of the Statement on Risk Management and Internal Control	5,000	5,000
- Review of other information	8,000	8,000
Total	**60,000**	**206,900**

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 74 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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.

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

Person responsible	Lim Kean Chai
Qualification	• Professional Member of the Institute of Internal Auditors Malaysia • Chartered Accountant of the Malaysian Institute of Accountants • Fellow of the Institute of Chartered Accountants in Australia
Independence	Does not have any family relationship with any director and/or major shareholder of the Company
Public sanction or penalty	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 discourse requirements as stipulated in the MMLR, but also sets out the persons authorised and responsible to approve and disclose material information to all stakeholders.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 Securities. 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.

The Company's corporate website includes a dedicated Investor Relations section which provides all relevant information on the Group, including announcements to Bursa Securities, 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 MMLR, 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds Raised from Corporate Proposal

The status of the utilisation of proceeds of approximately RM31.59 million from the Company's initial public offering of 42,122,000 new ordinary shares at an issue price of RM0.75 each as at 31 December 2018 is as follows:

Purpose	Estimated timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Balance unutilised RM'000
Capital expenditure	Within 36 months	24,500	15,287	-	9,213 (2)
Working capital	Within 24 months	2,092	1,535	(557)(1)	-
Estimated listing expenses	Within 3 months	5,000	5,557	557 (1)	-
Total		**31,592**	**22,379**	**-**	**9,213**

Notes:

(1) The actual listing expenses incurred were more than the estimated listing expenses by approximately RM0.56 million mainly due to higher than expected incidental charges incurred in conjunction with the listing exercise. In accordance with Section 3.8 of the Prospectus of the Company dated 29 November 2016, the additional listing expenses of approximately RM0.56 million were adjusted from the portion allocated for working capital.

(2) The Board of Directors has resolved to extend the time frame for the utilisation of proceeds for capital expenditure for another 12 months period from 24 months to 36 months in accordance with the Company's announcement made on 22 May 2018.

2. Material Contracts

There were no material contracts entered into by the Group during the financial year ended 31 December 2018 that involved the interests of Directors and major shareholders.

3. Contracts Relating to Loans

There were no contracts relating to loans entered into by the Group during the financial year ended 31 December 2018 that involved the interests of Directors and major shareholders.

4. Recurrent Related Party Transactions

There were no recurrent related party transactions that have been entered into by the Group during the financial year ended 31 December 2018 other than as disclosed in the audited financial statements.

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) Human resources;

(ii) Financial operations;

(iii) Procurement;

(iv) Inventory management; and

(v) Annual 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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- Standard operating procedures which include policies and procedures within the Group are continuously reviewed and updated.

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 Audit and Assurance Practice Guide 3 Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG3") issued by the Malaysian Institute of Accountants. AAPG3 does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the risk management system and internal control processes of the Group. AAPG3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report would, in fact, remedy the problems. 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 paragraphs 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 16 April 2019.

REPORT ON THE AUDIT AND RISK MANAGEMENT COMMITTEE

COMPOSITION

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

Directors	Membership
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.

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 five (5) meetings during the financial year ended 31 December 2018. The attendance of the Committee members is as follows:

Committee members	Attendance
Teoh Chee Yong	5/5
Martin Jeyaratnam A/L Thiagaraj	5/5
Rahanawati Binti Ali Dawam	5/5

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 Securities;

(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 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; and

(iv) Met with the internal auditors without the presence of the executive Board members and Management.

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.

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 RM50,000 for the financial year ended 31 December 2018.

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 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 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

The Board is satisfied that in preparing the financial statements of the Group and the Company for the financial year ended 31 December 2018, the appropriate accounting policies were used and applied consistently, adopted to include new and revised Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Board is also at 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 as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended 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.

FINANCIAL STATEMENTS

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 2018.

PRINCIPAL ACTIVITIES

The Company is principally an investment holding company and involved in the provision of management services. The principal activities and the details 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

	Group RM	Company RM
Profit for the financial year	10,065,500	5,509,929

DIVIDENDS

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

	Company RM
In respect of the financial year ended 31 December 2017:	
Interim single-tier dividend of 2.50 sen per ordinary share, paid on 13 February 2018	4,150,000
Final single-tier dividend of 2.50 sen per ordinary share, paid on 13 July 2018	4,150,000
	8,300,000

On 15 January 2019, the Board of Directors declared a first single-tier interim dividend of 1.00 sen per ordinary share, amounting to RM1,826,000 in respect of the financial year ended 31 December 2018. The dividend was paid on 13 February 2019 to shareholders at the close of business on 31 January 2019. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

The Directors propose a final single-tier dividend of 2.00 sen per ordinary share, amounting to RM3,652,000 in respect of the financial year ended 31 December 2018, 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 2019.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS OF RHONE MA HOLDINGS BERHAD

The Directors who have held office during the financial year and up to the date of this 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

DIRECTORS OF SUBSIDIARIES OF RHONE MA HOLDINGS BERHAD

Pursuant to Section 253 of the Companies Act 2016, the Directors of the subsidiaries of Rhone Ma Holdings Berhad during the financial year and up to the date of this report are as follows:

Lim Ban Keong
Foong Kam Weng
Yip Lai Siong
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 2018 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 1.1.2018	**Bought**	**Sold**	**Balance as at 31.12.2018**
Shares in the Company				
Direct interests:				
Dato' Hamzah Bin Mohd Salleh	100,000	-	(100,000)	-
Lim Ban Keong	3,716,300	707,300	-	4,423,600
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 2018 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 1.1.2018	Bought	Sold	Balance as at 31.12.2018
Shares in the Company				
Indirect interests:				
Lim Ban Keong *	84,856,400	170,000	-	85,026,400
Foong Kam Weng *	84,856,400	170,000	-	85,026,400
Yip Lai Siong *	84,856,400	170,000	-	85,026,400
Shares in the ultimate holding Company				
Blue Advantage Sdn. Bhd.				
Direct interests:				
Lim Ban Keong	3,624	-	-	3,624
Foong Kam Weng	3,164	-	-	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 remuneration 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

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The amount of insurance premium paid by the Group and the Company for the financial year ended 31 December 2018 was RM16,285.

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.

SUBSIDIARIES

Details of subsidiaries are set out in Note 8 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF REPORTING PERIOD

Significant event 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 PLT (LLP0018825-LCA & AF 0206), 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 2018 are disclosed in Note 19 to the financial statements.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership, was converted to a limited liability partnership.

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

…………………….	……………….……
Lim Ban Keong	**Foong Kam Weng**
Director	Director

Kuala Lumpur
16 April 2019

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 93 to 168 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 2018 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

……………………..……
Foong Kam Weng
Director

Kuala Lumpur
16 April 2019

STATUTORY DECLARATION

I, Chan Yan San (CA 11673), 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 93 to 168 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
16 April 2019

……………………..…………..
Chan Yan San (CA 11673)

Before me:

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 2018 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 93 to 168.

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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

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.

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

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.

Key Audit Matters of the Group

(a) Recoverability of trade receivables

As at 31 December 2018, the net carrying amount of trade receivables of the Group was RM22,959,352, as disclosed in Note 10 to the financial statements.

The Group has impaired trade receivables of RM98,619 during the financial year.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

Audit response

Our audit procedures included the following:

(i) recomputed the probability of default using historical data and forward looking information of the Group;

(ii) recomputed the correlation coefficient between forward looking factors and historical credit losses to determine the appropriateness of the forward-looking information of the Group; and

(iii) inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

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

Key Audit Matters (continued)

Key Audit Matters of the Group (continued)

(b) Adequacy of write-down of inventories to net realisable value

As at 31 December 2018, the Group held RM28,142,567 of inventories, as disclosed in Note 9 to the financial statements.

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

We focused on the audit risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories.

In estimating the net realisable value of inventories, management considers the expiry date of the respective inventories.

Audit response

Our audit procedures included the following:

(i) discussed with management and obtained an understanding of the process implemented by management over the determination of the lower of cost and net realisable value used in the write-down of inventories;

(ii) assessed and tested the design and operating effectiveness of the key controls over the valuation of inventories;

(iii) tested the accuracy of expiry dates of inventories; and

(iv) tested inventories for sales subsequent to the year end and supporting documentation and assessed that the carrying amounts of inventories is at the lower of cost and net realisable value.

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

Key Audit Matters (continued)

Key Audit Matters of the Company

(a) Impairment assessment of the carrying amount of cost of investment in and equity loan to a subsidiary

As disclosed in Note 8 to the financial statements, the net carrying amount of cost of investments in subsidiaries amounted to RM79,219,001 as at 31 December 2018. Included in this net carrying amount is cost of investment in and equity loan to a subsidiary amounting to RM77,939,000 as at 31 December 2018.

Management used forecasted future cash flows and a Value in Use model to compute the present value of forecasted future cash flows for the subsidiary/Cash Generating Unit ("CGU") to determine if there is any impairment loss required on the cost of investment in and equity loan to the subsidiary.

