RHONE MA HOLDINGS BERHAD

Registration No. 201401040077 (1116225-A)

ANNUAL REPORT 2019

WHAT'S INSIDE

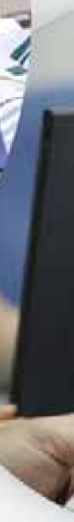
RHONE MA

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.



VALUES

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

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

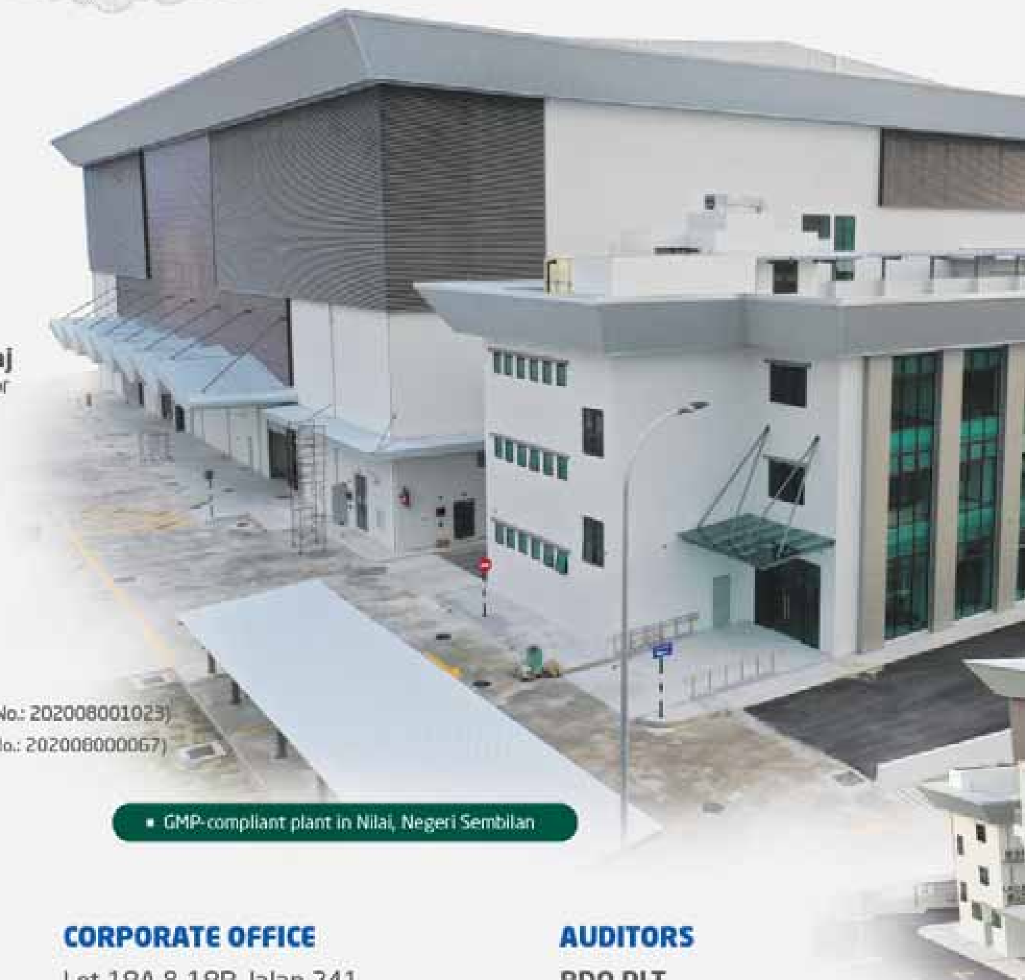
Rahanawati Binti Ali Dawam
Independent Non-Executive Director

Teoh Chee Yong
Independent Non-Executive Director

COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143) / (SSM PC No.: 202008001023)
Tan Ai Ning (MAICSA 7015852) / (SSM PC No.: 202008000067)

t (603) 7890 4800
f (603) 7890 4650



• GMP-compliant plant in Nilai, Negeri Sembilan

REGISTERED OFFICE

12th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

t (603) 7890 4800
f (603) 7890 4650

CORPORATE OFFICE

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Seksyen 51A
46100 Petaling Jaya
Selangor Darul Ehsan

t (603) 7873 7355
f (603) 2770 0119
e customercareline@rhonema.com
w www.rhonema.com

AUDITORS

BDO PLT
Level 8
BDO @ Menara CenTARa
360, Jalan Tuanku Abdul Rahman
50100 Kuala Lumpur

t (603) 2616 2888
f (603) 2616 3190

INFORMATION

PRINCIPAL BANKERS

Public Bank Berhad
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
HSBC Amanah Malaysia Berhad
No. 2, Leboh Ampang
50100 Kuala Lumpur

t (603) 2075 3000
f (603) 2070 1146

OCBC Bank (Malaysia) Berhad
19, Jalan Stesen
41000 Klang
Selangor Darul Ehsan

t (603) 8317 5000
f (603) 3373 3999

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
46200 Petaling Jaya, Selangor Darul Ehsan

t (603) 7890 4700
f (603) 7890 4670

STOCK EXCHANGE LISTING

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

▪ GMP-compliant plant in Nilai, Negeri Sembilan

GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER		2015	2016	2017	2018	2019
OPERATING RESULTS						
Revenue	RM'000	105,431	119,195	137,488	135,239	119,060
Profit before tax	RM'000	16,135	13,220	17,062	13,610	11,315
Net profit attributable to shareholders	RM'000	12,033	9,166	13,905	10,066	8,636
FINANCIAL POSITION						
Shareholders' equity	RM'000	55,605	95,163	102,428	104,194	107,334
Total assets	RM'000	83,656	120,206	130,963	130,966	148,885
Total borrowings	RM'000	8,014	5,244	8,116	14,555	27,287
FINANCIAL RATIOS						
Gearing ratio	times	0.14	0.06	0.08	0.14	0.25
Current ratio	times	2.87	4.61	4.64	5.98	4.61
MARKET RATIOS						
Earnings per share	sen	9.71	7.31	8.38	6.06	4.74
Net assets per share	sen	44.89	57.33	61.70	62.77	58.78
Dividend per share	sen	-	4.00	5.00	3.00	1.00 #

 # Subject to shareholders' approval at the forthcoming Annual General Meeting

CORPORATE STRUCTURE

RHONE MA IN THE NEWS

FEATURE STORY

INSPIRING AGRICULTURAL PRODUCTS COMPANIES IN MALAYSIA

TOP 10

Agriculture plays a crucial role in the life of an economy and most countries have an economy that is dependent on agriculture be it in a small or big way. From providing employment opportunities to contribution to the nation's Gross Domestic Product, agriculture forms the base of many an economy, the backbone of economic systems. In this issue, Top 10 of Malaysia takes a brief look at the top ten inspiring agricultural products companies (listed in Bursa Malaysia and presented in no particular order) that have emerged as leading companies in the agricultural business.

RHONE MA HOLDINGS BERHAD

Established in 2010, Rhone Ma Holdings Berhad is led by Dr Lim Ban Keong and the company is an animal health solution provider, integrating the provision of animal health services as well as the manufacturing and distribution of animal health products. Besides, it also engages in the distribution and supply of food ingredients as well as human healthcare services. Its subsidiaries, Asia-Pacific Special Nutrients Sdn Bhd involves in the trading of feed additives and nutritional feed ingredients while Link Ingredients Sdn Bhd, which was established in 2007, supplies food ingredients to the food industry. Among the ingredients produced by Link Ingredients are starches, modified starches, vegetable powders and these ingredients are sold to bakeries and confectioneries.

Top 10 of Malaysia

HOME LIFESTYLES ASIA RANKINGS COVER STORIES CSR MYSIA ABOUT US CONTACT PR NEWSWIRE

Rankings

TOP 10 INSPIRING AGRICULTURAL PRODUCTS COMPANIES IN MALAYSIA

By Top 10 of Malaysia

Share Facebook Twitter Pinterest LinkedIn Email

Agriculture plays a crucial role in the life of an economy and most countries have an economy that is dependent on agriculture be it in a small or big way. From providing employment opportunities to contribution to the nation's Gross Domestic Product, agriculture forms the base of many an economy, the backbone of economic systems. In this issue, Top 10 of Malaysia takes a brief look at the top ten inspiring agricultural products companies (listed in Bursa Malaysia and presented in no particular order) that have emerged as leading companies in the agricultural business.

Rhone Ma Holdings Berhad

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www.asian-agribiz.com

NEWS

Book on Asia's swine diseases launched in Malaysia

At the launch (from left) Jeffrey Ng Choon Ngee, President of Federation of Livestock Farmers' Associations of Malaysia; Mohd Hair Bejo, Dean of UPM Faculty of Veterinary Medicine; Quaza Nizamuddin Bin Hassan Nizam, Malaysia's Director-General of Veterinary Services; Henry Too; and Lim Ban Keong.

As African Swine Fever (ASF) wreaks havoc across China and Southeast Asia, the timing is right for the release of a book about swine diseases in the region.

Swine Diseases in Asia – A Practitioner's Book was authored by Henry Too, an industry-prominent former professor at University Putra Malaysia (UPM) Faculty of Veterinary Medicine.

Dr Too has at least 40 years of technical experience in the field as an academician. He also worked with Merial Asia where his expertise was utilised in a practical extension consultancy.

He has extensively observed, diagnosed, treated, and researched diseases that affect pigs, the most consumed animal protein in Asia.

Focus on cost

Dr Too said his concern has always been the economics of the disease, teaching his students that when identifying diseases, "look at what the priority is, which is what it would cost the farmers before an outbreak is stopped. Diseases that affect herds such as the ASF or FMD all at once is more of a concern than an individual's illness."

He had previously co-authored another book in 1997 about swine diseases in Malaysia. He commented that he collected data and collated them throughout his years of practice and used them as a source.

Dr Too has brought his services to Malaysia, Thailand, Vietnam, China, Indonesia, Philippines and everywhere piggeries existed.

Collaboration

The book was a collaboration between him and Rhone Ma Malaysia Sdn Bhd whose Group Managing Director, Lim Ban Keong was a former student.

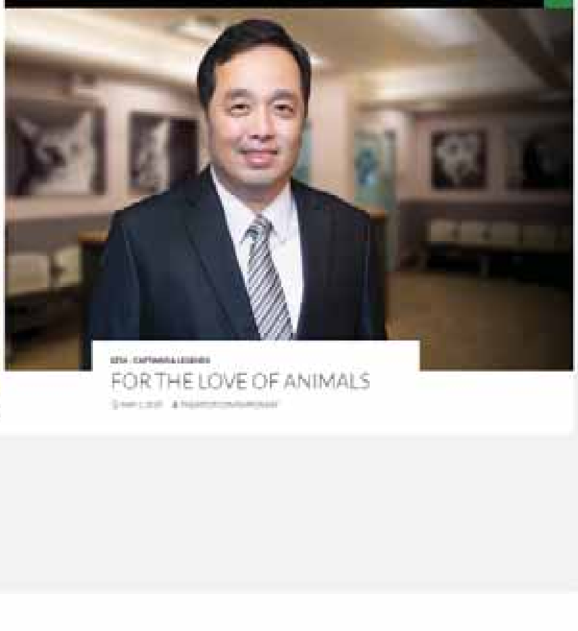
"[The book] is another extension of our services as a total solution provider. We provide end to end solutions in animal health, nutrition and practical management. With this collaboration, we are fulfilling our goal to improve the industry as well as putting our brand name on a different platform, a guidebook geared to assist swine farmers, veterinary students, veterinarians and everyone involved in swine health management," Dr Lim said.

The launch was hosted by UPM Faculty of Veterinary Medicine. The book is available at www.rhonema.com and costs USD 99.99 for retail and USD 79.99 for academia.

(From left) UPM Faculty of Veterinary Medicine Dean Mohd Hair Bejo and UPM Vice-Chancellor Aini Ideris receive the book from Henry Too and Lim Ban Keong.

ESSENZE

THE ART OF CONTEMPORARY LUXURY



FOR THE LOVE OF ANIMALS

RHONE MA IN THE NEWS (CONTINUED)

SOCIETY

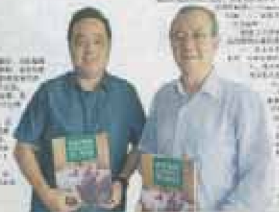
For The Love Of Animals

Dr. Lim Ban Keong D.V.M. (UPM)

We want people to not only see how we've transformed the company, but how this transformation can benefit them and the society as a whole in terms of their health and animal welfare including their lovely pets.

貪"甩賣"的教訓

爆發國史上死亡人數最多的豬瘟



出版書籍，教導民衆

首页 | 登广告 | 活动

星洲人 Sinchew+ 星洲网 花城

2019-11-10 12:14:00

关注毛孩避风港．龙马跃控股捐药减负担

花城

毛孩避风港的狗只数量不断攀升，空间及经济方面都面对压力。（图：星洲日报）

（芙蓉9日讯）雪中送炭！近期因芙蓉市议会捕狗队不断把流浪狗捉进临时拘留所，而必须每天到位于拉务路的狗留所喂食及清洗，甚至须为狗只安排善后工作的毛孩避风港（Furry Kids Safehaven），日前获得龙马跃控股公司（Rhone Ma Holdings Berhad）关注，并捐出价值超过2万4000令吉的狗用杀蚤除牛蜱药水（Frontline Spot On），为收容所内700多只狗做预防工作。

有关公司是于日前关注到毛孩避风港的状况，而决定通过企业社会责任（CSR）赞助有关的驱蜱药物给毛孩避风港的流浪狗收容所，让他们可以在带入拘留所流浪狗或其他救援狗只之前，先为狗狗喷上药水，做足预防功夫。

据了解，狗用杀蚤除牛蜱药水是一种外用药物，对于驱除狗只身上的牛蜱及跳蚤非常有效，而若能控制及确保狗只没有牛蜱跳蚤，也将可预防狗只患上牛蜱热（Tick Fever）。

BOARD OF DIRECTORS

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

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

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

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

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

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

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

DIRECTORS' PROFILE

Dato' Hamzah Bin Mohd Salleh
Independent Non-Executive Chairman

Dato' Hamzah, a Malaysian male aged 71, 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 2019.

DIRECTORS' PROFILE (CONTINUED)

Dr. Lim Ban Keong
Group Managing Director

Dr. Lim, a Malaysian male aged 48, 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 2019.

DIRECTORS' PROFILE (CONTINUED)

Foong Kam Weng
Executive Director / Group Sales Director

Mr. Foong, a Malaysian male aged 59, 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 2019.

DIRECTORS' PROFILE (CONTINUED)

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

Dr. Yip, a Malaysian female aged 57, 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 2019.

DIRECTORS' PROFILE (CONTINUED)

Martin Jeyaratnam A/L Thiagaraj

Senior Independent Non-Executive Director

Mr. Martin, a Malaysian male aged 73, 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 2019.

DIRECTORS' PROFILE (CONTINUED)

Rahanawati Binti Ali Dawam
Independent Non-Executive Director

Pn. Rahanawati, a Malaysian female aged 67, 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. In 2020, Pn. Rahanawati left her position as a senior partner of Abu Talib Shahrom and joined the legal firm, Rahana Zurina & Partners as a senior partner. 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 2019.

DIRECTORS' PROFILE (CONTINUED)

Teoh Chee Yong
Independent Non-Executive Director

Mr. Teoh, a Malaysian male aged 49, 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 Branch Surveillance and Innovation 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 2019.

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 50, 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 2019.

KEY MANAGEMENT (CONTINUED)

GOH WEE CHONG
Group General Manager - Operations

Goh Wee Chong, a Malaysian male aged 61, 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 2019.

KEY MANAGEMENT (CONTINUED)

DR. LIM HANG CHERN
Group Commercial Director

Dr. Lim Hang Chern, a Malaysian male aged 40, 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, Head of Business Development in 2018 and subsequently to Group Commercial Director in 2020.

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 2019.

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present to you the Annual Report and Audited Financial Statements of Rhone Ma Holdings Berhad for the financial year ended 31 December 2019.

OVERVIEW

The slowdown of the global economy in 2019 which was likely caused by a combination of issues including challenging global economic conditions, the ongoing trade tensions and associated uncertainty weighed on business sentiment and activities throughout the world. Despite the volatile backdrop, the Group managed to pull through the year and further anchored our foundation in the animal health and nutrition industry.

Most notably, the commencement of operations of our new warehouse in Taman Perindustrian Kapar Bestari in Kapar, Selangor. The three-storey warehouse which commenced operations in August 2019 serves as our main distribution centre, providing us easy access to our products, timely delivery of products to our customers, improving the efficiency of our operations while simultaneously catering to increasing storage needs for both animal health products and food ingredients.

Despite the slight delay, the construction of our new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan is nearing completion and is currently pending confirmation of the Certificate of Practical Completion from the architect. We are hopeful that the GMP-compliant plant will commence operations in the near future. Upon commencement of operations, we will be able to increase our production capacity by approximately four times of the existing maximum production capacity and to cater to the increasing demand for our products.

The Group's growth had also been bolstered by the inking of several valuable strategic business advancement. In February 2019, our

CHAIRMAN'S STATEMENT (CONTINUED)

subsidiaries Rhone Ma Malaysia Sdn Bhd and APSN Biotech Sdn Bhd joined the Bleu-Blanc-Coeur global association to promote a healthy agriculture and to focus on national concerns linked to human and animal health, as well as environmental issues. As a key industry player in the animal health and nutrition market, we vow to utilise this membership as a platform to educate for the improvement of the nutritional and environmental quality of our food.

Continuing on this line on educating the community, we had in March 2019 published a handy guidebook titled, "Swine Diseases in Asia - A Practitioner's Book". The book which was written by the esteemed academician Dr Henry Too, aims to provide fundamental knowledge and guide for swine practitioners and veterinary students with emphasis on new knowledge on similar epidemiology, swine health problems as well as the economics of local situation.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2019, the Group recorded a revenue of approximately RM119.06 million, a decrease of approximately RM16.18 million or 11.96% compared to the preceding year. The drop in revenue recorded for the financial year ended 31 December 2019 was mostly contributed by the drop in revenue from animal health products and the reduction in revenue from the food ingredients segment. Nonetheless, should revenue from the importation and sale of discontinued products of a previous supplier by Rhone Ma Malaysia Sdn Bhd to third parties nominated by the previous supplier at cost of approximately RM11.78 million in the previous financial year be excluded, revenue from animal health products for the financial year ended 31 December 2019 would have been approximately RM2.08 million higher than its revenue in the previous financial year. Meanwhile, the decrease in revenue from the food ingredients segment in the current financial year was a result of reduction in orders from certain customers.

The Group's mainstay segment, animal health products, remains our largest contributor to total revenue at approximately RM88.32 million or 74.18%. At the same time, the food ingredients segment contributed approximately RM28.15 million or 23.65% to the Group's top line.

The Group also posted a slightly lower profit before tax for financial year ended 31 December 2019 amounting to approximately RM11.32 million as compared to approximately RM13.61 million reported for the preceding financial year. The decrease of approximately RM2.29 million or 16.86% was due to a combination of a lower gross profit, higher incurrence of finance costs and a decrease in other income.

As at 31 December 2019, the total equity attributable to shareholders at the Group level stood at approximately RM107.33 million, contributing to net assets per share of 58.78 sen.

PROSPECTS

The year 2020 will mark Rhone Ma's twentieth anniversary in the animal health and nutrition industry. Through the years, we have met our customers' needs by offering them quality products and services that fit every specific requirement. As the animal health and nutrition market is expected to continue to grow, the Group hopes to create a sustainable business in the animal health and nutrition industry through expansion in our product range, which includes new pharmaceuticals and feed additives developed by our in-house research and development centre and new products from our principals. We are also hoping to expand regionally to broaden our customer base.

We are certain that the global animal health market holds immeasurable opportunities as we look to the possible increase of global population number which is projected to reach close to 9 billion by 2050. In line with this, the Group had on 21 February 2020 entered into

CHAIRMAN'S STATEMENT (CONTINUED)

agreements to acquire 49% equity interest each in One Lazuli Sdn Bhd ("OLSB"), Nor Lazuli Nutrition Sdn Bhd ("NLN") and Nor Livestock Farm Sdn Bhd ("NLF") for a total purchase consideration of RM7.84 million. OLSB is primarily involved in the wholesale and distribution of pharmaceutical and veterinary products including animal feed catering to the ruminant segment. Meanwhile, NLN is primarily involved in the manufacturing, wholesale and distribution of livestock feed and other related products mainly for the consumption of ruminants. While we have established a firm foothold in the manufacture and distribution of animal health products for the swine and poultry segments, we strongly believe that the proposed investment in OLSB and NLN will provide us with an opportunity to broaden our product offerings while simultaneously increasing our market share in the ruminant segment.

In addition to this, we believe that diversifying into another segment will augur well with the sustainability of the business through new revenue streams. In order to realise this, our proposed investment in NLF which is primarily involved in the livestock business and the operation of a dairy cow farm supplying fresh milk will allow us to venture into dairy farming and ultimately the production of fresh milk.

Despite these positive developments, the world has been recently rocked by the Covid-19 pandemic outbreak. The pandemic has been affecting global business sentiment as most countries around the world are on lockdown simultaneously, crippling economic activity across the globe including Malaysia. As much as we have been anticipating the adverse impact the pandemic will have on the local economy, we assure our shareholders that as a part of the food industry's supply chain, the Group anticipates minimal impact on our operations as well as our performance.

ACKNOWLEDGEMENT

Despite the turbulence that we have encountered in the past few years, we are proud to still be standing strong in the industry after having overcome the various challenges that came our way. Of course, this is only possible thanks to our employees across the board who have demonstrated their commitment in championing our growth journey. Under the strategic direction of the Board and management, I am confident that we will further strengthen our position in the animal health and nutrition industry. Having said that, I take this opportunity to acknowledge the valuable contributions of our Board members, the management as well as the rest of the Group's employees.

Not forgetting, our business associates, partners and customers, for their continued trust and support towards the Group. Last but not least, to our esteemed shareholders, I am ever grateful for your loyalty and I hope you will continue to retain ownership of our Company as we strive to provide more value to you.

Dato' Hamzah Bin Mohd Salleh
Independent Non-Executive Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS

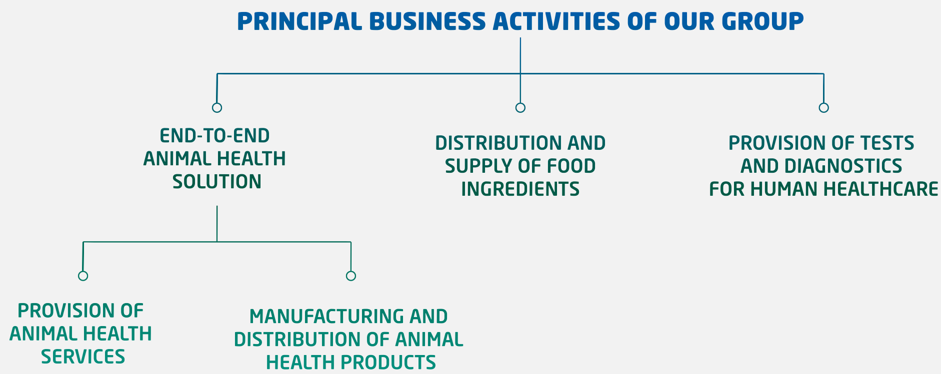
Business Activities

The Rhone Ma Holdings Berhad ("Company") 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. In addition to this, our Group is also engaged in the provision of tests and diagnostics services for human healthcare.

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



Our revenue is derived mainly from the provision of end-to-end animal health solution comprising the provision of animal health services and the manufacturing and distribution of animal health products. For the financial year ended ("FYE") 31 December 2019, our animal health services accounted for approximately 1.92% and 3.37% of our Group's total revenue and total gross profit respectively whereas our animal health products accounted for approximately 74.18% and 83.46% of our Group's total revenue and total gross profit respectively.

In addition, distribution and supply of food ingredients accounted for approximately 23.65% of our Group's total revenue and 12.83% of our Group's total gross profit for the FYE 31 December 2019. Contribution from the provision of tests

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

and diagnostics services for human healthcare was approximately 0.25% of our Group's total revenue and 0.34% of our Group's total gross profit for the FYE 31 December 2019.

Location of Operations

Our Group's head office, laboratory, in-house R&D centre, manufacturing plant and warehouse are currently located in Section 51A, Petaling Jaya, Selangor, whereas our main distribution centre is situated in Taman Perindustrian Kapar Bestari, Kapar, Selangor.

The construction of our new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan is nearing completion and is currently pending confirmation of the Certificate of Practical Completion from the architect. We will be able to increase our production capacity by approximately four (4) times the existing maximum production capacity upon the commencement of operations of the new GMP-compliant plant.

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 97.73% of our total revenue for the FYE 31 December 2019, whilst the remaining 2.27% of revenue was derived from overseas markets which include Thailand, Indonesia, the Philippines, Brunei, Myanmar and India. Revenue from overseas mainly comprised export of animal health products.

Objectives and Strategies

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

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

(i) Expansion of our production capacity through the new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan which will allow us to increase our production volume;

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(ii) Expansion of our product range which includes new in-house developed animal health products, new animal health products from international manufacturers, as well as new food ingredient products from various producers;

(iii) Expanding our market presence in the existing regional markets, tap into other segments of the animal health products market and to develop new markets; and

(iv) Venturing into other related businesses with growth prospects.

Highlights of Financial Information for the Past Five Financial Years

Financial Information

Description	2015 RM	2016 RM	2017 RM	2018 RM	2019 RM
Revenue	105,431,499	119,195,312	137,488,068	135,239,103	119,058,142
Profit before tax	16,134,533	13,220,330	17,062,206	13,609,656	11,314,931
Finance costs	187,227	326,320	315,482	659,628	942,074
Net profit attributable to shareholders	12,032,929	9,165,825	13,905,375	10,065,500	8,636,462
Shareholders' equity	55,604,607	95,163,053	102,428,428	104,193,928	107,333,947
Total assets	83,656,080	120,205,722	130,963,020	130,966,222	148,885,040
Total borrowings	8,013,580	5,243,625	8,116,278	14,555,255	27,286,936
Gearing ratio (times)	0.14	0.06	0.08	0.14	0.25
Current ratio (times)	2.87	4.61	4.64	5.98	4.61
Earnings per share (sen)	9.71	7.31	8.38	6.06	4.74
Net assets per share (sen)	44.89	57.33	61.70	62.77	58.78
Dividend per share (sen)	-	4.00	5.00	3.00	1.00 #

Note:

Subject to shareholders' approval at the forthcoming Annual General Meeting.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Share Performance

	2016 (1)	2017	2018	2019
Year high (RM)	1.02	1.47	1.05	0.85
Year low (RM)	0.81	0.76	0.75	0.65
Year close (RM)	0.985	0.965	0.835	0.665
Total trading volume for the financial year (million)	109.12	165.32	20.07	5.80
Market capitalisation as at 31 December (RM million)	163.51	160.19	138.61	121.43

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	2018		2019	
	RM	%	RM	%
Animal health services	3,065,025	2.27	2,281,904	1.92
Animal health products	98,019,034	72.48	88,321,862	74.18
Food ingredients	34,106,624	25.22	28,153,474	23.65
Human healthcare services	48,420	0.03	300,902	0.25
Total	**135,239,103**	**100.00**	**119,058,142**	**100.00**

Revenue generated from animal health products is our Group's main source of income, contributing 72.48% and 74.18% of our total revenue for the FYE 31 December 2018 and the FYE 31 December 2019 respectively. The animal health products provided by our Group comprising vaccines, pharmaceuticals and feed additives are mainly sourced from international animal health product manufacturers. Our Group also manufactures pharmaceuticals and feed additives with our own brand names at our GMP-compliant plant.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our Group's revenue is predominantly generated from Malaysia which accounted for 97.73% of our total revenue for the FYE 31 December 2019. Revenue contribution from exports, which is mainly comprised of sale of animal health products, had increased slightly to 2.27% in the FYE 31 December 2019 as compared to 2.01% for the previous financial year due mainly to reduction in revenue from our domestic customers.

Animal Health Services

Revenue from animal health services which is derived from Vet Food Agro Diagnostics Sdn Bhd decreased by approximately RM0.78 million or 25.55% during the FYE 31 December 2019. The decrease in revenue generated from this segment was mainly due to a major customer setting up its own in-house laboratory to reduce their reliance on external services.

Animal Health Products

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

Revenue	2018		2019	
	RM	%	RM	%
Vaccines	35,194,243	35.91	27,951,169	31.65
Pharmaceuticals	28,908,343	29.49	30,351,114	34.36
Feed additives	33,916,448	34.60	30,019,579	33.99
Total	**98,019,034**	**100.00**	**88,321,862**	**100.00**

The sale of animal health products recorded a decline of approximately RM9.70 million or 9.89% as compared to the previous financial year. The decrease was due to the following:

- Decrease in revenue generated from vaccines of approximately RM7.24 million or 20.58%. The significant reduction was due to the inclusion in revenue for the FYE 31 December 2018 an amount of approximately RM11.78 million for the importation and sale of discontinued vaccine products of a previous supplier to the previous supplier's nominated third parties at cost. The decrease was mitigated by the increase in revenue of approximately RM7.73 million from products of Zoetis Malaysia Sdn Bhd, Ceva Sante Animale S.A., Ceva Animal Health Malaysia Sdn Bhd and others. Should the revenue from the importation and sale of the previous supplier's vaccines at cost of approximately RM11.78 million be excluded from the previous year's revenue, revenue from vaccines for the FYE 31 December 2019 would have been approximately RM4.54 million higher than the revenue in the previous financial year;
- Increase in revenue generated from pharmaceuticals of approximately RM1.44 million or 4.99% as a result of increase in sale of NexGard products of approximately RM1.79 million, Heartgard products of approximately RM0.44 million, Vetri-DMG liquid products of approximately RM0.36 million, Vetrimoxine of approximately RM0.21 million, and our in-house manufactured Rhonevit and Rhobazin Plus products of approximately RM0.17 million and RM0.12 million respectively. However, Frontline and Suanovil products experienced a decrease in sale of approximately RM1.34 million and RM0.22 million respectively; and

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- Decrease in revenue generated from feed additives of approximately RM3.90 million or 11.49% as a result of the decrease in sales of Purimox products of approximately RM0.96 million, Nystatin of approximately RM0.79 million, Sow Care products of approximately RM0.77 million, Pearl Lipid products of approximately RM0.62 million, Multifiber of approximately RM0.34 million and Micro-Aid of approximately RM0.24 million.

Food Ingredients

Revenue generated from food ingredients, which is derived from Link Ingredients Sdn Bhd, decreased by approximately RM5.95 million or 17.45% as compared to the previous financial year as a result of reduction in orders from certain customers.

Human Healthcare Services

Revenue from human healthcare services, which is derived from APSN Healthcare & Diagnostics Sdn Bhd, comprise of revenue generated from the provision of tests and diagnostics services for human healthcare. The segment commenced operations in the FYE 31 December 2018 and is still experiencing growth with revenue increasing from approximately RM0.05 million in the FYE 31 December 2018 to approximately RM0.30 million in the current financial year.

Cost of Sales

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

Cost of sales	2018		2019	
	RM	%	RM	%
Animal health services	1,319,993	1.34	1,107,566	1.31
Animal health products	68,236,575	69.33	59,261,537	70.35
Food ingredients	28,845,244	29.31	23,685,197	28.12
Human healthcare services	15,799	0.02	184,116	0.22
Total	**98,417,611**	**100.00**	**84,238,416**	**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 69.00% 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, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Food Ingredients

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

The cost of sales of food ingredients decreased by approximately RM5.16 million or 17.89% as compared to the FYE 31 December 2018 due primarily to the decrease in food ingredients purchases in line with the decrease in revenue of food ingredients of 17.45% during the financial year.

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	2018		2019	
	RM	%	RM	%
Animal health services	1,745,032	4.74	1,174,338	3.37
Animal health products	29,782,459	80.88	29,060,325	83.46
Food ingredients	5,261,380	14.29	4,468,277	12.83
Human healthcare services	32,621	0.09	116,786	0.34
Total	**36,821,492**	**100.00**	**34,819,726**	**100.00**

GP margin	2018	2019
	%	%
Animal health services	56.93	51.46
Animal health products	30.38	32.90
Food ingredients	15.43	15.87
Human healthcare services	67.37	38.81
Group GP margin	**27.23**	**29.25**

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Our Group's GP decreased from approximately RM36.82 million for the FYE 31 December 2018 to approximately RM34.82 million for the FYE 31 December 2019, representing a decrease of approximately RM2.00 million or 5.44%. This was due to the decrease in GP of our animal health products, food ingredients as well as animal health services segments. GP for animal health products decreased by approximately RM0.72 million, GP for food ingredients dropped by approximately RM0.79 million, while GP for animal health services fell by approximately RM0.58 million.

Notwithstanding the decrease in overall GP, our Group's GP margin had increased from 27.23% for the FYE 31 December 2018 to 29.25% for the FYE 31 December 2019 due primarily to the increase in the GP margin of animal health products which contributed 83.46% of our Group's total GP for the current financial year.