We focused on the impairment assessment of the carrying amount of the cost of investment in and equity loan to the subsidiary as the determination of whether or not an impairment loss is necessary involves significant judgements and estimates by the Directors about future results and key assumptions applied to cash flow projections of the subsidiary/CGU in determining its recoverable amounts. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

Audit response

Our audit procedures included the following:

(i) compared cash flows projections against recent performance and assessed the reasonableness of the key assumptions used by management in the cash flows projections by comparing to actual historical operating profit margins and growth rates;

(ii) compared prior period budgets to current period's actual results to assess the historical accuracy of the projections;

(iii) assessed the suitability of the pre-tax discount rate used by the subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors; and

(iv) performed sensitivity analysis to stress test the key assumptions used by management in the impairment model.

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

Key Audit Matters (continued)

Key Audit Matters of the Company (continued)

(b) Impairment assessment of amounts owing by subsidiaries

As at 31 December 2018, the net carrying amounts owing by subsidiaries of the Company amounted to RM5,700,000, as disclosed in Note 10 to the financial statements.

We determined this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

Audit response

Our audit procedures included the following:

(i) assessed the probability of default applied by the Company against external market sources of data; and

(ii) assessed the appropriateness of the indicators of significant increase in credit risk applied by management and the resultant basis for classification of exposure into respective stages.

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 the 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.

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

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 concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company, or to cease operations, or have no realistic alternative but to do so.

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:

(a) 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.

(b) 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.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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)

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 (continued):

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

(e) 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.

(f) 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.

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.

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

Other Matters

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

BDO PLT
LLP0018825-LCA & AF 0206
Chartered Accountants

Chan Wai Leng
02893/08/2019 J
Chartered Accountant

Kuala Lumpur
16 April 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM	2018 RM	2017 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	47,613,400	34,028,757	-	-
Investments in subsidiaries	8	-	-	79,219,001	69,719,001
		47,613,400	34,028,757	79,219,001	69,719,001
Current assets					
Inventories	9	28,142,567	28,299,470	-	-
Trade and other receivables	10	30,769,256	34,661,642	5,702,260	8,452,260
Cash and bank balances and short term funds	11	24,435,293	33,973,151	12,955,133	22,376,613
Current tax assets		5,706	-	-	-
		83,352,822	96,934,263	18,657,393	30,828,873
TOTAL ASSETS		130,966,222	130,963,020	97,876,394	100,547,874
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	12	92,114,235	92,114,235	92,114,235	92,114,235
Reserves	13	12,079,693	10,314,193	5,586,568	8,376,639
		104,193,928	102,428,428	97,700,803	100,490,874
TOTAL EQUITY		104,193,928	102,428,428	97,700,803	100,490,874

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONTINUED)

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	14	12,500,817	7,232,461	-	-
Deferred tax liabilities	15	328,907	411,188	-	-
		12,829,724	7,643,649	-	-
Current liabilities					
Trade and other payables	16	10,762,276	19,308,995	94,618	57,000
Borrowings	14	2,054,438	883,817	-	-
Current tax liabilities		1,125,856	698,131	80,973	-
		13,942,570	20,890,943	175,591	57,000
TOTAL LIABILITIES		26,772,294	28,534,592	175,591	57,000
TOTAL EQUITY AND LIABILITIES		130,966,222	130,963,020	97,876,394	100,547,874

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
Revenue	17	135,239,103	137,488,068	6,170,000	8,450,000
Cost of sales		(98,417,611)	(97,928,748)	-	-
Gross profit		36,821,492	39,559,320	6,170,000	8,450,000
Other operating income		1,249,533	1,536,762	618,360	717,575
Distribution costs		(9,149,363)	(9,022,881)	-	-
Administrative expenses		(14,652,378)	(14,695,513)	(1,123,566)	(1,000,185)
Finance costs	18	(659,628)	(315,482)	-	-
Profit before tax	19	13,609,656	17,062,206	5,664,794	8,167,390
Tax expense	20	(3,544,156)	(3,156,831)	(154,865)	-
Profit for the financial year		10,065,500	13,905,375	5,509,929	8,167,390
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		10,065,500	13,905,375	5,509,929	8,167,390
Total profit for the financial year and total comprehensive income attributable to:					
Owners of the parent		10,065,500	13,905,375	5,509,929	8,167,390
Non-controlling interest		-	-	-	-
		10,065,500	13,905,375	5,509,929	8,167,390

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		Group		Company	
		2018	2017	2018	2017
	Note	sen	sen	sen	sen
Earnings per ordinary share attributable to equity holders of the parent:					
- Basic	21	6.06	8.38		
- Diluted	21	6.06	8.38		
Dividend per ordinary share in respect of the financial year:					
2017					
- First interim single-tier dividend (paid)	22	-	2.50	-	2.50
- Final single-tier dividend (paid)	22	-	2.50	-	2.50
2018					
- First interim single-tier dividend (paid)	22	1.00	-	1.00	-
- Final single-tier dividend (proposed)	22	2.00	-	2.00	-

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		[----------Non-distributable	----------]		Distributable	
Group	**Note**	**Share capital RM**	**Share Premium RM**	**Reorganisation debit balance RM**	**Retained earnings RM**	**Total equity 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
Transaction with owners						
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.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

		[------Non-distributable------]		Distributable	
Group	**Note**	**Share capital RM**	**Reorganisation debit balance RM**	**Retained earnings RM**	**Total equity RM**
Balance as at 1 January 2018		92,114,235	(59,488,997)	69,803,190	102,428,428
Profit for the financial year		-	-	10,065,500	10,065,500
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	10,065,500	10,065,500
Transaction with owners					
Dividends paid	22	-	-	(8,300,000)	(8,300,000)
Total transaction with owners		-	-	(8,300,000)	(8,300,000)
Balance as at 31 December 2018		92,114,235	(59,488,997)	71,568,690	104,193,928

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

		[-------Non-distributable-------]		Distributable	
		Share capital	Share premium	Retained earnings	Total equity
Company	**Note**	**RM**	**RM**	**RM**	**RM**
Balance as at 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
Transactions with owners					
Dividends paid		-	-	(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/ 1 January 2018		92,114,235	-	8,376,639	100,490,874
Profit for the financial year		-	-	5,509,929	5,509,929
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	5,509,929	5,509,929
Transaction with owners					
Dividends paid	22	-	-	(8,300,000)	(8,300,000)
Total transaction with owners		-	-	(8,300,000)	(8,300,000)
Balance as at 31 December 2018		92,114,235	-	5,586,568	97,700,803

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		13,609,656	17,062,206	5,664,794	8,167,390
Adjustments for:					
Bad debts written off	19	2,817	3,281	-	-
Depreciation of property, plant and Equipment	7	1,104,993	1,510,812	-	-
Dividend income	17	-	-	(5,700,000)	(8,450,000)
Impairment losses on trade receivables	10	98,619	28,366	-	-
Interest expense	18	659,628	315,482	-	-
Interest income	19	(31,653)	(93,011)	-	-
Income distribution from short term funds	19	(714,138)	(785,547)	(618,360)	(717,575)
Inventories written off	9	442,323	905,143	-	-
Inventories written down/(back)	9	701,100	(117,385)	-	-
Loss on disposal of property, plant and equipment	19	-	8,010	-	-
Property, plant and equipment written off	7	1,221	3,361	-	-
Reversal of impairment loss on trade receivables	10	(2,197)	-	-	-
Net unrealised loss/(gain) on foreign currency exchange	19	142,732	(523,613)	-	-
Operating profit/(loss) before changes in working capital		16,015,101	18,317,105	(653,566)	(1,000,185)
Changes in working capital:					
Inventories		(986,520)	(5,328,956)	-	-
Trade and other receivables		3,793,147	(6,450,280)	-	(260)
Trade and other payables		(8,689,451)	1,887,236	37,618	(106,000)
Cash generated from/(used in) operations		10,132,277	8,425,105	(615,948)	(1,106,445)
Tax paid		(3,204,418)	(3,947,913)	(73,892)	-
Tax refunded		-	54,256	-	-
Net cash from/(used in) operating activities		6,927,859	4,531,448	(689,840)	(1,106,445)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Equity loan to a subsidiary		-	-	(9,500,000)	(6,500,000)
Interest received	19	31,653	93,011	-	-
Withdrawal/(Placement) of short term funds		7,296,140	(20,801,844)	4,992,031	(16,531,517)
Placement of deposits with licensed bank (maturity more than three (3) months)		(1,020,000)	-	-	-
Proceeds from disposal of:					
- property, plant and equipment		-	22,396	-	-
Purchase of property, plant and equipment	7	(11,834,857)	(8,044,616)	-	-
Net cash used in investing activities		(5,527,064)	(28,731,053)	(4,507,969)	(23,031,517)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from subsidiaries		-	-	8,450,000	5,256,590
Dividends paid	22	(8,300,000)	(6,640,000)	(8,300,000)	(6,640,000)
Drawdown of term loan		5,000,000	-	-	-
Interest paid		(659,628)	(300,495)	-	-
Repayment of:					
- hire purchase liabilities		(149,219)	(160,882)	-	-
- term loans		(1,267,804)	(1,386,465)	-	-
Net cash (used in)/from financing activities		(5,376,651)	(8,487,842)	150,000	(1,383,410)
Net decrease in cash and cash equivalents		(3,975,856)	(32,687,447)	(5,047,809)	(25,521,372)
Cash and cash equivalents at beginning of financial year		12,385,760	45,073,207	5,127,521	30,648,893
Cash and cash equivalents at end of financial year	11(d)	8,409,904	12,385,760	79,712	5,127,521

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group	
	Term 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
As at 1 January 2018	7,846,798	269,480
Cash flows	3,732,196	(149,219)
Non-cash flows:		
- Purchase of property, plant and equipment	2,856,000	-
As at 31 December 2018	14,434,994	120,261

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018

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 2018 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 16 April 2019.