Animal Health Services

GP from animal health services of approximately RM1.17 million for the FYE 31 December 2019 was approximately RM0.58 million lower than the GP of approximately RM1.75 million for the previous financial year. This is in line with the lower revenue recorded for animal health services during the FYE 31 December 2019. The GP margin of 51.46% for the FYE 31 December 2019 was also lower than the GP margin of 56.93% recorded in the previous financial year mainly due to fixed costs that are still required to be incurred despite the decrease in revenue. 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

Although revenue from animal health products for the FYE 31 December 2019 was approximately RM9.70 million lower than the FYE 31 December 2018, GP from animal health products for the FYE 31 December 2019 was only approximately RM0.72 million or 2.42% lower compared to the previous financial year. This was mainly due to revenue of approximately RM11.78 million recognised for the FYE 31 December 2018 was generated from the importation and sale of discontinued products to third parties nominated by a previous supplier which was sold at cost. Consequently, the GP margin of animal health products increased from 30.38% for the FYE 31 December 2018 to 32.90% for the current financial year.

Food Ingredients

GP from food ingredients decreased by approximately RM0.79 million or 15.07% as compared to the FYE 31 December 2018 which is consistent with the reduction in revenue of 17.45% for food ingredients during the FYE 31 December 2019. Notwithstanding the decrease in revenue and GP, the GP margin of 15.87% for the FYE 31 December 2019 remained relatively consistent with the GP margin of 15.43% recorded in the previous financial year as the cost of sales for food ingredients are almost entirely made up of cost of products sold.

Human Healthcare Services

Human healthcare services which only commenced operations in the previous financial year, contributed GP of approximately RM0.12 million or 0.34% to the Group's total GP for the FYE 31 December 2019. The segment is still in its growing stage and is anticipated to play a more significant role in contributing to the Group's GP in the near future. The high GP margin of human healthcare services was due mainly to the nature of its business which only required minimal cost of sales.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses

Distribution costs decreased marginally by 1.68% from approximately RM9.15 million for the FYE 31 December 2018 to approximately RM9.00 million for the FYE 31 December 2019 mainly due to cost control measures being put in place as revenue decreased. Distribution costs as a percentage of revenue of 7.56% for the current financial year was marginally higher than the 6.77% in the FYE 31 December 2018 despite the decrease in revenue as fixed costs such as sales staff's salaries are still required to be incurred.

Administration expenses decreased by 1.93% from approximately RM14.65 million for the FYE 31 December 2018 to approximately RM14.37 million for the FYE 31 December 2019 mainly due to cost saving initiatives undertaken by the Group. Administration expenses as a percentage of revenue of 12.07% for the FYE 31 December 2019 was slightly higher compared to the 10.83% in the previous financial year due mainly to the decrease in Group revenue.

Finance costs increased from approximately RM0.66 million for the FYE 31 December 2018 to approximately RM0.94 million for the current financial year due to the drawdown of a term loan amounting to RM13.43 million for the construction of our new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan.

Profit Before Tax

Our Group's profit before tax ("PBT") of approximately RM11.31 million for the FYE 31 December 2019 was approximately RM2.30 million or 16.86% lower than the PBT of approximately RM13.61 million for the FYE 31 December 2018. This was largely due to the decrease in GP of approximately RM2.00 million as a result of the overall decrease in Group revenue, as well as the increase in finance costs of approximately RM0.28 million.

Taxation

The effective tax rate of the Group for the FYE 31 December 2019 of 23.67% was lower than the statutory tax rate of 24.00% due principally to one of the Company's subsidiaries, Asia-Pacific Special Nutrients Sdn Bhd, being awarded the BioNexus status incentive and has been granted 100% income tax exemption on the statutory income for a period of ten (10) years from the first year the company derives taxable statutory income under the Income Tax (Exemption) (No.17) Order 2007 effective 23 July 2007. The first year whereby the abovementioned subsidiary commences to derive taxable statutory income was in the year 2011, thus the ten (10) years period commenced from the year 2011 until the year 2020. Further, the effective tax rate of the Group for the FYE 31 December 2019 of 23.67% was lower than 26.04% for the FYE December 2018 mainly due to the Group incurring non-allowable expenses for tax purposes in the FYE December 2018.

Assets

Trade Receivables

Trade receivables of approximately RM24.79 million as at 31 December 2019 was approximately RM1.83 million higher compared to the previous financial year. This was mainly due to a higher trade receivables turnover period of 76 days for the current financial year compared to 62 days as at 31 December 2018. This however, remains in line with the normal credit term of 30 days to 90 days granted to our customers.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Inventories

Inventories of approximately RM33.82 million as at 31 December 2019 was approximately RM5.68 million higher than at the end of the previous financial year. The inventories turnover period of 147 days for the FYE 31 December 2019 was higher than the 105 days recorded for the previous financial year and also higher than our normal inventory holding period of 90 days to 120 days. The higher inventory turnover period was due to increased inventory holding towards the end of 2019 in anticipation of a potential shortage of supply. 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 2019, our Group had cash and bank balances of approximately RM9.21 million.

Liabilities

Trade Payables

Trade payables of approximately RM8.45 million as at 31 December 2019 was approximately RM1.78 million higher than the trade payables as at 31 December 2018. The trade payables turnover period of 37 days for the FYE 31 December 2019 was higher than the 25 days recorded for the previous financial year and was in line with the normal credit term granted by our suppliers which ranges from 30 days to 60 days. Our Group believes that timely settlement with suppliers will benefit our Group in terms of favourable pricing from our suppliers.

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.

Equity

Share capital

The Company had on 8 January 2019 completed a bonus issue of 16,600,000 new ordinary shares on the basis of 1 bonus share for every 10 existing shares held, thereby increasing the issued shares of the Company from 166,000,000 ordinary shares to 182,600,000 ordinary shares.

In addition, the Company had on 3 April 2020 completed a private placement of 12,980,589 new ordinary shares at an issue price of RM0.63 per share, thereby increasing the issued shares of the Company from 182,600,000 ordinary shares to 195,580,589 ordinary shares.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure and Capital Resources

Borrowings

Our Group's borrowings of approximately RM27.30 million as at 31 December 2019 were all denominated in Ringgit Malaysia and comprised of term loans and hire purchase that were mainly utilised to finance the construction of our new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan, 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 2019, our Group has unutilised banking facilities of approximately RM30.00 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 2019 had increased slightly to 0.25 times compared to the ratio of 0.14 times as at 31 December 2018 due to the drawdown of a term loan amounting to RM13.43 million for the construction of our new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan.

Capital Expenditure

Capital expenditure incurred by our Group for the FYE 31 December 2019 amounted to approximately RM28.90 million and consists of the following:

Description	RM
Laboratory equipment	107,727
Office and computer equipment	182,206
Warehouses in RH Park Light Industrial Estate, Kuching, Sarawak	1,690,840
Capital work in progress relating to construction of GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan	21,350,758
Capital work in progress relating to GMP plant and equipment	5,210,468
Others	358,637
Total	**28,900,636**

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

The capital commitments of the Group that have been approved and contracted for as at the end of the FYE 31 December 2019 were as follows:

Description	Capital commitment RM
Construction of GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan	11,965,854
Acquisition of GMP plant and equipment	4,895,943
Total	**16,861,797**

Known Trends and Events

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

(i) Competitive advantages and key strengths

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

(ii) Industry outlook

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

The general outlook of the overall food ingredients market is dependent on factors such as the changing eating habits caused by fundamental societal changes, 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

(iv) Impact of foreign exchange rate

Our revenue is primarily denominated in Ringgit Malaysia where approximately 1.59% of our sales were transacted in United States Dollar ("USD") for the FYE 31 December 2019. Our purchases are primarily denominated in foreign currency as majority of our purchases are from USA and France. For the FYE 31 December 2019, approximately 76.36% 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. Gain on foreign currency exchange for the FYE 31 December 2019 amounted to approximately RM0.59 million.

REVIEW OF OPERATING ACTIVITIES

Performance

Our Group's revenue for the FYE 31 December 2019 of approximately RM119.06 million was approximately 11.96% or RM16.18 million lower than the revenue recorded in the previous financial year due mainly to the decrease in sales of animal health products, food ingredients and animal health services of approximately 9.89%, 17.45% and 25.55% respectively.

In line with the decrease in revenue, the Group's PBT of approximately RM11.31 million for the FYE 31 December 2019 was approximately 16.86% or RM2.30 million lower than the RM13.61 million reported for the FYE 31 December 2018.

New Warehouse

Our new warehouse in Taman Perindustrian Kapar Bestari in Kapar, Selangor commenced operations in August 2019. The warehouse which has sufficient storage space to cater to our increasing storage needs for both animal health products and food ingredients, is being used as our main distribution center where our products could be stored instead of employing multiple warehouses. This allows us easy access to our products, timely delivery of products to our customers leading to greater customer satisfaction and improvement on the efficiency of our operations.

GMP-Compliant Plant

The construction of our new GMP-compliant plant in Nilai Utama Enterprise Park, Nilai, Negeri Sembilan is nearing completion and is currently pending confirmation of the Certificate of Practical Completion from the architect. Once the plant is fully operational, our production capacity is anticipated to increase by approximately four (4) times of the existing maximum production capacity. This will allow our Group to expand the range of our in-house developed products to cater to a wider pool of customers with different needs and requirements.

The additional production capacity will also enable us to extend our reach into regional markets of which our Group has a presence and the development of new markets, leading to a broader customer base geographically and an increase in our revenue stream from regional markets.

Business Expansion

On 21 February 2020, the Company had entered into the following agreements:

(i) A conditional share sale agreement with Raja Mariam Binti Raja Rustam Shahrome ("Raja Mariam") for the proposed

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

acquisition of 1,225,000 ordinary shares in One Lazuli Sdn Bhd ("OLSB"), representing 49% equity interest in OLSB for a purchase consideration of RM5.39 million which will be satisfied via a combination of cash of RM1.80 million and the remaining balance of RM3.59 million through the issuance of new ordinary shares in the Company at an issue price of RM0.68 each;

(ii) A profit guarantee agreement with Raja Mariam as guarantor, whereby Raja Mariam provided a guarantee that the audited profit after tax of OLSB for financial years ending 31 December 2020 and 31 December 2021 shall not be less than RM2.00 million each;

(iii) A conditional share sale agreement with OLSB for the proposed acquisition of 588,000 ordinary shares in Nor Lazuli Nutrition Sdn Bhd ("NLN"), representing 49% equity interest in NLN for a cash consideration of RM1.75 million;

(iv) A conditional share sale agreement with Nor Hazimah Binti Zabarudin ("Nor Hazimah") for the proposed acquisition of 490,000 ordinary shares in Nor Livestock Farm Sdn Bhd ("NLF"), representing 49% equity interest in NLF for a cash consideration of RM0.70 million; and

(v) A profit guarantee agreement with Raja Mariam, the existing major shareholder of OLSB and Nor Hazimah as guarantors, whereby Raja Mariam and Nor Hazimah jointly provided a guarantee that the total audited profit after tax of NLN and NLF for financial years ending 31 December 2020, 31 December 2021 and 31 December 2022 shall not be less than RM0.50 million, RM0.70 million and RM0.90 million, respectively.

The share sale agreements shall become unconditional upon the fulfilment of all conditions precedent.

OLSB is principally involved in wholesale and distribution of pharmaceutical and veterinary products including animal feed which are largely catered to the ruminant segment. NLN is principally engaged in manufacturing, wholesale and distribution of livestock feed and other related products and its animal feed products are mainly for the consumption by ruminants. Our Group is currently involved in the manufacture and distribution of animal health products for the poultry and swine segments. The proposed acquisitions of OLSB and NLN represents an opportunity for the Group to broaden our product offerings and to gain immediate increase in market share in the ruminant segment where it currently has a small presence. Further, the Group will be able to leverage on the customer base of OLSB and NLN by cross selling our existing products to their customers.

NLF is principally involved in the business of livestock. Currently, it is operating a dairy cow farm in Batang Kali, Selangor, supplying A2 fresh milk to wholesalers. The entire dairy farm and the operation premise comprise of an area of approximately 6.07 acres. Given Malaysia's self-sufficiency level for fresh milk stood at approximately 61.30% for 2018 and in view that the government has been making efforts to achieve fresh milk self-sufficiency, the Group has identified dairy farming as a growing industry. The proposed acquisition of NLF allows the Group to venture into dairy farming and ultimately, production of fresh milk which serve as an opportunity for the Group to create new revenue stream in the future.

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 2019, approximately 1.59% of our sales were transacted in USD whereas approximately 76.36% 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.

Investment risk

Our business expansion activities moving forward is comprised of primarily acquisitions of companies engaged in similar businesses as us. We have exercised due care in evaluating the potential risks and benefits associated with the acquisitions and we believe that the acquisitions which provide an avenue to the Group to broaden its product offerings and to gain immediate increase in market share in the ruminant segment will be value accretive to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Although such acquisitions are expected to contribute positively to the future earnings of the Group, there is no assurance that the anticipated benefits from the acquisitions will be realised or that the Company will be able to generate sufficient returns to offset its associated cost of investment. Any material losses incurred by the companies acquired may have an adverse impact on our financial performance.

Upon the completion of the acquisitions, we shall continuously monitor the financial and operational performance of the acquired companies and take the appropriate steps to address any business issues.

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. 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.

In addition to improving on current operations, the Group is vigilant in identifying new business opportunities that has the potential for continuous growth and expansion. Accordingly, the Group has proposed to undertake the acquisitions of OLSB, NLN and NLF in view of the favourable outlook of the livestock industry and dairy industry in Malaysia. The proposed acquisitions are in line with the Group's strategy to tap into other segment of the animal health products i.e. ruminant segment and to venture into other related businesses with growth prospects in order to deliver positive and sustainable growth to its shareholders. Upon completion of the proposed acquisitions, the Group would be able to broaden its product offerings, gain immediate increase in market share in the ruminant segment and create new revenue stream in the future. This is expected to contribute positively to the Group's future earnings and enhance its financial performance in the medium to long term.

The Covid-19 pandemic that has been sweeping the globe in recent times has been anticipated to have a negative impact on the Malaysian macro-economy as well as on the economic welfare of its population. The main sources of the economic damage in Malaysia are two-fold; the first is the knock-on effect from the impacts of the Covid-19 virus abroad and the second is generated domestically due to the movement control measures imposed by the government. Notwithstanding these developments, the Group which is actively involved in the animal health and nutrition market which is within the ambit of the food industry's supply chain is cautiously optimistic of the minimal impact the pandemic will have on our operations as well as our performance.

The Group 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Dividend

In considering the level of dividend, if any, upon recommendation by our Directors, we will 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 1.0 sen per ordinary share for the FYE 31 December 2019. This proposal is pending our shareholders' approval at the forthcoming Annual General Meeting of the Company.

SUSTAINABILITY STATEMENT

Our sustainability journey over the past two years has been educational albeit a challenging one as we continue to progress our sustainability agenda through the three main pillars: Maximising Value to Society, Preserving the Environment and Supporting Our People and Our Community. This has been portrayed through a variety of initiatives across the organisation as highlighted in this report.

FIRST PILLAR: MAXIMISING VALUE TO SOCIETY

Community Investment

One of the most important pillars in our sustainability efforts, the Community Investment, has played a huge role in the growth of our Group. The support from the community has allowed us to form a mutually beneficial relationship which involves developing shared trust with each other. On top of that, it has also ingrained positive values such as empathy, kindness and teamwork in our employees.

In this spirit, we have been providing support to organisations and communities surrounding us through sponsorship of relevant initiatives and programmes. For the year under review, our employees have contributed their time through voluntary and social responsibility programmes such as visits to orphanages and old folks' homes such as the Trinity Community Children Home,

SUSTAINABILITY STATEMENT (CONTINUED)

Siddharthan Care Centre, Pusat Jagaan Suci Rohani and Sungai Way Old Folks Home where our employees bonded and entertained the residents over refreshment. Aside from spending time with the residents, we had also made monetary contributions to these homes as well as the Dignity for Children Foundation in our effort to assist in improving their lives. In addition to this, our social responsibility programmes also extend to the welfare of animal where we had made a donation in the form of animal health products to Furrykids Safehaven, a non-governmental organisation responsible for the rescue of abandoned puppies, diseased and injured adult dogs, as well as endangered dogs.

While education is important in today's world, not everyone has access to it, especially on the tertiary level. As such, we have initiated a scholarship programme for students pursuing studies in the veterinary field in Universiti Putra Malaysia (UPM) and Universiti Malaysia Kelantan (UMK). Our advocacy for education also extends to veterinary professionals. An example of this was the publication of the book "Swine Diseases in Asia - A Practitioner's Book" by esteemed academician Dr Henry Too. The easy-to-read guidebook, which was published by the Group, is equipped with fundamental knowledge and guide for swine practitioners, veterinary students and swine farmers especially in Asia.

As one of the leading players in the animal health and nutrition market in Malaysia, we feel it is our responsibility to educate and to assist not only our Malaysian counterparts but also our regional and international peers. In line with this, our subsidiaries Rhone Ma Malaysia Sdn Bhd and APSN Biotech Sdn Bhd became members of Bleu-Blanc-Coeur global association, which promotes healthy agriculture and focuses on national concerns linked to human and animal health, as well as environmental issues. Not only that, we had also collaborated with Human Life Advancement Foundation, a non-political and

SUSTAINABILITY STATEMENT (CONTINUED)

non-governmental foundation which emphasises on developing networks of organisations and individuals to encourage the development of science, technology and innovation in the areas of education, renewable energy, health and agriculture.

Indirect Economic Impact

As a socially responsible organisation, we acknowledge the importance of developing the communities around us through direct and indirect economic support. For nearly two decades, we have been committed to creating jobs and growing local businesses in the community in which we operate. We have been recruiting our workforce from the community in which we are based with complete training and on-the-job learning offered. In addition to this, we have also an internship programme in place targeted to local university students, as a platform to explore career paths in the animal health and nutrition industry while simultaneously developing marketable skills. In 2019, we hosted interns studying in areas of biotechnology, science and pharmaceutical courses in local private and public universities.

SUSTAINABILITY STATEMENT (CONTINUED)

SECOND PILLAR: PRESERVING THE ENVIRONMENT

Emissions

In the field of environmental stewardship, we continued to demonstrate commitment to conservation through renewed emphasis on managing our resources such as reducing waste, practising energy efficiency and implementing initiatives to reduce emissions throughout our operations. Conserving resources is a collective effort and we promote that mindset and culture amongst all our employees and our external contractors. This includes ensuring strict compliance with the environmental laws and regulations put in place by the Department of Environment ("DoE") through constant monitoring. Furthermore, we have also obtained all necessary licenses in our operations and business activities, and are subject to checks by DoE.

Rhone Ma handles effluents and waste in line with local regulations. Toxic waste from our operations is managed by Kualiti Alam Sdn Bhd, a company with over two decades of experience in the waste management industry.

SUSTAINABILITY STATEMENT (CONTINUED)

THIRD PILLAR: SUPPORTING OUR PEOPLE AND OUR COMMUNITY

Diversity

A high-performance culture is Rhone Ma's way of doing business. It is embedded in our corporate culture to give us an enduring competitive edge, ensure our sustainable future and create value for all stakeholders. A cohesive team of highly motivated and skilled individuals, working together to advance the Group to the next level is vital. To achieve this, we foster a working environment which encourages interaction across all levels of the organisation and an open leadership style which welcomes constructive feedback, suggestions and ideas.

We seek individuals with a desire to catalyse change and inspire progress, equipped with attributes that will help the Group meet the changes and challenges of the business world such as problem-solving strengths, creativity and innovation, as well as cognitive ability and agility. All employment decisions at Rhone Ma are based on business needs, job requirements and individual qualifications without regard to race, colour, religion, age and gender. Currently, our Board of Directors is made up of 5 males and 2 female Directors, with their ages ranging from 48 to 73 years old. Furthermore, our entire workforce is well represented by all races and ethnicities, as well as genders.

SUSTAINABILITY STATEMENT (CONTINUED)

Human Rights

Our employees are part of Rhone Ma's prioritised stakeholders due to their influence on the Group, and integral role in developing our workforce. We strive for the continuing development and improved welfare of our employees in order to cultivate a productive team to achieve our sustainable business objective. In order to promote health and well-being amongst our employees, we have established a Sports Club which meet at regular intervals for badminton, futsal and bowling. On top of this, to further create an inclusive work culture, the Group organises corporate gatherings for festive seasons which allow our employees to unwind and foster closer ties with each other.

Employees' interest, working conditions and remuneration equity are equally important in improving the efficiency of the Group. As an ethical employer, we ensure our employees' rights are protected by providing a channel for them to air their grievances besides company policies and procedures, and skills training.

SUSTAINABILITY STATEMENT (CONTINUED)

SUSTAINABILITY STATEMENT (CONTINUED)

Recognising Long Serving Employees

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

SUSTAINABILITY STATEMENT (CONTINUED)

Occupational Safety and Health

Exemplary standards of occupational safety and health are essential to protect our employees, customers and contractors. Given the nature of our business and our manufacturing processes, our workplace must adhere to the highest standards of safety and health. To this end, we constantly review and improve our Occupational Safety, Health and Environment Policy to ensure compliance with local regulations. Besides integrating the management of health and safety into our daily business operations, the policy also keeps our employees alert about identifying potential accidents by taking preventive measures such as risk assessments. 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.

On emergency preparedness, we have developed a pool of trained first aiders and set up an Emergency Preparedness and Response Team. The team had been trained to render quick assistance in events of fire, spillage and other emergencies. Members of the team were 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.

SUSTAINABILITY STATEMENT (CONTINUED)

Anti-Competitive Behaviour

It is Rhone Ma's general policy to compete vigorously and fairly in full compliance with relevant anti-competition laws and regulations applicable to our operations. To ensure Group-wide compliance, we have developed a Code of Conduct that outlines general principles to safeguard against violations of anti-competition law. These principles are also expanded in training programs provided to employees who interact with external parties and are therefore at risk of engaging in or witnessing anti-competitive conduct. Absolute compliance with competition law is expected of all Rhone Ma's business units, our employees and representatives and any failure to comply with competition law will be deemed as a serious breach of the employee's obligations towards Rhone Ma.

Anti-Corruption

Pursuant to Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, we have adopted our Group's Anti-Bribery & Anti-Corruption Policy and Procedure on 25 February 2020 which applies to the Group's representatives' business dealings. Under this Policy and Procedure, our representatives are prohibited from all forms of bribery and corruption such as offering, promising, giving or receiving 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 inside and outside of the workplace.

We are also committed to conducting our business in an ethical, transparent way, using our values and Code of Conduct to guide us. Our Code of Conduct sets clear expectations of our work ethics and culture in conducting business while fully complying with Group policies and applicable laws on corruption in all the countries in which we do business. Employees across the board share the responsibility in applying the fundamental principles of integrity, respect and excellence in all aspects of the Group's business practices.

Labour Practices

Our employees are our key assets, hence managing talent at all levels is a key priority. It is our aim to ensure equal opportunity in recruitment, career development, promotion, training and reward for all employees. In line with our efforts to champion this, we provide learning and development opportunities in respect of technical and functional competencies for our employees in line with their job requirements and career aspirations. A major part of this training also includes exposing our employees to attendance at trainings and exhibitions abroad which serve as a platform to enhance their level of competency and assist in their career development.

In accordance with the ongoing development of human capital, our employee evaluation system is updated annually to ensure that it is up-to-date. Our comprehensive employee evaluation system appraises the hard skills as well as soft skills of our employees such as relationship building and charisma, to provide our employees with targeted feedback and guidance to help them learn, grow and develop. In that sense, 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.

Product and Services Responsibility

Our commitment to provide products that meet regulatory, safety and quality standards to fulfil customers' requirements have stayed intact throughout the years. Hence, we strive to put customers at the forefront of everything we do whilst we aim to provide quality products and premium, value-adding services to our customers. Product knowledge and service

SUSTAINABILITY STATEMENT (CONTINUED)

skills training are part of our routine training programmes to ensure that our employees provide excellent quality services to our customers. We place high priority on customer engagement and interaction with various customer feedback channels to further improve on our customer service and achieving customer satisfaction. To further strengthen our relationship with customers, we had put in place our annual customer satisfaction survey that allows our customers to provide essential feedback on our products and services.

Being responsible for the footprint that lies beyond our own operations has become increasingly important over the past several years. Having said that, we had established a transparent traceability system which helps us monitor our processes to ensure that they adhere to relevant guidelines. As part of this system, we put emphasis on transparent product information and labelling which adheres to the guidelines set out by the Department of Veterinary Services and the Department of Chemistry Malaysia.

Society

As one of the leading industry players, the Group encourages our employees to share their expertise within the industry and actively participate in societal matters in Malaysia as part of our social responsibility to educate the industry and society. For the past several years, one of our employees have been a committee member for the registration of veterinary products in Malaysia with the Malaysia Animal Health and Nutrition Industries Association (MAHNIA). Another one of our veterinarians, meanwhile, is sitting on the technical committee of the Federation of Livestock Farmers' Association of Malaysia (FLFAM), an organisation that aims to safeguard the welfare and interest of farmers, livestock producers and consumers.

STRATEGIES FOR 2020

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 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 2019, 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 2019, 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 55 to 72 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) Production;

(ii) Quality assurance;

(iii) Sales and marketing, including intellectual property rights;

(iv) Credit control and collections;

(v) Property, plant and equipment and investment properties; and

(vi) 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 77 to 79 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Board met five (5) times during the financial year ended 31 December 2019. Details of attendance are as follows:

Directors	Attendance	%
Dato' Hamzah Bin Mohd Salleh	4/5	80%
Dr Lim Ban Keong	4/5	80%
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	10 October 2019	Implication of Section 17A to Commercial Organisations & Adequate Procedures

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors	Date	Programmes attended
Dr Lim Ban Keong	14 March 2019	Employing Big Data
	16 May 2019	Sales Intelligence - Strategies for the Modern Company and Salesperson
	21 June 2019	The Secret of the Body Language
	17 July 2019	5G and Its Effect
	22 August 2019	Transfer Pricing & Tax Planning
	22 August 2019	NexGard Spectra Launching Seminar
	28 August 2019	National Swine Technical Seminar
	10 October 2019	Implication of Section 17A to Commercial Organisations & Adequate Procedures
Foong Kam Weng	21 June 2019	Use of Hormone for Batch Management
	16 July 2019	ISO 45001:2018 Understanding and Implementing
	10 October 2019	Implication of Section 17A to Commercial Organisations & Adequate Procedures
Dr Yip Lai Siong	10 April 2019	Formosa Biomedical Product Training
	2 May 2019	Laboratory Management System MS ISO/IEC 17025:2017 Training
	10 July 2019	Veterinary Prescription Book Training - Sale of Poisons by Wholesale and Retail
	10 July 2019	Feed Mill Hazard Identification, Risk Assessment, Determine Control Measures & Safety
	16 July 2019	ISO 45001:2018 Understanding and Implementing
	12 September 2019	Veterinary Legislation & Drug Record Keeping Training
	16 - 20 September 2019	World Veterinary Poultry Association Congress
	10 October 2019	Implication of Section 17A to Commercial Organisations & Adequate Procedures
	25 November 2019	ISO 9001:2015 & ISO 45001:2018 Internal Audit Training
Martin Jeyaratnam A/L Thiagaraj	4 March 2019	Ring the Bell for Gender Equality
	3 May 2019	CG Watch: How Does Malaysia Rank?
	10 October 2019	Implication of Section 17A to Commercial Organisations & Adequate Procedures

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors	Date	Programmes attended
Rahanawati Binti Ali Dawam	1 March 2019	Let's Get Real on Anti-Bribery
	4 April 2019	Business Transformation: Going to the Next Performance Level
	4 April 2019	Devil's Advocate Series: Cross Border Business - Malaysia & Indonesia
	12 June 2019	Demystifying the Diversity Conundrum: The Road to Business Excellence by Bursa Malaysia
	18 September 2019	"Fire Prevention" by Fire Prevention Centre
	10 October 2019	Implication of Section 17A to Commercial Organisations & Adequate Procedures
Teoh Chee Yong	10 October 2019	Implication of Section 17A to Commercial Organisations & Adequate Procedures

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

6. Board Committees

Audit and Risk Management Committee

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

The Report on the Audit and Risk Management Committee is set out on pages 77 to 79 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 2019 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.

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Remuneration Committee met once (1) during the financial year ended 31 December 2019 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

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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Company has also put in place the following policies:

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

Subsequent to the financial year ended 31 December 2019, the Board has on 25 February 2020, adopted the Anti-Bribery & Anti-Corruption Policy and Procedure, a copy of which can be found on the Company's website at www.rhonema.com.

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 with 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 28.6% 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 2019. Nonetheless, the Board will use independent search firms in identifying suitable candidates for appointment of directors in the future when the need arise.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

6. Chairman of the Nominating Committee

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

7. Annual Evaluation

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

On 25 February 2020, 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 Dr Lim Ban Keong and Foong Kam Weng.

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 Directors, Group Managing Director and Senior Management lie with the Remuneration Committee. Nevertheless, it is ultimately the responsibility of the Board to approve the remuneration of Directors, Group Managing Director and Senior Management.

Based on the remuneration framework, the remuneration packages of the Group Managing Director, 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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

performance in each financial year. The remuneration packages are designed to support our strategy and provide a balance between motivating and challenging our Group Managing Director, Executive Directors and Senior Management to deliver strong performances in driving the long-term sustainable success of the Group.

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

During the financial year under review, the Remuneration Committee had reviewed the remuneration packages for the Directors, Group Managing Director 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 Directors, Group Managing Director and Senior Management of the Company comprising remuneration received/receivable from the Company and the Group for the financial year 2019 can be obtained on pages 157 to 160 of this Annual Report.

A copy of the Directors and Senior Management's 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 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 2019, 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	48,000	169,600
Non-Audit		
- Tax filing	2,000	34,900
- Review of the Statement on Risk Management and Internal Control	5,000	5,000
- Review of other information	8,000	8,000
Total	**63,000**	**217,500**

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 77 to 79 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

II. Risk Management and Internal Control Framework

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

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

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

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 73 to 76 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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.

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 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 were fully utilised on 10 December 2019.

Details of utilisation as at 31 December 2019 is as follows:

Purpose	Estimated timeframe for utilisation	Proposed utilisation	Actual utilisation	Deviation	Balance unutilised
		RM'000	RM'000	RM'000	RM'000
Capital expenditure	Within 36 months[2]	24,500	24,500	-	-
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**	**31,592**	**-**	**-**

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 2019 that involved the interests of the 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 2019 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 2019 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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.

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) Production;
(ii) Quality assurance;
(iii) Sales and marketing, including intellectual property rights;
(iv) Credit control and collections;
(v) Property, plant and equipment and investment properties; and
(vi) 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;

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- Formalised Code of Conduct and Code of Ethics that set forth the standards by which the Group conducts its operations and Whistle-blower Policy that provides a channel for raising genuine concerns about possible improprieties or wrongdoing involving the Group or its Directors or employees;

- Standardised staff recruitment process and performance appraisal system, as well as structured training and development programs are in place to achieve the objective of ensuring staff are competent to carry out their duties and responsibilities;

- The Board and the Audit and Risk Management Committee meet on a quarterly basis to review the Group's performance and financial results and on an ad-hoc basis where the need arise to discuss matters raised by the Management; and

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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 4 May 2020.

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 2019. 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 RM52,000 for the financial year ended 31 December 2019.

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 73 to 76 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 2019 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 2019, 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 Group and the Company keep proper accounting records which enable the financial position of the Group and the Company as at 31 December 2019 and 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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the provisions of the Companies Act 2016 in Malaysia.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company 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 2019.

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 10 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	8,636,462	1,958,938

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 2018:	
Interim single-tier dividend of 1.00 sen per ordinary share, paid on 13 February 2019	1,826,000
Final single-tier dividend of 2.00 sen per ordinary share, paid on 15 July 2019	3,652,000
	5,478,000

The Directors propose a final single-tier dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, 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 2020.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

On 7 January 2019, the issued and fully paid-up ordinary share capital of the Company was increased from 166,000,000 ordinary shares to 182,600,000 ordinary shares by way of an issuance of 16,600,000 new ordinary shares in the Company ("Bonus Share(s)") pursuant to a bonus issue on the basis of one (1) Bonus Share for every ten (10) existing ordinary shares held in the Company.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company. There were no other issues of shares during the financial year.

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

DIRECTORS' REPORT (CONTINUED)

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS OF RHONE MA HOLDINGS BERHAD

The Directors who 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 2019 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 1.1.2019	Bonus issue #	Total shares after bonus issue	Bought/ (Sold)	Balance as at 31.12.2019
Shares in the Company					
Direct interests:					
Lim Ban Keong	4,423,600	442,360	4,865,960	242,100	5,108,060
Martin Jeyaratnam A/L Thiagaraj	100,000	10,000	110,000	-	110,000
Rahanawati Binti Ali Dawam	50,000	5,000	55,000	-	55,000

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 2019 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 1.1.2019	Bonus issue #	Total shares after bonus issue	Bought/ (Sold)	Balance as at 31.12.2019
Shares in the Company					
Indirect interests:					
Lim Ban Keong *	85,026,400	8,502,643	93,529,043	180,400	93,709,443
Foong Kam Weng *	85,026,400	8,502,643	93,529,043	180,400	93,709,443
Yip Lai Siong *	85,026,400	8,502,643	93,529,043	180,400	93,709,443
Shares in the ultimate holding company					
Blue Advantage Sdn. Bhd.					
Direct interests:					
Lim Ban Keong	3,624	-	3,624	23	3,647
Foong Kam Weng	3,164	-	3,164	-	3,164
Yip Lai Siong	2,190	-	2,190	22	2,212

* 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.