2. PRINCIPAL ACTIVITIES

The Company is principally an investment holding company and involved in the provision of management services. The principal activities and the details 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.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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 2018 (CONTINUED)

3. BASIS OF PREPARATION (continued)

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” and disclosed in Note 13 to the financial statements.

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 2018 (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 2018 (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 9 *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) Other contingent consideration that:

  (i) is within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9.

  (ii) is not within the scope of MFRS 9 shall be measured at fair value at each reporting date and changes in fair value shall be 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 2018 (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.

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 ready 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, an entity shall measure a financial asset (unless it is a trade receivable that does not contain a significant financing component) or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(a) Financial assets

Current financial year - Accounting policies applied from 1 January 2018

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss (FVTPL), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial are as below:

(i) Financial assets measured at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of any impairment losses, if any.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(a) Financial assets (continued)

Current financial year - Accounting policies applied from 1 January 2018 (continued)

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income (FVTOCI), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequently to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group had elected an irrevocable option to designate its equity instruments not held for trading other than investments in subsidiaries at initial recognition as financial assets measured at FVTPL.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Cash and bank balances are measured at amortised cost. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(a) Financial assets (continued)

Previous financial year - Accounting policies applied until 31 December 2017

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(a) Financial assets (continued)

Previous financial year - Accounting policies applied until 31 December 2017 (continued)

(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.

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 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

Current financial year - Accounting policies applied from 1 January 2018

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(b) Financial liabilities (continued)

Current financial year - Accounting policies applied from 1 January 2018 (continued)

(i) Financial liabilities measured at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivatives liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss except for the Group's own credit risk increase or decrease which is recognised in other comprehensive income. Net gain or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

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 expires. 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.

The 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.

Previous financial year - Accounting policies applied until 31 December 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Financial instruments (continued)

(b) Financial liabilities (continued)

Previous financial year - Accounting policies applied until 31 December 2017 (continued)

(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.

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 expires. 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.

The 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.

(c) Financial guarantee contract

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 statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 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.

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.

4.11 Impairment of financial assets

Current financial year - Accounting policies applied from 1 January 2018

The Group applies the simplified approach to measure expected credit loss (“ECL”). This entails recognising a lifetime expected loss allowance for all trade receivables.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset’s original effective interest rate of the asset.

The Group considers credit loss experience and observable data such as current changes and futures forecasts in economic conditions of the Group’s industry to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of financial assets (continued)

Current financial year - Accounting policies applied from 1 January 2018 (continued)

In measuring the expected credit losses on trade receivables, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and amounts due from subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment other receivables and amounts due from subsidiaries is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and amounts due from subsidiaries.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

Previous financial year - Accounting policies applied until 31 December 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of financial assets (continued)

Previous financial year - Accounting policies applied until 31 December 2017 (continued)

(a) Loans and receivables (continued)

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.

(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.

4.12 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 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.

(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 statements 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 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 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.

4.15 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.

4.16 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.16 Employee benefits (continued)

(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.

4.17 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.

4.18 Revenue recognition

Current financial year - Accounting policies applied from 1 January 2018

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group performs;

(b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenue recognition (continued)

Current financial year - Accounting policies applied from 1 January 2018 (continued)

Revenue is measured at the fair value of consideration received or receivable. The following describes the performance obligations in contracts with customers:

(a) Sale of goods

Revenue from sales of goods is recognised at a point in time when the goods have been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

(b) Services

Revenue from services rendered is recognised at a point in time when services have been rendered to the customer and coincides with the delivery of services and acceptance by customers.

(c) Management fee

The provision of management fee is recognised when services are rendered.

Revenue recognition not in relation to performance obligations is described below:

(a) Dividend income

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

(b) Interest income

Interest income is recognised as it accrues, using the effective interest method.

Previous financial year - Accounting policies applied until 31 December 2017

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Revenue recognition (continued)

Previous financial year - Accounting policies applied until 31 December 2017 (continued)

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 (continued):

(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.

4.19 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 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.

4.21 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.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the financial year

The Group and the 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 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
MFRS 15 *Revenue from Contracts with Customers*	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 *Financial Instruments (IFRS as issued by IASB in July 2014)*	1 January 2018
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*	1 January 2018
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 140 *Transfers of Investment Property*	1 January 2018
Amendments to MFRS 4 *Applying MFRS 9* Financial Instruments *with MFRS 4* Insurance Contracts	See MFRS 4 Paragraphs 46 and 48

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company. The impact on the adoption of MFRS 9 and MFRS 15 on the financial statements of the Group and of the Company are described in the following sections.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group and the Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. There is no impact on the adoption of MFRS 9 on the financial statements of the Group and of the Company.

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and of the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

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

5.1 New MFRSs adopted during the financial year (continued)

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

(i) Classification of financial assets and financial liabilities (continued)

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group and of the Company by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss (ECL) approach. MFRS 9 requires the Group and the Company to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

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

5.1 New MFRSs adopted during the financial year (continued)

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

(ii) Impairment of financial assets (continued)

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for other receivables and amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139	New under MFRS 9
Group			RM	RM
Financial assets				
Trade and other receivables, net of prepayments	L&R	AC	33,403,095	33,403,095
Cash and bank balances	L&R	AC	12,385,760	12,385,760
Short term funds	FVTPL	FVTPL	21,587,391	21,587,391
Financial liabilities				
Trade and other payables	OFL *	AC	19,308,995	19,308,995
Borrowings	OFL *	AC	8,116,278	8,116,278

* Other Financial Liabilities at Amortised Cost.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

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

5.1 New MFRSs adopted during the financial year (continued)

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

(iii) Classification and measurement (continued)

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018 (continued):

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139	New under MFRS 9
Company			RM	RM
Financial assets				
Other receivables	L&R	AC	8,452,260	8,452,260
Cash and bank balances	L&R	AC	5,127,521	5,127,521
Short term funds	FVTPL	FVTPL	17,249,092	17,249,092
Financial liabilities				
Other payables	OFL *	AC	57,000	57,000

* Other Financial Liabilities at Amortised Cost.

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Revenue will be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

There is no impact on the adoption of MFRS 15 on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
MFRS 16 *Leases*	1 January 2019
IC Interpretation 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to MFRS 9 *Prepayment Features with Negative Compensation*	1 January 2019
Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*	1 January 2019
Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*	1 January 2019
Amendments *to References to the Conceptual Framework in MFRS Standards*	1 January 2020
Amendments to MFRS 3 *Definition of a Business*	1 January 2020
Amendments to MFRS 101 and MFRS 108 *Definition of Material*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

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.

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 and the Company'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

Recoverability of trade receivables requires management to exercise significant judgements in determining the probability of default by trade receivables and appropriate forward looking information.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Adequacy of write-down of inventories to net realisable value

Write-down of inventories to net realisable value was mainly based on management's estimates, which had been derived from expectation of current market prices and future demand.

Management focused on the risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value, the determination of which requires the management to exercise significant judgement in estimating the net realisable value of the inventories.

In estimating the net realisable value of inventories, management considers the expiry date of the respective inventories.

(c) Impairment assessment of the carrying amount of cost of investment in and equity loan to a subsidiary

Management used forecasted future cash flows and a Value in Use model to compute the present value of forecasted future cash flows for the subsidiary/Cash Generating Unit ("CGU") to determine if there is any impairment loss required on the cost of investment in and equity loan to the subsidiary.

Management focused on the impairment assessment of the carrying amount of the cost of investment in and equity loan to the subsidiary as the determination of whether or not an impairment loss is necessary involves significant judgements and estimates by the Directors about future results and key assumptions applied to cash flow projections of the subsidiary/CGU in determining its recoverable amounts. These key assumptions include forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates.