Pursuant to bonus issue on the basis of one (1) Bonus Share for every ten (10) existing ordinary shares held in the Company.

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 29 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 29(c) to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year and 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 2019 was RM17,272.

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 10 to the financial statements.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 33 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

Significant events subsequent to the end of the reporting period are disclosed in Note 34 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 Group and of the Company for the financial year ended 31 December 2019 are disclosed in Note 22 to the financial statements.

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

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

Kuala Lumpur
4 May 2020

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 97 to 177 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 2019 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
4 May 2020

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 97 to 177 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
4 May 2020

……………….………….
Chan Yan San (CA 11673)

Before me:

Shi'aratul Akmar Binti Sahari (W788)
Commissioner for Oaths
Kuala Lumpur

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rhone Ma Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 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 97 to 177.

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 2019, 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 financial 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, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matters of the Group

1. Recoverability of trade receivables

As at 31 December 2019, the net carrying amount of trade receivables of the Group was RM24,786,998, as disclosed in Note 13 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 trade receivables as well as the use of appropriate forward-looking information.

Audit response

Our audit procedures included the following:

(a) assessed the adequacy of credit impaired assessment performed by management on overdue and large receivables;

(b) recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;

(c) recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and

(d) 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)

2. Carrying amount of inventories at lower of cost and net realisable value

As at 31 December 2019, the Group held RM33,818,921 of inventories, as disclosed in Note 12 to the financial statements.

In estimating the net realisable value of inventories, management had exercised significant judgement in identifying slow-moving and obsolete inventories by assessing the expiry dates of the respective inventories, expectation of current market prices and future demand of customers.

We determined this to be a key audit matter as 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.

Audit response

Our audit procedures included the following:

(a) 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 of inventories;

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

(c) tested inventories for sales subsequent to the year end to supporting documentation and assessed that the carrying amount 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

1. Impairment assessment of the carrying amount of cost of investment in and equity loan to a subsidiary

As disclosed in Note 10 to the financial statements, the net carrying amount of cost of investments in subsidiaries amounted to RM87,719,001 as at 31 December 2019. Included in this net carrying amount is cost of investment in and equity loan to a subsidiary amounting to RM86,438,999 as at 31 December 2019.

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 the 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:

(a) 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;

(b) compared prior period projections to actual outcomes to assess the reliability of management's forecasting process;

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

(d) 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)

2. Impairment assessment of amounts owing by subsidiaries

As at 31 December 2019, the carrying amounts owing by subsidiaries of the Company amounted to RM6,250,000, as disclosed in Note 13 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, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

Audit response

Our audit procedures included the following:

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

(b) 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; and

(c) assessed management's basis in determining cash flows recoverable in worst-case scenarios, where applicable.

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 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 ability of the Group and of the Company 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 internal control of the Group and of the Company.

(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 ability of the Group or of the Company 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 of 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 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
02893/08/2021 J
Chartered Accountant

Kuala Lumpur
4 May 2020

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	57,660,065	47,613,400	-	-
Right-of-use assets	8	12,050,164	-	-	-
Investment property	9	5,652,718	-	-	-
Investments in subsidiaries	10	-	-	87,719,001	79,219,001
Other investment	11	40,040	-	-	-
		75,402,987	47,613,400	87,719,001	79,219,001
Current assets					
Inventories	12	33,818,921	28,142,567	-	-
Trade and other receivables	13	30,410,645	30,769,256	6,314,200	5,702,260
Cash and bank balances and short term funds	14	9,209,118	24,435,293	235,820	12,955,133
Current tax assets		43,369	5,706	-	-
		73,482,053	83,352,822	6,550,020	18,657,393
TOTAL ASSETS		148,885,040	130,966,222	94,269,021	97,876,394
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	15	92,114,235	92,114,235	92,114,235	92,114,235
Reserves	16	15,219,712	12,079,693	2,067,506	5,586,568
		107,333,947	104,193,928	94,181,741	97,700,803
TOTAL EQUITY		107,333,947	104,193,928	94,181,741	97,700,803

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
LIABILITIES					
Non-current liabilities					
Borrowings	17	25,221,232	12,500,817	-	-
Deferred tax liabilities	18	342,177	328,907	-	-
		25,563,409	12,829,724	-	-
Current liabilities					
Trade and other payables	19	12,953,090	10,762,276	63,000	94,618
Borrowings	17	2,065,704	2,054,438	-	-
Lease liabilities	8	190,887	-	-	-
Current tax liabilities		778,003	1,125,856	24,280	80,973
		15,987,684	13,942,570	87,280	175,591
TOTAL LIABILITIES		41,551,093	26,772,294	87,280	175,591
TOTAL EQUITY AND LIABILITIES		148,885,040	130,966,222	94,269,021	97,876,394

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Revenue	20	119,058,142	135,239,103	2,850,000	6,170,000
Cost of sales		(84,238,416)	(98,417,611)	-	-
Gross profit		34,819,726	36,821,492	2,850,000	6,170,000
Other operating income		802,304	1,249,533	222,021	618,360
Distribution costs		(8,995,934)	(9,149,363)	-	-
Administrative expenses		(14,369,091)	(14,652,378)	(955,146)	(1,123,566)
Finance costs	21	(942,074)	(659,628)	-	-
Profit before tax	22	11,314,931	13,609,656	2,116,875	5,664,794
Tax expense	23	(2,678,469)	(3,544,156)	(157,937)	(154,865)
Profit for the financial year		8,636,462	10,065,500	1,958,938	5,509,929
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		8,636,462	10,065,500	1,958,938	5,509,929
Total profit for the financial year and total comprehensive income attributable to:					
Owners of the parent		8,636,462	10,065,500	1,958,938	5,509,929
Non-controlling interest		-	-	-	-
		8,636,462	10,065,500	1,958,938	5,509,929

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		Group		Company	
		2019	2018	2019	2018
	Note	sen	sen	sen	sen
Earnings per ordinary share attributable to equity holders of the parent:					
- Basic	24	4.74	5.52		
- Diluted	24	4.74	5.52		
Dividend per ordinary share in respect of the financial year:					
2018					
- Interim single-tier dividend (paid)	25	-	1.00	-	1.00
- Final single-tier dividend (paid)	25	-	2.00	-	2.00
2019					
- Final single-tier dividend (proposed)	25	1.00	-	1.00	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		[-----------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	25	-	-	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

		[-----------Non-distributable-----------]		Distributable	
Group	**Note**	**Share capital RM**	**Reorganisation debit balance RM**	**Retained earnings RM**	**Total equity RM**
Balance as at 1 January 2019, as previously reported		92,114,235	(59,488,997)	71,568,690	104,193,928
Effects on adoption of MFRS 16	5.1	-	-	(18,443)	(18,443)
Balance as at 1 January 2019, as restated		92,114,235	(59,488,997)	71,550,247	104,175,485
Profit for the financial year		-	-	8,636,462	8,636,462
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	8,636,462	8,636,462
Transaction with owners					
Dividends paid	25	-	-	(5,478,000)	(5,478,000)
Total transaction with owners		-	-	(5,478,000)	(5,478,000)
Balance as at 31 December 2019		92,114,235	(59,488,997)	74,708,709	107,333,947

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 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	25	-	(8,300,000)	(8,300,000)
Total transaction with owners		-	(8,300,000)	(8,300,000)
Balance as at 31 December 2018/ 1 January 2019		92,114,235	5,586,568	97,700,803
Profit for the financial year		-	1,958,938	1,958,938
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	1,958,938	1,958,938
Transaction with owners				
Dividends paid	25	-	(5,478,000)	(5,478,000)
Total transaction with owners		-	(5,478,000)	(5,478,000)
Balance as at 31 December 2019		92,114,235	2,067,506	94,181,741

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		11,314,931	13,609,656	2,116,875	5,664,794
Adjustments for:					
Bad debts written off	22	-	2,817	-	-
Depreciation of property, plant and equipment	7	1,049,597	1,104,993	-	-
Depreciation of investment property	9	42,639	-	-	-
Depreciation of right-of use assets	8	502,950	-	-	-
Dividend income		-	-	(2,250,000)	(5,700,000)
Fair value changes on other investment	22	10,010	-	-	-
Impairment losses on trade receivables	13(e)	147,416	98,619	-	-
Interest expense	21	942,074	659,628	-	-
Interest income	22	(37,826)	(31,653)	(205)	-
Income distribution from short term funds	22	(234,755)	(714,138)	(221,816)	(618,360)
Inventories written off	12	533,050	442,323	-	-
Inventories written (back)/down	12	(192,100)	701,100	-	-
Gain on disposal of property, plant and equipment	22	(2,000)	-	-	-
Property, plant and equipment written off	22	10,820	1,221	-	-
Reversal of impairment loss on trade receivables	13(e)	(10,004)	(2,197)	-	-
Net unrealised (gain)/loss on foreign currency exchange	22	(262,625)	142,732	-	-
Operating profit/(loss) before changes in working capital		13,814,177	16,015,101	(355,146)	(653,566)
Changes in working capital:					
Inventories		(6,017,304)	(986,520)	-	-
Trade and other receivables		221,199	3,793,147	(61,940)	-
Trade and other payables		2,453,439	(8,689,451)	(31,618)	37,618
Cash generated from/(used in) operations		10,471,511	10,132,277	(448,704)	(615,948)
Tax paid		(3,050,715)	(3,204,418)	(214,630)	(73,892)
Net cash from/(used in) operating activities		7,420,796	6,927,859	(663,334)	(689,840)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of other investment		(50,050)	-	-	-
Equity loan to a subsidiary		-	-	(8,500,000)	(9,500,000)
Interest received	22	37,826	31,653	205	-
Withdrawal of short term funds		15,092,907	7,296,140	12,950,000	4,992,031
Withdrawal/(Placement) of deposits with licensed banks (maturity more than three (3) months)		1,000,000	(1,020,000)	-	-
Proceeds from disposal of property, plant and equipment		2,000	-	-	-
Purchase of property, plant and equipment	7(a)	(13,775,956)	(11,834,857)	-	-
Purchase of right-of-use assets	8	(1,690,840)	-	-	-
Net cash from/(used in) investing activities		615,887	(5,527,064)	4,450,205	(4,507,969)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from subsidiaries		-	-	1,700,000	8,450,000
Dividends paid	25	(5,478,000)	(8,300,000)	(5,478,000)	(8,300,000)
Drawdown of term loan		1,435,594	5,000,000	-	-
Interest paid		(924,017)	(659,628)	-	-
Repayment of:					
- lease liabilities		(420,791)	-	-	-
- hire purchase liabilities		-	(149,219)	-	-
- term loans		(2,017,492)	(1,267,804)	-	-
Net cash (used in)/from financing activities		(7,404,706)	(5,376,651)	(3,778,000)	150,000
Net increase/(decrease) in cash and cash equivalents		631,977	(3,975,856)	8,871	(5,047,809)
Cash and cash equivalents at beginning of financial year		8,409,904	12,385,760	79,712	5,127,521
Cash and cash equivalents at end of financial year	14(d)	9,041,881	8,409,904	88,583	79,712

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

		Group		
	Note	Lease liabilities (Note 8) RM	Term loans (Note 17) RM	Hire purchase creditors (Note 17) RM
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
As at 1 January 2019, as previously reported		-	14,434,994	120,261
Effects on adoption of MFRS 16	5.1	593,621	-	(120,261)
As at 1 January 2019, as restated		593,621	14,434,994	-
Cash flows		(420,791)	(581,898)	-
Non-cash flows:				
- Unwinding of interest		18,057	-	-
- Purchase of property, plant and equipment		-	13,433,840	-
As at 31 December 2019		190,887	27,286,936	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019

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 changed from Lot 6.05, Level 6, KPMG Tower, No. 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor to 12th Floor, Menara Symphony, No.5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

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 2019 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 4 May 2020.

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 10 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 the 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 16 *Leases* and IC Interpretation 23 *Uncertainty over Income Tax Treatments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

3. BASIS OF PREPARATION (continued)

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.

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 16 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 2019 (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 2019 (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* 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.3 Business combinations (continued)

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.

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	Up to 98 years
Buildings	50 years
Good Manufacturing Practices ("GMP") plant and equipment	10%
Furniture and fittings	10%
Motor vehicles	25%
Laboratory equipment	10%
Office and computer equipment	10% - 25%
Product applicator and vaccination equipment	20%
Renovations	20%

Freehold land has unlimited useful life and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

Upon adoption of MFRS 16 *Leases*, the carrying amount of the long term leasehold land previously classified as finance leases had been recognised by the Group immediately before transition as the carrying amount of the right-of-use assets at the date of initial application as disclosed in Note 8 to the financial statements.

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 4.9 to the financial statements on impairment of non-financial assets).

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

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

4.5 Leases

The Group as lessee

Accounting policies applied from 1 January 2019

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

(a) periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and

(b) periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases (continued)

The Group as lessee (continued)

Accounting policies applied from 1 January 2019 (continued)

The Group has elected not to recognise right-of use assets and lease liabilities for short-term leases and leases of low-value assets of RM20,000 and below. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset is initially recorded at cost, which comprises:

(a) the amount of the initial measurement of the lease liability;

(b) any lease payments made at or before the commencement date of the lease, less any lease incentives received;

(c) any initial direct costs incurred by the Group; and

(d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

Subsequent to the initial recognition, the right-of-use asset is measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Long term leasehold land	Up to 98 years
Warehouse	3 years

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases (continued)

Accounting policies applied until 31 December 2018

(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 2019 (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 Investment properties

Investment properties are properties which are held to earn rental yields or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses.

Subsequent costs are included in the carrying amount of the investment properties 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 asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred.

After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation period for the investment property is fifty (50) years.

At the end of each reporting period, the carrying amount of an item of the investment properties 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 4.9 to the financial statements on impairment of non-financial assets).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 Investment properties (continued)

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 investment properties. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

Investment properties are derecognised when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and is recognised in profit or loss in the period of the retirement or disposal.

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 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 the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.9 Impairment of non-financial assets (continued)

The impairment loss is recognised in profit or loss immediately.

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

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

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

4.10 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 the policy applicable to the nature of the host contract.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets

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 assets 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 impairment losses, if any.

(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.

Subsequent 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(a) Financial assets (continued)

(ii) Financial assets measured at fair value (continued)

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 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 Financial instruments (continued)

(b) Financial liabilities

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 measured at FVTPL or financial liabilities measured at amortised cost.

(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. Derivative 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 when the Group's own credit risk increases or decreases and which is recognised in other comprehensive income. Net gains or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

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 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 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.

4.12 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.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.13 Impairment of financial assets

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.

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, amounts due from subsidiaries and amounts due from related parties 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 by other receivables, amounts due from subsidiaries and amounts due from related parties 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, amounts due from subsidiaries and amounts due from related parties.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of the 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 Borrowing costs

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

4.15 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, if any.

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Income taxes (continued)

(b) Deferred tax (continued)

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.

4.16 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.

4.17 Contingent liabilities and contingent assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Employee benefits

(a) Short term employee benefits

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

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

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

(b) Defined contribution plans

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

4.19 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 Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency translations and balances

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Revenue recognition

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.

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

Management fee is recognised at a point in time when management services is rendered and accepted by subsidiaries.

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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.21 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 2019 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 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.

4.23 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 2019 (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
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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 16 as described in the following sections.

MFRS 16 *Leases*

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group and the Company is the lessor.

The Group applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019. Accordingly, the comparative information presented is not restated.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate of the Group as of 1 January 2019. The incremental borrowing rate of the Group applied to the lease liabilities on 1 January 2019 was 5.75%.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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

5.1 New MFRSs adopted during the financial year (continued)

MFRS 16 *Leases* (continued)

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

(a) Applying a single discount rate to a portfolio of leases with reasonably similar characteristics;

(b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;

(c) Accounting for operating leases with a remaining lease term of less than twelve (12) months as at 1 January 2019 and do not contain a purchase option as short-term leases;

(d) Excluding initial direct costs for the measurement of the right-of-use assets at the date of initial application; and

(e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities, recognising the difference in retained earnings. The impact on transition is summarised below:

Group	Note	As at 31 December 2018 RM	Impact RM	As at 1 January 2019 RM
Property, plant and equipment		47,613,400	(10,407,357)	37,206,043
Right-of-use assets	(a)	-	10,862,274	10,862,274
Retained earnings		71,568,690	(18,443)	71,550,247
Borrowings		14,555,255	(120,261)	14,434,994
Lease liabilities	(b)	-	593,621	593,621

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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

5.1 New MFRSs adopted during the financial year (continued)

MFRS 16 *Leases* (continued)

(a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of-use assets were measured at their carrying amounts as if MFRS 16 had been applied since the commencement date, but discounted using the Company's incremental borrowing rate at the date of initial application.

(b) Lease liabilities are measured as follows:

	Group RM
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	494,000
Weighted average incremental borrowing rate as at 1 January 2019	5.75%
Discounted operating lease commitments as at 1 January 2019	473,360
Financed lease liabilities recognised as at 31 December 2018	120,261
Lease liabilities recognised at 1 January 2019	593,621

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

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
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
Amendments to MFRS 9, MFRS 139 and MFRS 7 *Interest Rate Benchmark Reform*	1 January 2020
MFRS 17 *Insurance Contracts*	1 January 2021
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2022
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 and Amendments, since the effects would only be observable in future financial years.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's 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 as well as the use of appropriate forward-looking information.

(b) Carrying amount of inventories at lower of cost and net realisable value

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 had exercised significant judgement in identifying slow-moving and obsolete inventories by assessing the expiry dates of the respective inventories, expectation of current market prices and future demand of customers.

(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 the 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, significant increase in credit risk and estimated cash flows recoverable in worst-case scenarios.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Long term leasehold land RM	Buildings 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 2019												
At cost												
At 1 January 2019, as previously reported	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
Effects on adoption of MFRS 16 (Note 5.1)	-	(11,510,200)	-	-	-	(1,005,790)	-	-	-	-	-	(12,515,990)
At 1 January 2019, as restated	12,160,643	-	4,781,409	3,074,952	455,658	633,334	4,809,966	2,139,795	325,315	4,153,652	18,148,312	50,683,036
Additions	-	-	-	34,639	91,727	98,000	107,727	182,206	134,951	61,207	26,499,339	27,209,796
Disposals	-	-	-	-	-	-	(108,450)	-	-	-	-	(108,450)
Written off	-	-	-	-	(10,700)	-	-	(120,126)	-	-	-	(130,826)
Reclassification	-	-	12,904,602	-	-	-	-	-	-	-	(12,904,602)	-
Reclassification to investment properties (Note 9)	(3,648,640)	-	(2,131,998)	-	-	-	-	-	-	-	-	(5,780,638)
At 31 December 2019	8,512,003	-	15,554,013	3,109,591	536,685	731,334	4,809,243	2,201,875	460,266	4,214,859	31,743,049	71,872,918

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Long term leasehold land RM	Buildings 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 2019												
Accumulated depreciation												
At 1 January 2019, as previously reported	-	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
Effects on adoption of MFRS 16 (Note 5.1)	-	(1,102,844)	-	-	-	(1,005,789)	-	-	-	-	-	(2,108,633)
At 1 January 2019, as restated	-	-	384,407	2,808,223	415,838	574,586	3,509,457	1,494,046	136,784	4,153,652	-	13,476,993
Depreciation charge for the financial year	-	-	318,739	118,721	16,705	63,747	248,110	162,889	90,083	30,603	-	1,049,597
Disposals	-	-	-	-	-	-	(108,450)	-	-	-	-	(108,450)
Written off	-	-	-	-	(10,700)	-	-	(109,306)	-	-	-	(120,006)
Reclassification to investment properties (Note 9)	-	-	(85,281)	-	-	-	-	-	-	-	-	(85,281)
At 31 December 2019	-	-	617,865	2,926,944	421,843	638,333	3,649,117	1,547,629	226,867	4,184,255	-	14,212,853
Net carrying amount												
At 31 December 2019	8,512,003	-	14,936,148	182,647	114,842	93,001	1,160,126	654,246	233,399	30,604	31,743,049	57,660,065

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Long term leasehold land RM	Buildings 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
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
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 2019 (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 2019 RM	Group 2018 RM
Purchase of property, plant and equipment	27,209,796	14,690,857
Financed by term loans	(13,433,840)	(2,856,000)
Cash payments on purchase of property, plant and equipment	13,775,956	11,834,857

(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 2019 RM	Group 2018 RM
Motor vehicles	-	1

Details of the hire purchase arrangements are disclosed in Note 17 to the financial statements.

(c) As at the end of the reporting period, freehold land and certain buildings of the Group with total carrying amounts of RM8,512,003 and RM1,528,795 respectively (2018: RM12,160,643 and RM3,619,968 respectively) have been charged to banks for credit facilities granted to the Group as disclosed in Note 17 and Note 28 to the financial statements.

In the previous financial year, long term leasehold land of the Group with a total carrying amount of RM9,476,548 had been charged to banks for credit facilities granted to the Group as disclosed in Note 17 and Note 28 to the financial statements.

Upon adoption of MFRS 16 *Leases*, the carrying amount of the long term leasehold land of the Group with a total carrying amount of RM10,407,357 previously classified as finance leases had been recognised by the Group immediately before transition as the carrying amount of the right-of-use assets at the date of initial application as disclosed in Note 8 to the financial statements.

(d) During the current financial year, a freehold land and building of the Group with a total carrying amount of RM5,695,357 (2018: RMNil) been reclassified as an investment property as disclosed in Note 9 to the financial statements.

8. LEASES

The Group as lessee

Right-of-use assets

Group At 31 December 2019	Long term leasehold land RM	Warehouse RM	Motor vehicles RM	Total RM
At cost				
At 1 January 2019	-	-	-	-
Effects on adoption of MFRS 16 (Note 5.1)	11,510,200	454,917	1,005,790	12,970,907
Addition	1,690,840	-	-	1,690,840
At 31 December 2019	13,201,040	454,917	1,005,790	14,661,747

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

8. LEASES (continued)

The Group as lessee (continued)

Right-of-use assets (continued)

Group At 31 December 2019	Long term leasehold land RM	Warehouse RM	Motor vehicles RM	Total RM
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Effects on adoption of MFRS 16 (Note 5.1)	1,102,844	-	1,005,789	2,108,633
Depreciation charge for the financial year	215,634	287,316	-	502,950
At 31 December 2019	1,318,478	287,316	1,005,789	2,611,583
Net carrying amount				
At 31 December 2019	11,882,562	167,601	1	12,050,164

(a) The long term leasehold land of the Group have remaining tenure of 53 to 96 years.

(b) The Group leases a warehouse and motor vehicles with lease periods of three (3) years to five (5) years. The lease for the warehouse was entered into by the Group for an initial lease period of three (3) years with an option to renew for another three (3) years. The original tenure expired on 31 July 2017 and the extended tenure of another three (3) years will expire on 31 July 2020.

(c) The Group has lease of another warehouse with a remaining lease term of less than twelve (12) months. The Group applies the "short-term lease" exemption for this lease.

(d) As at the end of the reporting period, included in right-of-use assets of the Group are certain long term leasehold land with a total carrying amount of RM9,295,973 that have been charged to banks for credit facilities granted to the Group as disclosed in Note 17 and Note 28 to the financial statements.

(e) The following are the amounts recognised in profit or loss:

	Group 2019 RM
Included in administration expenses:	
Expense relating to short-term lease	66,295
Depreciation charge of right-of-use assets	502,950
Included in finance costs:	
Interest expense on lease liabilities	18,057
	587,302

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

8. LEASES (continued)

The Group as lessee (continued)

Lease liabilities

Group At 31 December 2019	Warehouse RM	Motor vehicles RM	Total RM
At 1 January 2019	-	-	-
Effects on adoption of MFRS 16 (Note 5.1)	473,360	120,261	593,621
Lease payments	(312,000)	(108,791)	(420,791)
Interest expense	18,057	-	18,057
At 31 December 2019	179,417	11,470	190,887

	Group 2019 RM	Group 2018 RM
Represented by:		
Lease liabilities owing to non-financial institutions		
Current liabilities	190,887	-

(a) The movements of lease liabilities during the financial year are as follows:

	Group 2019 RM	Group 2018 RM
At 1 January 2019	-	-
Effects on adoption of MFRS 16 (Note 5.1)	593,621	-
Lease payments	(420,791)	-
Interest expense	18,057	-
At 31 December 2019	190,887	-

(b) At the end of the financial year, the Group had total cash outflow for leases of RM420,791.

(c) Information on the financial risk of lease liabilities is disclosed in Note 32 to the financial statements.

The Group as lessor

The Group has entered into a non-cancellable lease agreement for a warehouse for a term of two (2) years with an option to renew for another two (2) years. The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group 2019 RM	Group 2018 RM
Less than one (1) year	252,000	-
One (1) to two (2) years	231,000	-
	483,000	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

9. INVESTMENT PROPERTY

Group At 31 December 2019	Freehold land RM	Building RM	Total RM
At cost			
At 1 January 2019	-	-	-
Reclassification from property, plant and equipment (Note 7)	3,648,640	2,131,998	5,780,638
At 31 December 2019	3,648,640	2,131,998	5,780,638
Accumulated depreciation			
At 1 January 2019	-	-	-
Reclassification from property, plant and equipment (Note 7)	-	85,281	85,281
Depreciation charge for the financial year	-	42,639	42,639
At 31 December 2019	-	127,920	127,920
Net carrying amount			
At 31 December 2019	3,648,640	2,004,078	5,652,718
Fair value			
At 31 December 2019			5,800,000
At 31 December 2018			
At cost/Accumulated depreciation	-	-	-
Net carrying amount			
At 31 December 2018	-	-	-
Fair value			
At 31 December 2018			-

(a) As at the end of the reporting period, the investment property of the Group with a total carrying amount of RM5,652,718 (2018: RMNil) has been pledged as securities for banking facilities granted to the Group as disclosed in Note 17 and Note 28 to the financial statements.

(b) As at the end of the reporting period, rental income of the Group derived from the investment property amounted to RM21,000 (2018: RMNil).

(c) The amounts of direct expenses recognised in profit or loss during the financial year are as follows:

	Group 2019 RM	Group 2018 RM
Income generating unit		
- Repairs and maintenance	49,050	-
- Quit rent and assessment	15,159	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

9. INVESTMENT PROPERTY (continued)

(d) The fair value of the investment property for disclosure purposes, which is at Level 3 fair value is estimated at approximately RM5,800,000 based on Directors' estimation by reference to market evidence of transaction prices of similar properties in the vicinity and same category.

There was no transfer between Level 3 fair value measurements during the financial year ended 31 December 2019.

10. INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM	Company 2018 RM
Unquoted equity shares, at cost	63,219,001	63,219,001
Equity loan to a subsidiary	24,500,000	16,000,000
	87,719,001	79,219,001

(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.

(c) Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective interest in equity 2019 %	Effective interest in equity 2018 %	Principal activities
Rhone Ma Malaysia Sdn. Bhd.	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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONTINUED)

10. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows (continued):

Name of Company	Country of incorporation	Effective interest in equity 2019 %	Effective interest in equity 2018 %	Principal activities
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%	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 Healthcare & Diagnostics Sdn. Bhd. whose 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.

11. OTHER INVESTMENT

	Group 2019 RM	Group 2018 RM
Financial assets at fair value through profit or loss		
Quoted shares in Malaysia	40,040	-

Information on the fair value hierarchy is disclosed in Note 31 to the financial statements.

12. INVENTORIES

	Group 2019 RM	Group 2018 RM
Trading goods	19,223,186	17,184,148
Finished goods	5,467,213	1,720,651
Raw materials	8,758,476	8,906,702
Packaging materials	370,046	331,066
	33,818,921	28,142,567

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

12. INVENTORIES (continued)

(a) Cost of inventories of the Group recognised as cost of sales during the financial year amounted to RM80,182,481 (2018: RM94,827,123).

(b) During the financial year, the Group has written off inventories amounting to RM533,050 (2018: RM442,323) and a reversal of write-down of inventories of the Group amounting RM192,100 (2018: Nil) was made as the Group was able to sell those inventories above their carrying amounts.

(c) In previous financial year, the Group had written down inventories amounting to RM701,100 and were charged to profit or loss.

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade receivables				
Third parties	25,230,686	23,303,381	-	-
Less: Impairment losses	(443,688)	(344,029)	-	-
	24,786,998	22,959,352	-	-
Other receivables				
Amounts owing by subsidiaries	-	-	6,250,000	5,700,000
Deposits	590,207	385,157	2,260	2,260
Other receivables	452,615	1,411,587	61,940	-
	1,042,822	1,796,744	6,314,200	5,702,260
Total trade and other receivables	25,829,820	24,756,096	6,314,200	5,702,260
Prepayments	4,580,825	6,013,160	-	-
	30,410,645	30,769,256	6,314,200	5,702,260

(a) Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranged from 30 to 90 days (2018: 30 to 90 days) from the date of invoice. They are recognised at their original invoiced amounts, which represent their fair values on initial recognition.

(b) Included in the amounts owing by subsidiaries is an amount of RM2,250,000 (2018: RM5,700,000) which represent dividend income receivable from subsidiaries which are interest free and repayable within the next twelve (12) months in cash and cash equivalents.

The remaining amounts owing by subsidiaries of RM4,000,000 (2018: RMNil) represents advances of fund to a subsidiary 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 RM4,433,554 (2018: RM5,946,935).

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (continued)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	25,550,727	24,139,571	6,314,200	5,702,260
US Dollar	279,093	523,664	-	-
Euro	-	92,861	-	-
	25,829,820	24,756,096	6,314,200	5,702,260

(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.

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

Group	Lifetime expected credit loss ("ECL") allowance RM	Credit impaired RM	Total allowance RM
At 1 January 2019	81,000	263,029	344,029
Charge for the financial year	22,000	125,416	147,416
Reversal of impairment loss	-	(10,004)	(10,004)
Bad debts written off	-	(37,753)	(37,753)
At 31 December 2019	103,000	340,688	443,688
At 1 January 2018	-	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

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.

The Group has identified the Gross Domestic Product ("GDP"), unemployment rate, inflation rate, Malaysia non-performing loan rate, service growth rate, manufacturing growth rate and consumer price index as the key macroeconomic factors in determining the lifetime expected credit loss for trade receivables.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (continued)

(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 2019 RM	Group 2018 RM
Maximum exposure	24,786,998	22,959,352
Collateral obtained	-	-
Net exposure to credit risk	24,786,998	22,959,352

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 2019	Gross carrying amount RM	Total allowance RM	Balance as at 31.12.2019 RM
Current	12,511,523	(3,720)	12,507,803
Past due:			
1 to 30 days	6,017,600	(11,160)	6,006,440
31 to 60 days	4,116,902	(18,600)	4,098,302
61 to 90 days	1,293,221	(30,872)	1,262,349
91 to 120 days	326,316	(19,800)	306,516
More than 120 days	965,124	(359,536)	605,588
	12,719,163	(439,968)	12,279,195
	25,230,686	(443,688)	24,786,998

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 2019 (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (continued)

(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 amounts owing by 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 32 to the financial statements.

14. CASH AND BANK BALANCES AND SHORT TERM FUNDS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	9,011,881	8,379,904	88,583	79,712
Deposits with licensed banks	50,000	1,050,000	-	-
Short term funds	147,237	15,005,389	147,237	12,875,421
	9,209,118	24,435,293	235,820	12,955,133

(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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

14. CASH AND BANK BALANCES AND SHORT TERM FUNDS (continued)

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	8,755,719	23,715,690	235,820	12,955,133
US Dollar	453,399	719,603	-	-
	9,209,118	24,435,293	235,820	12,955,133

(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	
	2019 RM	2018 RM	2019 RM	2018 RM
Cash and bank balances	9,061,881	9,429,904	88,583	79,712
Less:				
Deposits with licensed banks with original maturity of more than three (3) months	(20,000)	(1,020,000)	-	-
Cash and cash equivalents included in the statements of cash flows	9,041,881	8,409,904	88,583	79,712

(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 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

15. SHARE CAPITAL

	Group and Company			
	2019		2018	
	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	92,114,235
Ordinary shares issued pursuant to Bonus Issue	16,600,000	-	-	-
As at 31 December	182,600,000	92,114,235	166,000,000	92,114,235

(a) On 7 January 2019, the issued and fully paid-up ordinary share capital of the Company was increased from 166,000,000 ordinary shares to 182,600,000 ordinary shares by way of an issuance of 16,600,000 new ordinary shares in the Company ("Bonus Share(s)") pursuant to a bonus issue on the basis of one (1) Bonus Share for every ten (10) existing ordinary shares held in the Company.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

16. RESERVES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Non-distributable				
Reorganisation debit balance	(59,488,997)	(59,488,997)	-	-
Distributable				
Retained earnings	74,708,709	71,568,690	2,067,506	5,586,568
	15,219,712	12,079,693	2,067,506	5,586,568

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 2019 (CONTINUED)

17. BORROWINGS

	Group 2019 RM	Group 2018 RM
Current liabilities		
Hire purchase creditors (Note 17(e))	-	108,851
Term loans (secured)	2,065,704	1,945,587
	2,065,704	2,054,438
Non-current liabilities		
Hire purchase creditors (Note 17(e))	-	11,410
Term loans (secured)	25,221,232	12,489,407
	25,221,232	12,500,817
	27,286,936	14,555,255
Total borrowings		
Hire purchase creditors (Note 17(e))	-	120,261
Term loans (secured)	27,286,936	14,434,994
	27,286,936	14,555,255

(a) Borrowings are denominated in RM.