(d) Impairment assessment of amounts owing by subsidiaries

Impairment assessment of amounts owing by subsidiaries requires management to exercise significant judgements in determining the probability of default by subsidiaries, appropriate forward looking information and significant increase in credit risk.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Long term leasehold land RM	Buildings on long term leasehold land RM	GMP plant and equipment RM	Furniture and fittings RM	Motor vehicles RM	Laboratory equipment RM	Office and computer equipment RM	Product applicator and vaccination equipment RM	Renovations RM	Capital work-in-progress RM	Total RM
At 31 December 2018												
At cost												
At 1 January 2018	12,160,643	11,510,200	4,781,409	3,072,152	446,878	1,639,124	4,424,257	1,774,566	236,339	4,153,652	4,374,672	48,573,892
Additions	-	-	-	2,800	8,780	-	385,709	430,952	88,976	-	13,773,640	14,690,857
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Written off	-	-	-	-	-	-	-	(65,723)	-	-	-	(65,723)
At 31 December 2018	12,160,643	11,510,200	4,781,409	3,074,952	455,658	1,639,124	4,809,966	2,139,795	325,315	4,153,652	18,148,312	63,199,026
Accumulated depreciation												
At 1 January 2018	-	912,573	281,121	2,638,252	405,423	1,445,182	3,257,979	1,398,548	67,114	4,138,943	-	14,545,135
Depreciation charge for the financial year	-	190,271	103,286	169,971	10,415	135,193	251,478	160,000	69,670	14,709	-	1,104,993
Disposals	-	-	-	-	-	-	-	-	-	-	-	-
Written off	-	-	-	-	-	-	-	(64,502)	-	-	-	(64,502)
At 31 December 2018	-	1,102,844	384,407	2,808,223	415,838	1,580,375	3,509,457	1,494,046	136,784	4,153,652	-	15,585,626
Net carrying amount												
At 31 December 2018	12,160,643	10,407,356	4,397,002	266,729	39,820	58,749	1,300,509	645,749	188,531	-	18,148,312	47,613,400

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Long term leasehold land RM	Buildings on long term leasehold land RM	GMP plant and equipment RM	Furniture and fittings RM	Motor vehicles RM	Laboratory equipment RM	Office and computer equipment RM	Product applicator and vaccination equipment RM	Renovations RM	Capital work-in-progress RM	Total RM
At 31 December 2017												
At cost												
At 1 January 2017	8,512,003	10,560,000	1,840,000	3,072,152	443,168	1,561,124	4,381,114	1,625,709	87,558	4,153,652	-	36,236,480
Additions	3,648,640	950,200	2,941,409	-	3,710	78,000	43,143	222,650	202,192	-	4,374,672	12,464,616
Disposals	-	-	-	-	-	-	-	-	(53,411)	-	-	(53,411)
Written off	-	-	-	-	-	-	-	(73,793)	-	-	-	(73,793)
At 31 December 2017	12,160,643	11,510,200	4,781,409	3,072,152	446,878	1,639,124	4,424,257	1,774,566	236,339	4,153,652	4,374,672	48,573,892
Accumulated depreciation												
At 1 January 2017	-	722,302	177,835	2,331,038	386,750	1,124,489	2,861,780	1,362,668	36,663	4,124,235	-	13,127,760
Depreciation charge for the financial year	-	190,271	103,286	307,214	18,673	320,693	396,199	106,312	53,456	14,708	-	1,510,812
Disposals	-	-	-	-	-	-	-	-	(23,005)	-	-	(23,005)
Written off	-	-	-	-	-	-	-	(70,432)	-	-	-	(70,432)
At 31 December 2017	-	912,573	281,121	2,638,252	405,423	1,445,182	3,257,979	1,398,548	67,114	4,138,943	-	14,545,135
Net carrying amount												
At 31 December 2017	12,160,643	10,597,627	4,500,288	433,900	41,455	193,942	1,166,278	376,018	169,225	14,709	4,374,672	34,028,757

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (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	
	2018	**2017**
	RM	**RM**
Purchase of property, plant and equipment	14,690,857	12,464,616
Financed by term loans	(2,856,000)	(4,420,000)
Cash payments on purchase of property, plant and equipment	11,834,857	8,044,616

(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	
	2018	**2017**
	RM	**RM**
Motor vehicles	1	95,948

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 of the Group with a carrying amount of RM12,160,643, RM10,407,356 and RM4,397,002 respectively (2017: RM12,160,643, RM10,597,627 and RM4,500,288 respectively) have been charged to banks for credit facilities granted to the Group as disclosed in Note 14 and Note 25 to the financial statements.

8. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018	**2017**
	RM	**RM**
Unquoted equity shares, at cost	63,219,001	63,219,001
Equity loan to a subsidiary	16,000,000	6,500,000
	79,219,001	69,719,001

(a) Investments in subsidiaries are stated in the Company's separate financial statements at cost.

(b) Equity loan to a 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 2018 (CONTINUED)

8. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective interest in equity 2018 %	2017 %	Principal activities
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.	Malaysia	100%	100%	Engaged in distribution and supply of food ingredients
Vet Food Agro Diagnostics (M) Sdn. Bhd.	Malaysia	100%	100%	Provision of diagnostic laboratory analyses and consultation services to the veterinary, agriculture and food industries
Subsidiaries of APSN				
APSN Biotech Sdn. Bhd.	Malaysia	100%	100%	Trading in biotechnology and animal health products and provision of related services
APSN Healthcare & Diagnostics Sdn. Bhd.	Malaysia	100%	-	Provision of tests and diagnostics services for human healthcare, conduct research and development in biotechnology and distribution of human healthcare and related products

(d) In the previous financial year, APSN, a wholly-owned subsidiary of the Company incorporated a wholly-owned subsidiary known as APSN Biotech Sdn. Bhd. and which principal activities comprise trading in biotechnology and animal health products and the provision of related services.

(e) 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 principal activities comprise provision of tests and diagnostics services for human healthcare, conduct research and development in biotechnology and distribution of human healthcare and related products.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

9. INVENTORIES

	Group	
	2018 RM	2017 RM
Trading goods	17,184,148	14,851,510
Finished goods	1,720,651	6,780,317
Raw materials	8,906,702	6,403,983
Packaging materials	331,066	263,660
	28,142,567	28,299,470

(a) Cost of inventories of the Group recognised as cost of sales during the financial year amounted to RM94,827,123 (2017: RM95,014,084).

(b) During the financial year, the Group has written off inventories amounting to RM442,323 (2017: RM905,143) and written down inventories amounting to RM701,100 (2017: Nil); both are charged to profit or loss.

(c) In the previous financial year, a reversal of write-down of inventories of the Group amounting RM117,385 was made as the Group was able to sell those inventories above their carrying amounts.

10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables				
Third parties	23,303,381	30,308,596	-	-
Less: Impairment losses	(344,029)	(247,607)	-	-
	22,959,352	30,060,989	-	-
Other receivables				
Amounts owing by subsidiaries	-	-	5,700,000	8,450,000
Deposits	385,157	472,984	2,260	2,260
Other receivables	1,411,587	2,869,122	-	-
	1,796,744	3,342,106	5,702,260	8,452,260
Total trade and other receivables	24,756,096	33,403,095	5,702,260	8,452,260
Prepayments	6,013,160	1,258,547	-	-
	30,769,256	34,661,642	5,702,260	8,452,260

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (continued)

(a) Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranged from 30 to 90 days (2017: 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) Amounts owing by subsidiaries represent dividend income receivable from subsidiaries which are interest free and repayable within the next twelve (12) months in cash and cash equivalents.

(c) Included in prepayments of the Group are advance payments to suppliers for purchases of raw materials, goods and equipment amounting to RM5,946,935 (2017: RM1,239,873).

(d) The currency exposure profiles of trade and other receivables (exclude prepayments) are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	24,139,571	31,829,538	5,702,260	8,452,260
US Dollar	523,664	1,569,496	-	-
Euro	92,861	-	-	-
Singapore Dollar	-	4,061	-	-
	24,756,096	33,403,095	5,702,260	8,452,260

(e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectible, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (continued)

(e) The reconciliation of movements in the impairment losses on trade receivables is as follows:

Group	Lifetime ECL allowance RM	Credit impaired RM	Total allowance RM
At 1 January 2018 under MFRS 139	-	247,607	247,607
Restated through opening retained earnings	-	-	-
Opening impairment loss of trade receivables in accordance with MFRS 9	-	247,607	247,607
Charge for the financial year	81,000	17,619	98,619
Reversal of impairment loss	-	(2,197)	(2,197)
At 31 December 2018	81,000	263,029	344,029
At 1 January 2017 under MFRS 139	-	219,241	219,241
Charge for the financial year	-	28,366	28,366
At 31 December 2017	-	247,607	247,607

Credit impaired refers to individually determined debtors who are in significant financial difficulties and have defaulted on payments to be impaired as at the end of the reporting period.

(f) As at the end of each reporting period, the credit risks exposures and concentration relating to trade receivables of the Group are summarised in the table below:

	Group	
	2018 RM	2017 RM
Maximum exposure	22,959,352	30,060,989
Collateral obtained	-	-
Net exposure to credit risk	22,959,352	30,060,989

During the financial year, the Group did not renegotiate the terms of any trade receivables.

(g) The ageing analysis of trade receivables of the Group are as follows:

Group 2018	Gross carrying amount RM	Total allowance RM	Balance as at 31.12.2018 RM
Current	12,435,751	(3,240)	12,432,511
Past due:			
1 to 30 days	5,589,385	(9,720)	5,579,665
31 to 60 days	2,927,814	(16,200)	2,911,614
61 to 90 days	1,092,289	(22,680)	1,069,609
91 to 120 days	806,594	(19,800)	786,794
More than 120 days	451,548	(272,389)	179,159
	10,867,630	(340,789)	10,526,841
	23,303,381	(344,029)	22,959,352

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

10. TRADE AND OTHER RECEIVABLES (continued)

(g) The ageing analysis of trade receivables of the Group are as follows (continued):

Group 2017 *	Gross carrying amount RM	Total allowance RM	Balance as at 31.12.2017 RM
Current	24,007,371	-	24,007,371
Past due:			
1 to 30 days	2,418,628	-	2,418,628
31 to 60 days	1,454,310	-	1,454,310
61 to 90 days	841,922	-	841,922
91 to 120 days	519,963	-	519,963
More than 120 days	1,066,402	(247,607)	818,795
	6,301,225	(247,607)	6,053,618
	30,308,596	(247,607)	30,060,989

* Comparative information as required under MFRS 139 *Financial Instruments: Recognition and Measurement*

(h) Impairment for other receivables and amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. As at the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk for default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probabilities of non-payment by other receivables and amounts owing by subsidiaries are adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for other receivables and subsidiaries.

It requires management to exercise significant judgement in determining the probabilities of default by other receivables and subsidiaries, appropriate forward looking information and significant increase in credit risk.

(i) No expected credit loss is recognised arising from other receivables and amounts owing by subsidiaries as it is negligible.

(j) Information on the financial risk of trade and other receivables is disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

11. CASH AND BANK BALANCES AND SHORT TERM FUNDS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	8,379,904	12,335,760	79,712	5,127,521
Deposits with licensed banks	1,050,000	50,000	-	-
Short term funds	15,005,389	21,587,391	12,875,421	17,249,092
	24,435,293	33,973,151	12,955,133	22,376,613

(a) Short term funds are classified as fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value is categorised as Level 1 in fair value hierarchy. The short term funds of the Group and of the Company are denominated in RM.

(b) The management assessed that the fair value of the short term funds approximate their carrying amounts largely due to the short term maturities of these instruments.

(c) The currency exposure profile of cash and bank balances and short term funds are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	23,715,690	32,778,836	12,955,133	22,376,613
US Dollar	719,603	1,194,315	-	-
	24,435,293	33,973,151	12,955,133	22,376,613

(d) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the financial year:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash and bank balances	9,429,904	12,385,760	79,712	5,127,521
Less:				
Deposits with licensed banks with original maturity of more than three (3) months	(1,020,000)	-	-	-
Cash and cash equivalents included in the statements of cash flows	8,409,904	12,385,760	79,712	5,127,521

(e) No expected credit losses are recognised arising from the deposits with financial institutions because the probability of default by these financial institutions is negligible.

(f) Information on the financial risk of cash and bank balances and short term funds are disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

12. SHARE CAPITAL

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
As at 1 January	166,000,000	92,114,235	166,000,000	83,000,000
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	92,114,235

(a) 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.

(b) 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, in the previous financial year, 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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Non-distributable				
Reorganisation debit balance	(59,488,997)	(59,488,997)	-	-
Distributable				
Retained earnings	71,568,690	69,803,190	5,586,568	8,376,639
	12,079,693	10,314,193	5,586,568	8,376,639

Reorganisation debit balance

The reorganisation debit balance arose from the acquisition of RMM in the financial year ended 31 December 2016 based on the difference between the share capital issued by the Company and the share capital issued by RMM amounting to RM59,488,997.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

14. BORROWINGS

	Group 2018 RM	Group 2017 RM
Current liabilities		
Hire purchase creditors (Note 14(e))	108,851	171,645
Term loans (secured)	1,945,587	712,172
	2,054,438	883,817
Non-current liabilities		
Hire purchase creditors (Note 14(e))	11,410	97,835
Term loans (secured)	12,489,407	7,134,626
	12,500,817	7,232,461
	14,555,255	8,116,278
Total borrowings		
Hire purchase creditors (Note 14(e))	120,261	269,480
Term loans (secured)	14,434,994	7,846,798
	14,555,255	8,116,278

(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, RM10,407,356 and RM4,397,002 respectively (2017: RM12,160,643, RM10,597,627 and RM4,500,288 respectively) as disclosed in Note 7 to the financial statements and corporate guarantees by the Company as disclosed in Note 25 to the financial statements.

(c) The term loans are repayable as follows:

Loan	Interest rate	Year of drawdown	Repayment term
Term loan 1	Base lending rate - 1.50%	January 2015	120 monthly instalments of RM44,753 commencing from November 2015
Term loan 2	Base lending rate - 2.30%	August 2017	120 monthly instalments of RM45,640 commencing from January 2018
Term loan 3	Base lending rate - 2.00%	March 2018	60 monthly instalments of RM94,290 commencing from May 2018
Term loan 4	Base lending rate - 1.50%	December 2018	120 monthly instalments of RM36,228 commencing from February 2019

(d) Information on financial risks of borrowings and their remaining maturity is disclosed in Note 29 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

14. BORROWINGS (continued)

(e) Details of hire purchase creditors are as follows:

	Group 2018 RM	Group 2017 RM
Future minimum lease payments:		
Not later than one (1) year	111,509	179,489
Later than one (1) year and not later than five (5) years	11,472	122,735
Total future minimum lease payments	122,981	302,224
Less: Future interest charges	(2,720)	(32,744)
Present value of hire purchase creditors	120,261	269,480
Repayable as follows:		
Current liabilities		
- not later than one (1) year	108,851	171,645
Non-current liabilities		
- later than one (1) year and not later than five (5) years	11,410	97,835
	120,261	269,480

15. DEFERRED TAX

(a) The deferred tax liabilities are made up of the following:

	Group 2018 RM	Group 2017 RM
Balance as at 1 January	411,188	275,813
Recognised in profit or loss (Note 20)		
- current year	70,181	17,269
- prior years	(152,462)	118,106
Balance as at 31 December	328,907	411,188

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

	Group 2018 RM	Group 2017 RM
Deferred tax liabilities		
At 1 January	411,188	275,813
Recognised in profit or loss:		
- Property, plant and equipment	(82,281)	135,375
At 31 December	328,907	411,188

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

15. DEFERRED TAX (continued)

(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	
	2018 RM	2017 RM
Property, plant and equipment	8,815	3,487
Unabsorbed tax losses	61,427	-
Unutilised capital allowances	89,887	-
	160,129	3,487

Deferred tax assets of the Group have not been recognised as it is not probable that future taxable profits of subsidiaries would be available against which the deductible temporary differences could be utilised.

The unabsorbed tax losses of the Group up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unabsorbed tax losses for the year of assessment 2019 onwards will expire in seven (7) years.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	6,674,911	14,899,450	-	-
Other payables				
Other payables	1,500,845	1,286,254	43,717	-
Accruals	2,586,520	3,123,291	50,901	57,000
	4,087,365	4,409,545	94,618	57,000
	10,762,276	19,308,995	94,618	57,000

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 30 to 60 days (2017: 30 to 90 days) from the date of invoice.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

16. TRADE AND OTHER PAYABLES (continued)

(b) The currency exposure profiles of trade and other payables are as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	6,434,774	4,883,114	94,618	57,000
US Dollar	2,740,335	6,072,702	-	-
Euro	1,587,167	8,353,179	-	-
	10,762,276	19,308,995	94,618	57,000

(c) Information on financial risks of trade and other payables is disclosed in Note 29 to the financial statements.