(b) 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
Term loan 5	Base lending rate - 1.75%	December 2019	120 monthly instalments of RM236,150 commencing from the date of full drawndown or first day of the 25th months from the date of first drawndown, whichever is earlier

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

17. BORROWINGS (continued)

(b) The term loans are repayable as follows (continued):

Loan	Interest rate	Year of drawdown	Repayment term
Term loan 6	Effective Profit Rate - 2.57% at daily rests plus 1 month Kuala Lumpur Interbank Offered Rate (KLIBOR)	August 2019	60 monthly instalments of RM18,991 commencing after the first utilisation until the end of the facility tenor or full disbursement of this facility is made, whichever is earlier

(c) As at the end of the reporting period, term loans of the Group are secured by charges over freehold land, certain buildings, certain long term leasehold land included in right-of-use assets and investment property of the Group with total carrying amounts of RM8,512,003, RM1,528,795, RM9,295,973 and RM5,652,718 respectively (2018: RM12,160,643, RM3,619,968, RM9,476,548 and RMNil respectively) as disclosed in Note 7, Note 8 and Note 9 to the financial statements; and corporate guarantees by the Company as disclosed in Note 28 to the financial statements.

(d) Information on financial risks of borrowings and their remaining maturity is disclosed in Note 32 to the financial statements.

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

	Group	
	2019 RM	2018 RM
Future minimum lease payments:		
Not later than one (1) year	-	111,509
Later than one (1) year and not later than five (5) years	-	11,472
Total future minimum lease payments	-	122,981
Less: Future interest charges	-	(2,720)
Present value of hire purchase creditors	-	120,261
Repayable as follows:		
Current liabilities		
- not later than one (1) year	-	108,851
Non-current liabilities		
- later than one (1) year and not later than five (5) years	-	11,410
	-	120,261

Upon adoption of MFRS 16 *Leases*, the carrying amount of the hire purchase creditors of the Group with a total carrying amount of RM120,261 previously classified as finance leases had been recognised by the Group immediately before transition as the carrying amount of the lease liabilities at the date of initial application as disclosed in Note 8 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

18. DEFERRED TAX

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

	Group	
	2019 RM	2018 RM
Balance as at 1 January	328,907	411,188
Recognised in profit or loss (Note 23)		
- current year	(11,452)	70,181
- prior years	24,722	(152,462)
Balance as at 31 December	342,177	328,907

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

	Group	
	2019 RM	2018 RM
Deferred tax liabilities		
At 1 January	328,907	411,188
Recognised in profit or loss:		
- Property, plant and equipment	13,270	(82,281)
At 31 December	342,177	328,907

(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	
	2019 RM	2018 RM
Property, plant and equipment	-	8,815
Unabsorbed tax losses:		
- Expires by 31 December 2025	52,269	61,427
- Expires by 31 December 2026	149,921	-
Unutilised capital allowances	144,735	89,887
	346,925	160,129

Deferred tax assets of a subsidiary have not been recognised in respect of the above items as it is not probable that future taxable profits of the subsidiary 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 the year of assessment 2025. The unabsorbed tax losses for the year of assessment 2019 onwards will expire after seven (7) consecutive years of assessments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONTINUED)

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Trade payables				
Third parties	8,453,993	6,674,911	-	-
Other payables				
Other payables	2,147,005	1,500,845	-	43,717
Deposit	63,000	-	-	-
Accruals	2,289,092	2,586,520	63,000	50,901
	4,499,097	4,087,365	63,000	94,618
	12,953,090	10,762,276	63,000	94,618

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2018: 30 to 60 days) from the date of invoice.

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Ringgit Malaysia	6,137,791	6,434,774	63,000	94,618
US Dollar	1,516,494	2,740,335	-	-
Euro	5,298,805	1,587,167	-	-
	12,953,090	10,762,276	63,000	94,618

(c) Information on financial risks of trade and other payables is disclosed in Note 32 to the financial statements.

20. REVENUE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Revenue from contracts with customers				
Sales of goods	116,475,336	132,136,106	-	-
Services rendered	2,582,806	3,102,997	-	-
Management fee	-	-	600,000	470,000
	119,058,142	135,239,103	600,000	470,000
Others				
- Dividend income	-	-	2,250,000	5,700,000
	119,058,142	135,239,103	2,850,000	6,170,000

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

20. REVENUE (continued)

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Timing of revenue recognition				
Transferred at a point in time	119,058,142	135,239,103	600,000	470,000

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

21. FINANCE COSTS

	Group	
	2019 RM	2018 RM
Interest expenses on:		
Term loans	709,483	536,811
Bank overdraft	211,817	90,284
Hire purchase	2,717	32,533
Lease liabilities	18,057	-
	942,074	659,628

22. PROFIT BEFORE TAX

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Auditors' remuneration				
- statutory	169,600	160,000	48,000	45,000
- others	13,000	13,000	13,000	13,000
Bad debts written off	-	2,817	-	-
Fair value changes on other investment	10,010	-	-	-
Inventories written down	-	701,100	-	-
Inventories written off	533,050	442,323	-	-
Property, plant and equipment written off	10,820	1,221	-	-
Rental of premises	66,295	518,064	-	-
Net loss on foreign currency translations:				
- realised	-	145,534	-	-
- unrealised	-	142,732	-	-

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

22. PROFIT BEFORE TAX (continued)

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

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Dividend income from subsidiaries	-	-	(2,250,000)	(5,700,000)
Gain on disposal of property, plant and equipment	(2,000)	-	-	-
Interest income	(37,826)	(31,653)	(205)	-
Income distribution from short term funds	(234,755)	(714,138)	(221,816)	(618,360)
Net gain on foreign currency translations				
- realised	(328,430)	-	-	-
- unrealised	(262,625)	-	-	-
Inventories written back	(192,100)	-	-	-
Rental income of investment property	(21,000)	-	-	-

23. TAX EXPENSE

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Current tax expense based on profit for the financial year:				
- current year provision	2,605,732	3,121,468	133,062	106,573
- under-provision in prior years	59,467	504,969	24,875	48,292
	2,665,199	3,626,437	157,937	154,865
Deferred tax (Note 18):				
Origination of temporary differences	(11,452)	70,181	-	-
Under/(Over)-provision in prior years	24,722	(152,462)	-	-
	13,270	(82,281)	-	-
	2,678,469	3,544,156	157,937	154,865

(a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

23. TAX EXPENSE (continued)

(b) 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Profit before tax	11,314,931	13,609,656	2,116,875	5,664,794
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	2,715,583	3,266,317	508,050	1,359,551
Tax effects in respect of:				
Non-allowable expenses	850,410	684,905	219,429	263,429
Non-taxable income	(1,016,544)	(797,167)	(594,417)	(1,516,407)
Deferred tax assets not recognised	44,831	37,594	-	-
	2,594,280	3,191,649	133,062	106,573
Under-provision of tax expense in prior years	59,467	504,969	24,875	48,292
Under/(Over)-provision of deferred tax in prior years	24,722	(152,462)	-	-
	2,678,469	3,544,156	157,937	154,865

(c) 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 subsidiary 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.

24. 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	
	2019	2018 Restated
Profit attributable to equity holders of the parent (RM)	8,636,462	10,065,500
Weighted average number of ordinary shares in issue	182,327,123	182,327,123
Basic earnings per ordinary share (sen)	4.74	5.52

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

24. EARNINGS PER SHARE (continued)

(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.

25. DIVIDENDS

	Group and Company			
	2019		2018	
	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 2018:				
Interim single-tier dividend, paid on 13 February 2019	1.00	1,826,000	-	-
Final single-tier dividend, paid on 15 July 2019	2.00	3,652,000	-	-
	3.00	5,478,000	-	-
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

The Directors propose a final single-tier dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2019, 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 2020.

26. EMPLOYEE BENEFITS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Wages, salaries and bonuses	10,401,818	10,907,177	150,000	150,000
Contributions to defined contribution plan	1,475,932	1,576,670	-	-
Social security contributions	89,771	99,960	-	-
	11,967,521	12,583,807	150,000	150,000

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

26. EMPLOYEE BENEFITS (continued)

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 RM2,268,095 (2018: RM2,350,921) and RM150,000 (2018: RM150,000) respectively.

27. COMMITMENTS

(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	
	2019 RM	2018 RM
Not later than 1 year	-	312,000
Later than one (1) year and not later than five (5) years	-	182,000
	-	494,000

(b) Capital commitments

	Group	
	2019 RM	2018 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	16,861,797	39,432,267

28. CONTINGENT LIABILITIES

	Company	
	2019 RM	2018 RM
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries		
Secured:		
- Limit of guarantee	73,649,304	29,677,324
- Amount utilised	28,329,685	15,287,819
Unsecured:		
- Limit of guarantee	5,300,000	-
- Amount utilised	-	-

The secured corporate guarantees of the Company are secured by way of pledge of freehold land, certain buildings, certain long term leasehold land included in right-of-use assets and investment property of the Group as disclosed in Note 7, Note 8 and Note 9 to the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

29. 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 10 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	
	2019	2018
	RM	RM
Subsidiaries:		
Management fee	600,000	470,000
Dividend income	2,250,000	5,700,000

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 2019 (CONTINUED)

29. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

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

	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
Executive Directors' remuneration:				
Fees	246,000	295,000	150,000	150,000
Salaries and other emoluments	1,759,797	1,797,951	-	-
Defined contribution plan	262,298	257,970	-	-
	2,268,095	2,350,921	150,000	150,000
Estimated monetary value of benefits-in-kind	68,821	80,000	-	-
	2,336,916	2,430,921	150,000	150,000
Non-executive Directors' remuneration:				
Fees	259,000	210,000	210,000	210,000
Other emoluments	54,400	21,600	18,400	21,600
	313,400	231,600	228,400	231,600
Total Directors' remuneration	2,650,316	2,662,521	378,400	381,600
Total Directors' remuneration excluding benefits-in-kind	2,581,495	2,582,521	378,400	381,600
Estimated monetary value of benefits-in-kind	68,821	80,000	-	-
Total Directors' remuneration including benefits-in-kind	2,650,316	2,662,521	378,400	381,600

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

29. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

	2019		2018	
	Directors' fees RM	Other emoluments/ salaries RM	Directors' fees RM	Other emoluments/ salaries RM
Group				
Dato' Hamzah Bin Mohd Salleh	60,000	4,000	60,000	4,800
Lim Ban Keong	74,000	779,259	74,000	783,787
Foong Kam Weng	74,000	603,955	74,000	645,235
Yip Lai Siong	74,000	429,538	74,000	384,313
Martin Jeyaratnam A/L Thiagaraj	50,000	4,800	50,000	6,400
Rahanawati Binti Ali Dawam	50,000	4,800	50,000	5,600
Teoh Chee Yong	50,000	4,800	50,000	4,800
Raymond Choo Pow Yoon	49,000	36,000	49,000	36,000
Lim Hang Chern	24,000	278,164	24,000	286,586
	505,000	2,145,316	505,000	2,157,521
Company				
Dato' Hamzah Bin Mohd Salleh	60,000	4,000	60,000	4,800
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	4,800	50,000	6,400
Rahanawati Binti Ali Dawam	50,000	4,800	50,000	5,600
Teoh Chee Yong	50,000	4,800	50,000	4,800
	360,000	18,400	360,000	21,600

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

	Group	
	2019 RM	2018 RM
Wages, salaries and bonuses	1,686,020	1,623,020
Contributions to defined contribution plan	364,802	355,680
Other emoluments	758,654	791,835
	2,809,476	2,770,535
Estimated monetary value of benefits-in-kind	116,821	122,000
Total key management personnel's remuneration	2,926,297	2,892,535

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

29. 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	392,000	99,817	263,492	23,950	779,259
Foong Kam Weng	269,640	74,303	242,379	17,633	603,955
Yip Lai Siong	238,980	53,888	123,832	12,838	429,538
Chan Yan San	313,600	53,460	43,724	24,000	434,784
Goh Wee Chong	282,800	49,044	44,753	24,000	400,597
Lim Hang Chern	189,000	34,290	40,474	14,400	278,164

30. 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.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

30. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

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.

2019	Animal health products RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
Revenue					
External sales	88,321,862	28,153,474	2,582,806	-	119,058,142
Inter-segment sales	7,602,532	169,607	10,023,637	(17,795,776)	-
Total	95,924,394	28,323,081	12,606,443	(17,795,776)	119,058,142
Results					
Segment results	6,914,675	2,542,997	2,526,752	-	11,984,424
Interest expense	(924,017)	(222,366)	-	204,309	(942,074)
Interest income	215,860	1,880	259,150	(204,309)	272,581
Profit before tax					11,314,931
Tax expense	(1,751,862)	(519,463)	(407,144)	-	(2,678,469)
Profit for the year					8,636,462
Other information					
Segment assets	136,482,037	12,553,612	51,583,069	(51,733,678)	148,885,040
Segment liabilities	61,914,988	3,064,887	3,818,249	(27,247,031)	41,551,093
Capital expenditure:					
- Property, plant and equipment	27,067,430	23,500	118,866	-	27,209,796
- Right-of-use assets	1,690,840	-	-	-	1,690,840
Depreciation	1,065,996	380,886	614,304	(466,000)	1,595,186
Other material non-cash items:					
- Inventories written back	(192,100)	-	-	-	(192,100)
- Inventories written off	337,381	195,669	-	-	533,050

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

30. 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

(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 following is a major customer with revenue equal or more than ten percent (10%) of the Group's revenue:

	2019 RM	2018 RM
Customer A	20,691,021	18,719,979

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

31. 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 2019 and 31 December 2018.

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, lease liabilities, 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	
	2019 RM	2018 RM	2019 RM	2018 RM
Borrowings	27,286,936	14,555,255	-	-
Lease liabilities	190,887	-	-	-
Trade and other payables	12,953,090	10,762,276	63,000	94,618
	40,430,913	25,317,531	63,000	94,618
Less: Cash and bank balances and short term funds	(9,209,118)	(24,435,293)	(235,820)	(12,955,133)
Net debt/(Net cash)	31,221,795	882,238	(172,820)	(12,860,515)
Total capital	107,333,947	104,193,928	94,181,741	97,700,803
Gearing ratio	29%	1%	- *	- *

* Gearing ratio is not presented as the Company was in a 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 2019.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

Categories of financial instruments

2019	Fair value through profit or loss RM	Amortised cost RM	Total RM
Group			
Financial assets			
Other investment	40,040	-	40,040
Trade and other receivables, net of prepayments	-	25,829,820	25,829,820
Cash and bank balances	-	9,061,881	9,061,881
Short term funds	147,237	-	147,237
	187,277	34,891,701	35,078,978

	Amortised cost RM	Total RM
Financial liabilities		
Borrowings	27,286,936	27,286,936
Trade and other payables	12,953,090	12,953,090
	40,240,026	40,240,026

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

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

31. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

Categories of financial instruments (continued)

2019	Fair value through profit or loss RM	Amortised cost RM	Total RM
Company			
Financial assets			
Trade and other receivables, net of prepayments	-	6,314,200	6,314,200
Cash and bank balances	-	88,583	88,583
Short term funds	147,237	-	147,237
	147,237	6,402,783	6,550,020

	Amortised cost RM	Total RM
Financial liabilities		
Other payables	63,000	63,000

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

	Other financial liabilities RM	Total RM
Financial liabilities		
Other payables	94,618	94,618

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

31. 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 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.

(iii) Quoted share

The fair values for quoted investment in Malaysia are derived from quoted prices in active markets.

(iv) Financial guarantees

The Company provides corporate guarantees to financial institutions for banking facilities utilised by certain subsidiaries. The fair values of such corporate guarantees are negligible as the probability of the subsidiaries defaulting on the banking facilities are remote.

(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).

31. **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.

Group	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
2019										
Financial assets										
Fair value through profit or loss										
- Short term funds	147,237	-	-	147,237	-	-	-	-	147,237	147,237
- Other investment	40,040	-	-	40,040	-	-	-	-	40,040	40,040
	187,277	-	-	187,277	-	-	-	-	187,277	187,277
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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONTINUED)

31. 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).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Company	**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**
2019										
Financial assets										
Fair value through profit or loss										
- Short term funds	147,237	-	-	147,237	-	-	-	-	147,237	147,237
2018										
Financial assets										
Fair value through profit or loss										
- Short term funds	12,875,421	-	-	12,875,421	-	-	-	-	12,875,421	12,875,421

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

32. 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 33% (2018: 29%) of the total Group's trade receivables as at reporting date were due from three (3) (2018: three (3)) major customers.

The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries constituting approximately 99% (2018: 100%) of the total receivables of the Company.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

32. 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:

	<------------------------------ 2019			------------------------------>
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	12,953,090	-	-	12,953,090
Term loans	3,407,125	20,925,209	8,079,701	32,412,035
Lease liabilities	193,473	-	-	193,473
Total undiscounted financial liabilities	16,553,688	20,925,209	8,079,701	45,558,598

	<------------------------------ 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
Total undiscounted financial liabilities	13,488,489	9,860,879	4,588,653	27,938,021

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

32. 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):

	<------------------------------ 2019			------------------------------>
Company	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
Other payables	63,000	-	-	63,000
Financial guarantees *	78,949,304	-	-	78,949,304
Total undiscounted financial liabilities	79,012,304	-	-	79,012,304

	<------------------------------ 2018			------------------------------>
Company	**On demand or within one year RM**	**One to five years RM**	**Over five years RM**	**Total RM**
Financial liabilities				
Other payables	94,618	-	-	94,618
Financial guarantees *	29,677,324	-	-	29,677,324
Total undiscounted financial liabilities	29,771,942	-	-	29,771,942

* This disclosure represents the maximum liquidity risk exposure.

(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 for low interest funding.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

32. 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/ incremental borrowing 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 2019									
Fixed rates									
Deposits with licensed banks	14	3.00 - 3.35	50,000	-	-	-	-	-	50,000
Lease liabilities	8	2.47 - 5.75	(190,887)	-	-	-	-	-	(190,887)
Floating rates									
Term loans	17	5.08	(2,065,704)	(4,532,087)	(4,768,931)	(4,212,028)	(4,081,646)	(7,626,540)	(27,286,936)
As at 31 December 2018									
Fixed rates									
Deposits with licensed banks	14	3.25 - 4.28	1,050,000	-	-	-	-	-	1,050,000
Hire purchase creditors	17	2.44	(108,851)	(11,410)	-	-	-	-	(120,261)
Floating rates									
Term loans	17	4.87	(1,945,587)	(2,090,583)	(2,195,761)	(2,306,099)	(1,649,738)	(4,247,226)	(14,434,994)

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Interest rate risk (continued)

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by fifty (50) basis points with all other variables held constant:

	Group	
Profit after tax	**2019 RM**	**2018 RM**
- increase by 0.5%	(104,226)	(51,320)
- decrease by 0.5%	104,226	51,320

(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 RM453,399 (2018: RM719,603) 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	
Profit after tax	**2019 RM**	**2018 RM**
USD/RM		
- strengthen by 10%	38,225	(350,424)
- weaken by 10%	(38,225)	350,424
EUR/RM		
- strengthen by 10%	(378,791)	(127,682)
- weaken by 10%	378,791	127,682

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

33. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

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.

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.

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.

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD

(a) Proposed Acquisitions

On 21 February 2020, the Company had entered into the following agreements:

(i) conditional share sale agreement with Raja Mariam Binti Raja Rustam Shahrome ("Raja Mariam") for the proposed acquisition of 1,225,000 ordinary shares in One Lazuli Sdn. Bhd. ("OLSB"), representing 49% equity interest in OLSB for a purchase consideration of RM5,390,000 which will be satisfied via a combination of cash of RM1,800,000 and the remaining balance of RM3,590,000 through the issuance of new ordinary shares in the Company ("the Company Shares") at an issue price of RM0.68 each ("Proposed Acquisition of OLSB");

(ii) a profit guarantee agreement with Raja Mariam as guarantor and Messrs Chellam Wong as stakeholder in relation to the Proposed Acquisition of OLSB whereby Raja Mariam provided a guarantee that the audited profit after tax ("PAT") of OLSB for financial years ending 31 December 2020 and 31 December 2021 shall not be less than RM2,000,000 each;

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD (continued)

(a) Proposed Acquisitions (continued)

On 21 February 2020, the Company had entered into the following agreements (continued):

(iii) a conditional share sale agreement with OLSB for the proposed acquisition of 588,000 ordinary shares in Nor Lazuli Nutrition Sdn. Bhd. ("NLN"), representing 49% equity interest in NLN for a cash consideration of RM1,750,000 ("Proposed Acquisition of NLN");

(iv) a conditional share sale agreement with Nor Hazimah Binti Zabarudin ("Nor Hazimah") for the proposed acquisition of 490,000 ordinary shares in Nor Livestock Farm Sdn. Bhd. ("NLF"), representing 49% equity interest in NLF for a cash consideration of RM700,000 ("Proposed Acquisition of NLF"); and

(v) a profit guarantee agreement with Raja Mariam, the existing major shareholder of OLSB and Nor Hazimah as guarantors and Messrs Chellam Wong as stakeholder in relation to the Proposed Acquisition of NLN and Proposed Acquisition of NLF, whereby Raja Mariam and Nor Hazimah jointly provided a guarantee that the total audited PAT of NLN and NLF for financial years ending 31 December 2020, 31 December 2021 and 31 December 2022 shall not be less than RM500,000, RM700,000 and RM900,000, respectively.

(The Proposed Acquisition of OLSB, Proposed Acquisition of NLN and Proposed Acquisition of NLF are collectively referred to as the "Proposed Acquisitions").

(b) Proposed Private Placement

Concurrently with the Proposed Acquisitions as disclosed in Note 34(a), the Company had a proposed private placement of up to 12,980,589 new ordinary shares of the Company ("Placement Shares"), representing up to 7.11% of the total number of issued shares of the Company at an issue price to be determined and announced later ("Proposed Private Placement").

On 28 February 2020, the Company submitted the application to Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing application pursuant to the Proposed Acquisitions and Proposed Private Placement.

On 10 March 2020, Bursa Securities had, via its letter, approved the listing of 5,279,411 Consideration Shares to be issued pursuant to the Proposed Acquisition of OLSB and up to 12,980,589 Placement Shares to be issued pursuant to the Proposed Private Placement, subject to the fulfilment of certain conditions.

On 26 March 2020 ("Price-Fixing Date"), the Company fixed the issue price for 12,980,589 Placement Shares at RM0.63 per Placement Share ("Issue Price").

On 2 April 2020, the Company announced that the latest issued share capital after the Private Placement amounted to RM100,292,006 representing 195,580,589 ordinary shares of the Company.

On 3 April 2020, the Company announced that the Private Placement has been completed following the listing of and quotation for 12,980,589 Placement Shares on the Main Market of Bursa Securities with effect from 9.00 a.m. on 3 April 2020.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF REPORTING PERIOD (continued)

(c) The 2019 Novel Coronavirus Infection ('COVID-19')

The World Health Organisation declared the 2019 Novel Coronavirus infection ('COVID-19') a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18 March 2020 to 31 March 2020 arising from the COVID-19 pandemic. The MCO was extended for two (2) weeks consecutively on 25 March 2020 and 10 April 2020 until 14 April 2020 and 28 April 2020 respectively, followed by another announcement on 23 April 2020 on further extension of the MCO for another two (2) weeks until 12 May 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The COVID-19 pandemic could have certain financial impact to the Group due to:

(a) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely; and

(b) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets, fair value measurements of financial instruments, write down of inventories to net realisable value and impairment assessments of assets (property, plant and equipment, right-of-use assets, investment property, investments in subsidiaries, equity loans to subsidiaries, other investment, trade and other receivables and amounts owing by subsidiaries).

As at the date of the authorisation of the financial statements, the COVID-19 pandemic and the MCO since 18 March 2020 have certain financial impact to the Group. In view of the lack of visibility on the end date of the COVID-19 pandemic and the MCO, the Group is not able to estimate the full potential financial impact as at the date of the authorisation of the financial statements. The Group will only recognise the financial impact in the financial statements for the financial year ending 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2019 (CONTINUED)

35. FINANCIAL REPORTING UPDATES

35.1 IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining to the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group had implemented the requirements of this final agenda decision during the financial year ended 31 December 2019.

LIST OF GROUP PROPERTIES

Registered owner	Title / Location	Description / Existing use	Tenure / Expiry	Land area (Sq. ft.)	Approximate age of building (Years)	Carrying amounts as at 31/12/2019 (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	45	5,273,013	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	45	5,551,755	25/9/2012
Rhone Ma Malaysia Sdn Bhd	GRN 212778, Lot 16008, Bandar Nilai Utama, Daerah Seremban, Negeri Sembilan Lot 14, Phase NU1A, Jalan Nilam 3, Nilai Utama Enterprise Park, 71800 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	-	29,602,581	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)	Carrying amounts as at 31/12/2019 (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	1	17,587,920	*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	3	1,681,957	*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	3	5,652,718	* 1/8/2017

LIST OF GROUP PROPERTIES (CONTINUED)

Registered owner	Title / Location	Description / Existing use	Tenure / Expiry	Land area (Sq. ft.)	Approximate age of building (Years)	Carrying amounts as at 31/12/2019 (RM)	Date of last revaluation (* Date of acquisition)
Rhone Ma Malaysia Sdn Bhd	Lot 1935, Block 43, Muara Tuang Land District, Penrissen Road, Kuching - Kota Samarahan, Negeri Sarawak No. 90, Lorong Evergreen 8A, RH Park Light Industrial Estate, 93250 Kuching, Sarawak	Industrial / Land with a two storey office building and a single storey warehouse annexed	Leasehold / Expiring on 5 February 2080	5,885	1	1,058,016	* 16/8/2017
Rhone Ma Malaysia Sdn Bhd	Lot 1936, Block 43, Muara Tuang Land District, Penrissen Road, Kuching - Kota Samarahan, Negeri Sarawak No. 91, Lorong Evergreen 8A, RH Park Light Industrial Estate, 93250 Kuching, Sarawak	Industrial / Land with a two storey office building and a single storey warehouse annexed	Leasehold / Expiring on 5 February 2080	7,570	1	1,108,052	* 16/8/2017

There was no revaluation on the land and properties owned by the Group for the financial year ended 31 December 2019.

ANALYSIS OF SHAREHOLDINGS
AS AT 28 APRIL 2020

Total number of issued shares	: 195,580,589
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	26	2.85	307	0.00
100 to 1,000	64	7.02	19,550	0.01
1,001 to 10,000	342	37.50	1,396,410	0.71
10,001 to 100,000	393	43.09	11,229,210	5.74
100,001 to less than 5% of issued shares	86	9.43	89,593,069	45.81
5% and above of issued shares	1	0.11	93,342,043	47.73
Total	**912**	**100.00**	**195,580,589**	**100.00**

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

	No. of Shares Held			
Names of Substantial Shareholders	Direct Interest	%	Indirect Interest	%
Blue Advantage Sdn Bhd	93,709,443	47.91	-	-
Ker Boon Tong	9,550,750	4.88	-	-
Chew Chong Hock	9,538,650	4.88	-	-
Dr Lim Ban Keong	6,598,760	3.37	93,709,443 (1)	47.91
Foong Kam Weng	80,000	0.04	93,709,443 (1)	47.91
Dr Yip Lai Siong	150,000	0.08	93,709,443 (1)	47.91

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 28 APRIL 2020 (CONTINUED)

DIRECTORS' SHAREHOLDINGS

	No. of Shares Held			
Name of Directors	**Direct Interest**	**%**	**Indirect Interest**	**%**
Dato' Hamzah Bin Mohd Salleh	-	-	-	-
Dr Lim Ban Keong	6,598,760	3.37	93,709,443 (1)	47.91
Foong Kam Weng	80,000	0.04	93,709,443 (1)	47.91
Dr Yip Lai Siong	150,000	0.08	93,709,443 (1)	47.91
Martin Jeyaratnam A/L Thiagaraj	110,000	0.06	-	-
Rahanawati Binti Ali Dawam	55,000	0.03	-	-
Teoh Chee Yong	-	-	-	-

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	47.73
2.	Chew Chong Hock	9,538,650	4.88
3.	Ker Boon Tong	9,538,650	4.88
4.	Tan Leong Ann	8,950,860	4.58
5.	Imaspro Corporation Berhad	7,142,857	3.65
6.	Raymond Choo Pow Yoon	6,970,790	3.56
7.	Lim Ban Keong	4,087,930	2.09
8.	Lim Hang Chern	3,299,600	1.69
9.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	2,874,600	1.47
10.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	2,510,830	1.28
11.	Chai Lam Seng	2,291,126	1.17
12.	Ng Loon Em & Sons Poultry Farm (M) Sdn Bhd	2,259,576	1.16
13.	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kok Chew Leng	2,211,000	1.13
14.	Hock Soon Poultry Farm Sdn Bhd	2,183,500	1.12
15.	Solid Pairs Sdn Bhd	1,842,720	0.94
16.	Tan Hoo Kim @ Tan Hoe Kim	1,190,476	0.61
17.	Yeong Min Fatt	1,111,000	0.57
18.	Cheah Yee Lin	1,100,000	0.56

ANALYSIS OF SHAREHOLDINGS
AS AT 28 APRIL 2020 (CONTINUED)

TOP THIRTY (30) SHAREHOLDERS (CONTINUED)

No.	Names	No. of Shares	%
19.	Lim Hang Chern	983,960	0.50
20.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Smart Treasure Fund	850,000	0.44
21.	LTK Omega Plus Sdn. Bhd.	843,800	0.43
22.	Tan Bin Chee	820,650	0.42
23.	Lim Lung Wen	793,650	0.41
24.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chin Beng (T Melawati-CL)	699,004	0.36
25.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	663,630	0.34
26.	Teo Kwee Hock	657,490	0.34
27.	Ong Boon Leng	591,800	0.30
28.	Chan Chooi Foong	590,700	0.30
29.	Teh Bee Gaik	528,330	0.27
30.	Lim Guoy Yen	460,350	0.24

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixth 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, 16 June 2020 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019. **Ordinary Resolution 1**
3. To approve the Directors' Fees and Benefits Payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM229,200 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 Dr Lim Ban Keong **Ordinary Resolution 3**
   - 4.2 Foong Kam Weng **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 SIXTH ANNUAL GENERAL MEETING (CONTINUED)

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT tthe final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2019, if approved by the shareholders at the Sixth Annual General Meeting, will be paid on 15 July 2020 to Depositors whose names appear in Record of Depositors at the close of business on 3 July 2020.

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 4.30 p.m. on 3 July 2020 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)(SSM PC No.: 202008001023)
TAN AI NING (MAICSA 7015852)(SSM PC No.: 202008000067)
Company Secretaries
Selangor Darul Ehsan
6 May 2020

NOTES:

1. A proxy may but need not be a member.
2. To be valid, this form, duly completed must be deposited at the Office of the Company not less than forty eight (48) hours before the time for holding the meeting provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, provided always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting and the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation, this form must be executed under the corporation's common seal or under the hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority shall be deposited with the Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. [Registration No. 199601006647 (378993-D)] at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty eight (48) hours before the time set for holding the meeting or any adjournment

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING (CONTINUED)

thereof, or in the case of a poll, not less than twenty four (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 11 June 2020 (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 2019 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). The Company had issued and allotted 12,980,589 ordinary shares, representing 7.11% of the total number of issued shares and raised proceeds amounting to RM8,177,771.07 since obtaining the said authority from its shareholders at the last Annual General Meeting held on 18 June 2019.

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

NOTICE OF THE SIXTH ANNUAL GENERAL MEETING (CONTINUED)

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
[Registration No. 201401040077 (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 Sixth 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, 16 June 2020 at 10.00 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 1.0 sen per ordinary share		
Ordinary Resolution 2	To approve the Directors' Fees and Benefits Payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM229,200 per annum until the next Annual General Meeting of the Company		
Ordinary Resolution 3	To re-elect Dr Lim Ban Keong		
Ordinary Resolution 4	To re-elect Foong Kam Weng		
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 ________________ 2020

____
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 with the Share Registrar of the Company, Boardroom Share Registrars Sdn. Bhd. [Registration No. 199601006647 (378993-D)] at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 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 11 June 2020 (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 6 May 2020.

First Fold

Affix
Stamp

THE SHARE REGISTRAR
RHONE MA HOLDINGS BERHAD
Registration No. 201401040077 (1116225-A)
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya,
Selangor Darul Ehsan, Malaysia

Second Fold

RHONE MA HOLDINGS BERHAD
Registration No. 201401040077 (1116225-A)

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Fax (603) 2770 0119
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