17. REVENUE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Revenue from contracts with customers				
Sales of goods	132,136,106	130,647,381	-	-
Services rendered	3,102,997	6,840,687	-	-
Management fee	-	-	470,000	-
Others				
- Dividend income	-	-	5,700,000	8,450,000
	135,239,103	137,488,068	6,170,000	8,450,000
Timing of revenue recognition				
Transferred at a point in time	135,239,103	137,488,068	470,000	-
Others	-	-	5,700,000	8,450,000
	135,239,103	137,488,068	6,170,000	8,450,000

There is no significant financing component in the revenue arising from sales of products and services rendered as the products and services are made on the normal credit terms not exceeding twelve (12) months.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

18. FINANCE COSTS

	Group	
	2018	2017
	RM	RM
Interest expenses on:		
Term loans	536,811	206,509
Bankers' acceptances	-	14,932
Bank overdraft	90,284	73,171
Hire purchase	32,533	20,870
	659,628	315,482

19. PROFIT BEFORE TAX

Other than those disclosed elsewhere in the financial statements, profit before tax is arrived at after charging/(crediting):

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Auditors' remuneration				
- statutory	160,000	142,000	45,000	42,000
- others	13,000	13,000	13,000	13,000
Bad debts written off	2,817	3,281	-	-
Inventories written down	701,100	-	-	-
Inventories written off	442,323	905,143	-	-
Loss on disposal of property, plant and equipment	-	8,010	-	-
Rental of premises	518,064	468,540	-	-
Net loss on foreign currency translations:				
- realised	145,534	790,120	-	-
- unrealised	142,732	-	-	-
Dividend income from subsidiaries	-	-	(5,700,000)	(8,450,000)
Interest income	(31,653)	(93,011)	-	-
Income distribution from short term funds	(714,138)	(785,547)	(618,360)	(717,575)
Net unrealised gain on foreign currency translations	-	(523,613)	-	-
Inventories written back	-	(117,385)	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

20. TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Current tax expense based on profit for the financial year:				
- current year provision	3,121,468	3,237,495	106,573	-
- under/(over)-provision in prior years	504,969	(216,039)	48,292	-
	3,626,437	3,021,456	154,865	-
Deferred tax (Note 15):				
Origination of temporary differences	70,181	17,269	-	-
(Over)/Under-provision in prior years	(152,462)	118,106	-	-
	(82,281)	135,375	-	-
	3,544,156	3,156,831	154,865	-

(a) There was no tax charge on the Company in the previous financial year as the Company did not have any chargeable income.

(b) The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year.

(c) The numerical reconciliations between tax expense and the product of accounting profit multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Profit before tax	13,609,656	17,062,206	5,664,794	8,167,390
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	3,266,317	4,094,929	1,359,551	1,960,174
Tax effects in respect of:				
Non-allowable expenses	684,905	362,721	263,429	67,826
Non-taxable income	(797,167)	(1,118,834)	(1,516,407)	(2,028,000)
Differential in tax rates	-	(85,000)	-	-
Deferred tax assets not Recognised	37,594	948	-	-
	3,191,649	3,254,764	106,573	-
Under/(Over)-provision of tax expense in prior year	504,969	(216,039)	48,292	-
(Over)/Under-provision of deferred tax in prior years	(152,462)	118,106	-	-
	3,544,156	3,156,831	154,865	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

20. TAX EXPENSE (continued)

(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 on 23 July 2007. The first year in which the abovementioned subsidiary derived taxable statutory income was in the year 2011; thus the ten (10) years period commenced from the year 2011 until the year 2020.

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.

	Group	
	2018	**2017**
Profit attributable to equity holders of the parent (RM)	10,065,500	13,905,375
Weighted average number of ordinary shares in issue	166,000,000	166,000,000
Basic earnings per ordinary share (sen)	6.06	8.38

(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

	Group and Company			
	2018		**2017**	
	Net dividend per share Sen	**Amount of dividend net of tax RM**	**Net dividend per share Sen**	**Amount of dividend net of tax RM**
In respect of the financial year ended 31 December 2017:				
First interim single-tier dividend, paid on 13 February 2018	2.50	4,150,000	-	-
Final single-tier dividend, paid on 13 July 2018	2.50	4,150,000	-	-
	5.00	8,300,000	-	-

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

22. DIVIDENDS (continued)

	Group and Company			
	2018		2017	
	Net dividend per share Sen	Amount of dividend net of tax RM	Net dividend per share Sen	Amount of dividend net of tax RM
In respect of the financial year ended 31 December 2016:				
First interim single-tier dividend, paid on 21 March 2017	-	-	2.00	3,320,000
Final single-tier dividend, paid on 13 July 2017	-	-	2.00	3,320,000
	-	-	4.00	6,640,000

On 15 January 2019, the Board of Directors declared a first interim single-tier dividend of 1.00 sen per ordinary share, amounting to RM1,826,000 in respect of the financial year ended 31 December 2018. The dividend was paid on 13 February 2019 to shareholders at the close of business on 31 January 2019. The dividend will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

The Directors propose a final single-tier dividend of 2.00 sen per ordinary share, amounting to RM3,652,000 in respect of the financial year ended 31 December 2018, 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 2019.

23. EMPLOYEE BENEFITS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Wages, salaries and bonuses	10,907,177	10,905,467	150,000	150,000
Contributions to defined contribution plan	1,576,670	1,647,664	-	-
Social security contributions	99,960	72,583	-	-
	12,583,807	12,625,714	150,000	150,000

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration of the Group and of the Company amounting to RM2,350,921 (2017: RM2,281,167) and RM150,000 (2017: RM150,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

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	
	2018 RM	2017 RM
Not later than 1 year	312,000	312,000
Later than one (1) year and not later than five (5) years	182,000	494,000
	494,000	806,000

(b) Capital commitments

	Group	
	2018 RM	2017 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	39,432,267	15,073,617

25. CONTINGENT LIABILITIES

	Company	
	2018 RM	2017 RM
Corporate guarantees given to financial institutions for banking facilities granted to a subsidiary - Secured		
- Limit of guarantee	29,677,324	22,450,000
- Amount utilised	15,287,819	9,302,098

The corporate guarantees of the Company are secured by way of pledge of the freehold land, long term leasehold land and buildings on long term leasehold land of the Group as disclosed in Note 7 to the financial statements.

The Directors are of the view that the probability of the subsidiary defaulting on the banking facilities and the chances of the financial institutions to call upon the corporate guarantees are remote. Accordingly, the fair value of the corporate guarantees given to the subsidiary is negligible.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

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) Ultimate holding company;

(ii) Direct and indirect subsidiaries as disclosed in Note 8 to the financial statements; and

(iii) 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.

(b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with related parties during the financial year:

	Company	
	2018 RM	2017 RM
Subsidiaries:		
Management fee	470,000	-
Dividend income	5,700,000	8,450,000

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

26. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

The remuneration of Directors during the financial year was as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Executive Directors' remuneration:				
Fees	295,000	283,000	150,000	150,000
Salaries and other emoluments	1,797,951	1,741,153	-	-
Defined contribution plan	257,970	257,014	-	-
	2,350,921	2,281,167	150,000	150,000
Estimated monetary value of benefits-in-kind	80,000	74,300	-	-
	2,430,921	2,355,467	150,000	150,000
Non-executive Directors' remuneration:				
Fees	210,000	210,000	210,000	210,000
Other emoluments	21,600	25,600	21,600	25,600
	231,600	235,600	231,600	235,600
Total Directors' remuneration	2,662,521	2,591,067	381,600	385,600
Total Directors' remuneration excluding benefits-in-kind	2,582,521	2,516,767	381,600	385,600
Estimated monetary value of benefits-in-kind	80,000	74,300	-	-
Total Directors' remuneration including benefits-in-kind	2,662,521	2,591,067	381,600	385,600

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

26. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

	2018		2017	
	Directors' fees RM	Other emoluments/ salaries RM	Directors' Fees RM	Other emoluments/ salaries RM
Group				
Dato' Hamzah Bin Mohd Salleh	60,000	4,800	60,000	6,400
Lim Ban Keong	74,000	783,787	74,000	805,357
Foong Kam Weng	74,000	645,235	74,000	633,062
Yip Lai Siong	74,000	384,313	74,000	350,339
Martin Jeyaratnam A/L Thiagaraj	50,000	6,400	50,000	6,400
Rahanawati Binti Ali Dawam	50,000	5,600	50,000	6,400
Teoh Chee Yong	50,000	4,800	50,000	6,400
Raymond Choo Pow Yoon	49,000	36,000	49,000	26,000
Lim Hang Chern	24,000	286,586	12,000	257,709
	505,000	2,157,521	493,000	2,098,067
Company				
Dato' Hamzah Bin Mohd Salleh	60,000	4,800	60,000	6,400
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	5,600	50,000	6,400
Teoh Chee Yong	50,000	4,800	50,000	6,400
	360,000	21,600	360,000	25,600

The remuneration of key management personnel during the financial year was as follows:

	Group 2018 RM	Group 2017 RM
Wages, salaries and bonuses	1,623,020	1,592,220
Contributions to defined contribution plan	355,680	358,855
Other emoluments	791,835	780,140
	2,770,535	2,731,215
Estimated monetary value of benefits-in-kind	122,000	116,300
Total other key management personnel's remuneration	2,892,535	2,847,515

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

26. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

The remuneration of key management personnel during the financial year was as follows (continued):

Group	Salary and bonus RM	Defined contribution plan RM	Other emoluments RM	Benefits-in-kind RM	Total RM
Lim Ban Keong	385,000	100,601	274,236	23,950	783,787
Foong Kam Weng	262,640	79,384	279,261	23,950	645,235
Yip Lai Siong	231,980	46,305	88,328	17,700	384,313
Chan Yan San	299,600	51,210	42,606	24,000	417,416
Goh Wee Chong	268,800	46,500	41,898	18,000	375,198
Lim Hang Chern	175,000	31,680	65,506	14,400	286,586

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, undertaking research and development activities related to animal health, food safety and agriculture, as well as the provision of tests and diagnostic services for human healthcare.

(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, provision of tests and diagnostics services for human healthcare, conduct research and development in biotechnology and distribution of human healthcare and related products 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 2018 (CONTINUED)

27. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

2018	Animal Health Products RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
Revenue					
External sales	98,019,034	34,106,624	3,113,445	-	135,239,103
Inter-segment sales	6,399,448	195,754	13,742,923	(20,338,125)	-
Total	104,418,482	34,302,378	16,856,368	(20,338,125)	135,239,103
Results					
Segment results	6,927,955	3,273,371	3,322,167	-	13,523,493
Interest expense	(659,628)	(353,234)	-	353,234	(659,628)
Interest income	356,276	-	742,749	(353,234)	745,791
Profit before tax					13,609,656
Tax expense	(2,423,948)	(699,372)	(420,836)	-	(3,544,156)
Profit for the year					10,065,500
Other information					
Segment assets	104,649,343	11,201,922	57,727,156	(42,612,199)	130,966,222
Segment liabilities	59,036,950	3,497,802	6,849,741	(42,612,199)	26,772,294
Capital expenditure	14,294,092	1,150	395,615	-	14,690,857
Depreciation	713,135	23,419	368,439	-	1,104,993
Other material non-cash items:					
- Inventories written down	738,300	(37,200)	-	-	701,100
- Inventories written off	390,515	51,808	-	-	442,323

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

27. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

2017	Animal Health Products RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
Revenue					
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	121,534,965	33,534,045	3,482,243	(21,063,185)	137,488,068
Results					
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					17,062,206
Tax expense	(2,485,107)	(406,386)	(265,338)	-	(3,156,831)
Profit for the year					13,905,375
Other information					
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

(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 2018 (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 2018 and 31 December 2017.

The Group and the Company monitor capital using a gearing ratio, which is net debt divided by equity. The Group includes within net debt, borrowings, trade and other payables, less cash and bank balances and short term funds. Total capital represents equity attributable to the owners of the parent.

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Borrowings	14,555,255	8,116,278	-	-
Trade and other payables	10,762,276	19,308,995	94,618	57,000
	25,317,531	27,425,273	94,618	57,000
Less: Cash and bank balances and short term funds	(24,435,293)	(33,973,151)	(12,955,133)	(22,376,613)
Net debt/(Net cash)	882,238	(6,547,878)	(12,860,515)	(22,319,613)
Total capital	104,193,928	102,428,428	97,700,803	100,490,874
Gearing ratio	1%	- *	- *	- *

* Gearing ratio is not presented as the Group and the Company are in net cash 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 twenty-five percent (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 2018.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

(b) **Financial instruments**

Categories of financial instruments

2018	Fair value through profit or loss RM	Amortised Cost RM	Total RM
Group			
Financial assets			
Trade and other receivables, net of prepayments	-	24,756,096	24,756,096
Cash and bank balances	-	9,429,904	9,429,904
Short term funds	15,005,389	-	15,005,389
	15,005,389	34,186,000	49,191,389

	Amortised Cost RM	Total RM
Financial liabilities		
Borrowings	14,555,255	14,555,255
Trade and other payables	10,762,276	10,762,276
	25,317,531	25,317,531

2017	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Group			
Financial assets			
Trade and other receivables, net of prepayments	-	33,403,095	33,403,095
Cash and bank balances	-	12,385,760	12,385,760
Short term funds	21,587,391	-	21,587,391
	21,587,391	45,788,855	67,376,246

	Other financial liabilities RM	Total RM
Financial liabilities		
Borrowings	8,116,278	8,116,278
Trade and other payables	19,308,995	19,308,995
	27,425,273	27,425,273

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

28. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

Categories of financial instruments (continued)

2018	Fair value through profit or loss RM	Amortised cost RM	Total RM
Company			
Financial assets			
Trade and other receivables, net of prepayments	-	5,702,260	5,702,260
Cash and bank balances	-	79,712	79,712
Short term funds	12,875,421	-	12,875,421
	12,875,421	5,781,972	18,657,393

	Amortised cost RM	Total RM
Financial liabilities		
Other payables	94,618	94,618

2017	Fair value through profit or loss RM	Loans and receivables RM	Total RM
Company			
Financial assets			
Trade and other receivables, net of prepayments	-	8,452,260	8,452,260
Cash and bank balances	-	5,127,521	5,127,521
Short term funds	17,249,092	-	17,249,092
	17,249,092	13,579,781	30,828,873

	Other financial liabilities RM	Total RM
Financial liabilities		
Other payables	57,000	57,000

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (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, 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 amounts of the current portion 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 2018 (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 statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Level 1 RM**	**Level 2 RM**	**Level 3 RM**	**Total RM**	**Total fair value RM**	**Carrying amount RM**
2018										
Financial assets										
Fair value through profit or loss										
- Short term funds	15,005,389	-	-	15,005,389	-	-	-	-	15,005,389	15,005,389
Financial liabilities										
- Hire purchase creditors	-	-	-	-	-	117,131	-	117,131	117,131	120,261
2017										
Financial assets										
Fair value through profit or loss										
- Short term funds	21,587,391	-	-	21,587,391	-	-	-	-	21,587,391	21,587,391
Financial liabilities										
- Hire purchase creditors	-	-	-	-	-	282,137	-	282,137	282,137	269,480

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 statements of financial position (continued).

Company	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	RM	RM
2018										
Financial assets										
Fair value through profit or loss										
- Short term funds	12,875,421	-	-	12,875,421	-	-	-	-	12,875,421	12,875,421
2017										
Financial assets										
Fair value through profit or loss										
- Short term funds	17,249,092	-	-	17,249,092	-	-	-	-	17,249,092	17,249,092

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (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 receivables could give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. It is the policy of the Group to monitor the financial standing of these counter parties 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

As at the end of each reporting period, no collateral has been obtained by the Group. 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 29% (2017: 20%) of total Group's trade receivables as at reporting date were due from three (3) (2017: three (3)) major customers.

The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries constituting approximately 100% (2017: 100%) of the total receivables of the Company.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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:

	<------- 2018 ------->			
Group	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
Trade and other payables	10,762,276	-	-	10,762,276
Hire purchase creditors	111,509	11,472	-	122,981
Term loans	2,614,704	9,849,407	4,588,653	17,052,764
Financial guarantees *	29,677,324	-	-	29,677,324
Total undiscounted financial liabilities	43,165,813	9,860,879	4,588,653	57,615,345

	<------- 2017 ------->			
Group	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
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
Financial guarantees *	22,450,000	-	-	22,450,000
Total undiscounted financial liabilities	42,994,003	4,398,988	4,121,975	51,514,966

* This disclosure represents the maximum liquidity risk exposure.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (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):

Company	On demand or within one year 2018 RM	2017 RM
Financial liabilities		
Other payables	94,618	57,000
Total undiscounted financial liabilities	94,618	57,000

(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 deposits with financial institutions and 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 2018 (CONTINUED)

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) **Interest rate risk (continued)**

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of each reporting period and the remaining maturities of the financial instruments of Group and the Company that are exposed to interest rate risk:

Group	**Note**	**Weighted average effective interest rate %**	**Within 1 year RM**	**1 - 2 years RM**	**2 - 3 years RM**	**3 - 4 years RM**	**4 - 5 years RM**	**More than 5 years RM**	**Total RM**
As at 31 December 2018									
Fixed rates									
Deposits with licensed banks	11	3.25 - 4.28	1,050,000	-	-	-	-	-	1,050,000
Hire purchase creditors	14	2.44	(108,851)	(11,410)	-	-	-	-	(120,261)
Floating rates									
Term loans	14	4.87	(1,945,587)	(2,090,583)	(2,195,761)	(2,306,099)	(1,649,738)	(4,247,226)	(14,434,994)
As at 31 December 2017									
Fixed rates									
Deposits with licensed banks	11	3.10	50,000	-	-	-	-	-	50,000
Hire purchase creditors	14	2.38	(171,645)	(86,425)	(11,410)	-	-	-	(269,480)
Floating rates									
Term loans	14	4.42	(712,172)	(762,305)	(799,891)	(839,460)	(880,965)	(3,852,005)	(7,846,798)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (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 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").

The Group also holds bank balances denominated in foreign currency for working capital purposes. At the end of each reporting period, such foreign currency balances amounted to RM719,603 (2017: RM1,194,315) in United States Dollar ("USD") for the Group.

During the financial year, the Group did not enter into any forward currency contract to manage exposures to currency risk for receivables and payables which are denominated in currencies other than the functional currency of the Group.

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	
	2018 RM	2017 RM
Profit after tax		
USD/RM		
- strengthen by 10%	(350,424)	(556,428)
- weaken by 10%	350,424	556,428
EUR/RM		
- strengthen by 10%	(127,682)	(627,419)
- weaken by 10%	127,682	627,419

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2018 (CONTINUED)

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(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. (“Zoetis”) for the distribution of Zoetis’ animal health products related to poultry (“Zoetis Agreement”). Zoetis 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 Zoetis Agreement allows RMM to distribute Zoetis’ 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 Zoetis Agreement by providing written notice prior to the expiration of the Extension Term on mutually agreed new terms and conditions.

The Ceva Agreement and Zoetis Agreement contributed positively towards the Group's earnings and net assets per share for the financial year ended 31 December 2018 and mitigated the impact of the loss of revenue from the discontinuation of distribution of swine and poultry products from RMM’s previous supplier.

(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 principal activities comprise provision of tests and diagnostics services for human healthcare, conduct research and development in biotechnology and distribution of human healthcare and related products.

(iii) **Proposed Bonus Issue**

On 8 November 2018, the Company announced a proposed bonus issue of up to 16,600,000 new ordinary shares in the Company (“Bonus Share(s)”) on the basis of one (1) Bonus Share for every ten (10) existing shares held in the Company on an entitlement date to be determined later (“Proposed Bonus Issue").

On 9 November 2018, the Company submitted the application to Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2018 (CONTINUED)

30. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(iii) **Proposed Bonus Issue (continued)**

On 14 November 2018, Bursa Securities had, via its letter dated 13 November 2018, approved the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue, subject to the fulfilment of certain conditions.

During its extraordinary general meeting held on 12 December 2018, the shareholders of the Company approved the Proposed Bonus Issue on the Main Market of Bursa Securities.

On 19 December 2018, the Company announced that the entitlement date for the Bonus Shares shall be 7 January 2019.

31. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF REPORTING PERIOD

Bonus Issue

The Bonus Issue was completed following the issuance of 16,600,000 Bonus Shares in the Company and the listing of and quotation for the same on the Main Market of Bursa Securities on 8 January 2019.

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 31/12/2018 (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	44	5,376,868	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	44	5,672,931	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 / Land with a proposed three storey office building, three storey factory and a single-storey warehouse annexed currently under construction	Freehold	165,323	-	8,251,823	26/9/2012

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 31/12/2018 (RM)	Date of last revaluation (* Date of acquisition)
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 three storey office building and a single-storey warehouse annexed	Freehold	94,561	-	17,724,444	*18/4/2013
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	2	1,707,842	*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	2	5,695,357	*1/8/2017

There was no revaluation on the land and properties owned by the Group for the financial year ended 31 December 2018.

ANALYSIS OF SHAREHOLDINGS
AS AT 18 MARCH 2019

Total number of issued shares	: 182,600,000
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	16	1.68	114	0.00
100 to 1,000	56	5.89	15,903	0.01
1,001 to 10,000	353	37.16	1,472,370	0.81
10,001 to 100,000	440	46.32	12,366,940	6.77
100,001 to less than 5% of issued shares	82	8.63	56,325,330	30.85
5% and above of issued shares	3	0.32	112,419,343	61.56
Total	**950**	**100.00**	**182,600,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

	No. of Shares Held			
Names of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
Blue Advantage Sdn Bhd	93,568,443	51.24	-	-
Ker Boon Tong	9,550,750	5.23	-	-
Chew Chong Hock	9,538,650	5.22	-	-
Dr Lim Ban Keong	4,865,960	2.67	93,568,443 (1)	51.24
Foong Kam Weng	-	-	93,568,443 (1)	51.24
Dr Yip Lai Siong	-	-	93,568,443 (1)	51.24

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 18 MARCH 2019 (CONTINUED)

DIRECTORS' SHAREHOLDINGS

	No. of Shares Held			
Name of Directors	Direct Interest	%	Indirect Interest	%
Dato' Hamzah Bin Mohd Salleh	-	-	-	-
Dr Lim Ban Keong	4,865,960	2.67	93,568,443 (1)	51.24
Foong Kam Weng	-	-	93,568,443 (1)	51.24
Dr Yip Lai Siong	-	-	93,568,443 (1)	51.24
Martin Jeyaratnam A/L Thiagaraj	110,000	0.06	-	-
Teoh Chee Yong	-	-	-	-
Rahanawati Binti Ali Dawam	55,000	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	93,342,043	51.12
2.	Chew Chong Hock	9,538,650	5.22
3.	Ker Boon Tong	9,538,650	5.22
4.	Tan Leong Ann	9,022,860	4.94
5.	Raymond Choo Pow Yoon	6,946,290	3.80
6.	Lim Ban Keong	4,087,930	2.24
7.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	3,337,070	1.83
8.	Lim Hang Chern	3,295,600	1.80
9.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kok Chew Leng	2,211,000	1.21
10.	Hock Soon Poultry Farm Sdn Bhd	2,183,500	1.20
11.	Solid Pairs Sdn Bhd	1,842,720	1.01
12.	Yeong Min Fatt	1,111,000	0.61
13.	Chai Lam Seng	1,100,650	0.60
14.	Cheah Yee Lin	1,100,000	0.60
15.	Teo Kwee Hock	1,082,090	0.59
16.	Ng Loon Em & Sons Poultry Farm (M) Sdn Bhd	1,069,100	0.59

ANALYSIS OF SHAREHOLDINGS
AS AT 18 MARCH 2019 (CONTINUED)

TOP THIRTY (30) SHAREHOLDERS (CONTINUED)

No.	Names	No. of Shares	%
17.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	989,560	0.54
18.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	778,030	0.43
19.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	663,630	0.36
20.	LTK Omega Plus Sdn Bhd	623,000	0.34
21.	Ong Boon Leng	591,800	0.32
22.	Chan Chooi Foong	590,700	0.32
23.	Teh Bee Gaik	528,330	0.29
24.	Lim Beng Chia	525,800	0.29
25.	Chen Yet Chin	484,000	0.27
26.	Lim Guoy Yen	460,350	0.25
27.	Lee Thian Fook @ Lee Tian Fook	440,000	0.24
28.	Ng Chew Kee	418,000	0.23
29.	Yong Chau Chin	408,100	0.22
30.	Ng Kheng Yee	397,100	0.22

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Fifth 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, 18 June 2019 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 2018 together with the Reports of the Directors and Auditors thereon. — **Please refer to Note A**
2. To approve the payment of Final Single-Tier Dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2018. — **Ordinary Resolution 1**
3. To approve the Directors' Fees and Benefits Payable to the Directors of the Company and its subsidiaries amounting to RM524,200 per annum until the next Annual General Meeting of the Company. — **Ordinary Resolution 2**
4. To re-elect the following Directors retiring pursuant to Clause 95 of the Constitution of the Company:

   4.1 Dato' Hamzah Bin Mohd Salleh — **Ordinary Resolution 3**

   4.2 Rahanawati Binti Ali Dawam — **Ordinary Resolution 4**
5. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. — **Ordinary Resolution 5**

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 6**

   "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 shares/ 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 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."
7. 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 THE FIFTH ANNUAL GENERAL MEETING (CONTINUED)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final single-tier dividend of 2.0 sen per ordinary share in respect of the financial year ended 31 December 2018, if approved by the shareholders at the Fifth Annual General Meeting, will be paid on 15 July 2019 to Depositors whose names appear in Record of Depositors at the close of business on 3 July 2019.

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 3 July 2019 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
26 April 2019

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.
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 at the registered office of the Company, Boardroom Corporate Services Sdn. Bhd. (Company No. 3775-X) (formerly known as 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, Malaysia, 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.

NOTICE OF THE FIFTH ANNUAL GENERAL MEETING (CONTINUED)

7. In respect of deposited securities, only members whose names appear on the Record of Depositors on 13 June 2019 (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 2018 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 6
Authority to Allot and Issue Shares by Directors Pursuant to Section 76 of the Companies Act 2016

The proposed Ordinary Resolution 6, 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 shares/ 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). No shares had been issued and allotted by the Company since obtaining the said authority from its shareholders at the last Annual General Meeting held on 19 June 2018 and hence no proceeds were raised therefrom.

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.

PROXY FORM

CDS ACCOUNT NO. OF AUTHORISED NOMINEE	
NUMBER OF SHARES HELD	

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 Fifth 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, 18 June 2019 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
	Ordinary Business		
Ordinary Resolution 1	To approve the Final Single-Tier Dividend of 2.0 sen per ordinary share		
Ordinary Resolution 2	To approve the Directors' Fees and Benefits Payable to the Directors of the Company and its subsidiaries amounting to RM524,200 per annum until the next Annual General Meeting of the Company		
Ordinary Resolution 3	To re-elect Dato' Hamzah Bin Mohd Salleh		
Ordinary Resolution 4	To re-elect Rahanawati Binti Ali Dawam		
Ordinary Resolution 5	To re-appoint Messrs BDO PLT as Auditors of the Company		
	Special Business		
Ordinary Resolution 6	To authorise the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016		

Dated this ____________ day of ______________ 2019

____
Signature / Common Seal of Shareholder

Contact No: ______________________

For appointment of two proxies, percentage of shareholdings to be represented by the proxies:

	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 at the registered office of the Company, Boardroom Corporate Services Sdn. Bhd. (Company No. 3775-X) (formerly known as 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, Malaysia, 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 2019 (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 26 April 2019.

First Fold

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

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) 2770 0119
www.rhonema.com