



RHONA MA HOLDINGS BERHAD

Registration No. 201401040077 (1116225-A)

Companion Animal
Healthcare



Laboratory
Services



Livestock Veterinary
Services



Ruminants Farming
& Solution



Research &
Development



GMP-Compliant
Manufacturing



ANNUAL REPORT 2020

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RHONE MA VALUES



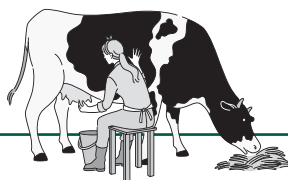
VISION

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



MISSION

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





CORE VALUES



CUSTOMER

Sensitive to the needs of customers to meet their expectations.



RESPECTING PEOPLE

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



INTEGRITY

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



INNOVATION

An environment that promotes creativity and breakthroughs in customer service.



EMPOWERMENT

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



TEAMWORK

Working together to achieve objectives in our daily work.



PERFORMANCE

Objectives and priorities prevail as a company culture.



CORPORATE INFORMATION

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)

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f (603) 7890 4650

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

Lot 18A & 18B, Jalan 241, Seksyen 51A
46100 Petaling Jaya, Selangor Darul Ehsan

t (603) 7873 7355

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e customercareline@rhonema.com

w www.rhonema.com



■ GMP-compliant plant in Nilai, Negeri Sembilan



■ GMP-compliant plant in Nilai, Negeri Sembilan

AUDITORS

BDO PLT

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

t (603) 2616 2888

f (603) 2616 3190

PRINCIPAL BANKERS

Public Bank Berhad

HSBC Bank Malaysia Berhad
HSBC Amanah Malaysia Berhad

OCBC Bank (Malaysia) Berhad

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

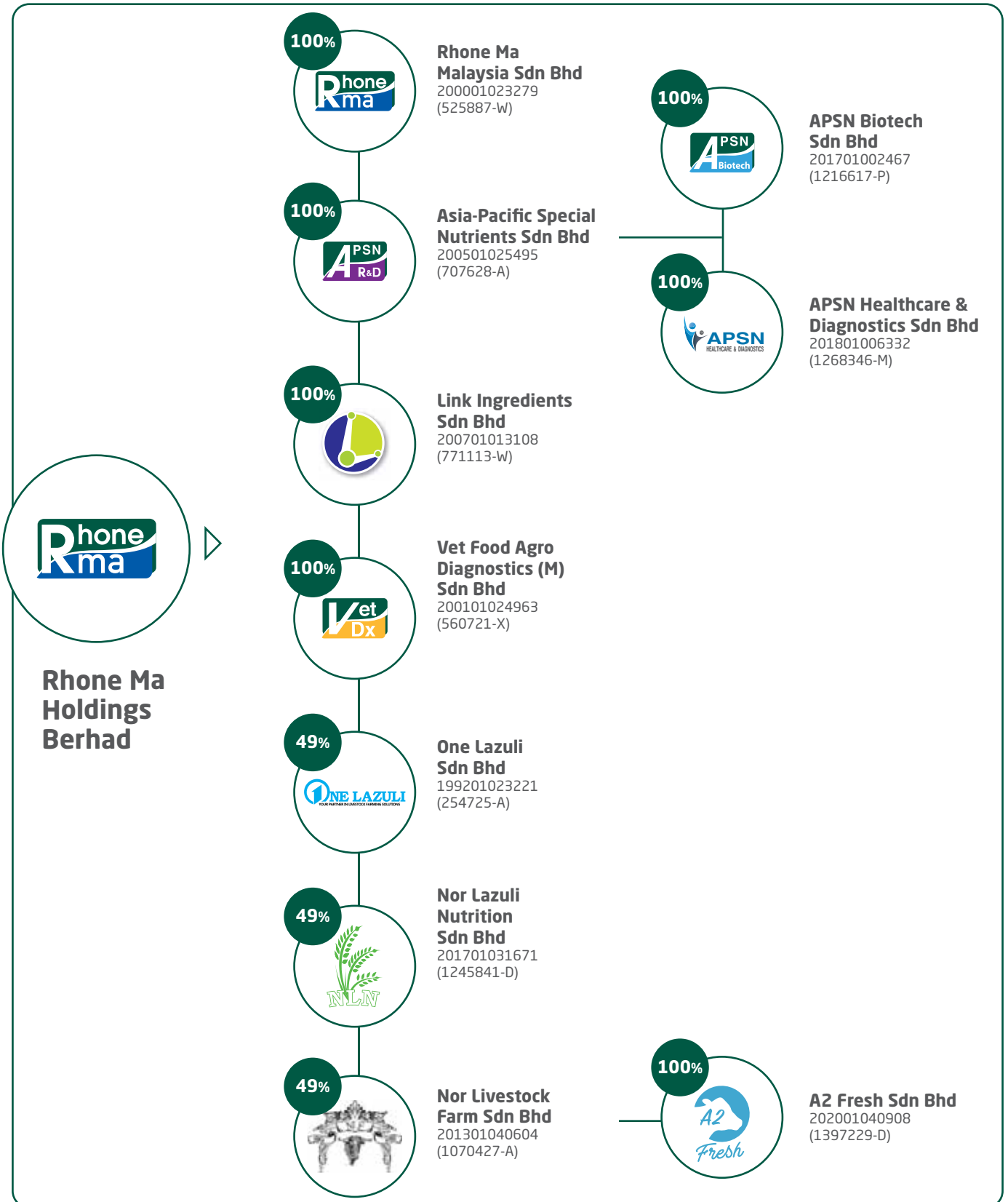
Stock Name: RHONEMA

GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER		2016	2017	2018	2019	2020
OPERATING RESULTS						
Revenue	RM'000	119,195	137,488	135,239	119,058	146,683
Profit before tax	RM'000	13,220	17,062	13,610	11,315	11,537
Net profit attributable to shareholders	RM'000	9,166	13,905	10,066	8,636	7,285
FINANCIAL POSITION						
Shareholders' equity	RM'000	95,163	102,428	104,194	107,334	124,114
Total assets	RM'000	120,206	130,963	130,966	148,885	185,994
Total borrowings	RM'000	5,244	8,116	14,555	27,287	34,798
FINANCIAL RATIOS						
Gearing ratio	times	0.06	0.08	0.14	0.25	0.28
Current ratio	times	4.61	4.64	5.98	4.61	3.69
MARKET RATIOS						
Earnings per share	sen	7.31	8.38	6.06	4.74	3.73
Net assets per share	sen	57.33	61.70	62.77	58.78	61.79
Dividend per share	sen	4.00	5.00	3.00	1.00	1.00 #

Subject to shareholders' approval at the forthcoming Annual General Meeting

CORPORATE STRUCTURE



RHONE MA IN THE NEWS



CHT PURSUIT OF EXCELLENCE NATIONAL AWARD 2020 - ANIMAL HEALTH SOLUTION

MEICINE & HEALTH



RHONE MA HOLDINGS BERHAD

Rhone Ma Holdings Berhad is a company listed on the Main Market of Bursa Securities Malaysia Berhad. It is primarily an animal health and related solutions provider. It is engaged in the production of animal health products, as well as the manufacturing and distribution of animal health products.

Following another milestone in the company's 10-year journey, Rhone Ma has received a Gold award in recognition of their hard-fought and collaborative effort. Rhone Ma is also happy to announce the award of the National Award for Animal Health Solutions 2020, in recognition of their commitment to providing quality animal health products to the Malaysian market. This award is a testament to the company's dedication to providing quality animal health products to the Malaysian market. This award is a testament to the company's dedication to providing quality animal health products to the Malaysian market.



Dr. Lim Han Keng, CEO of Rhone Ma



A2 MILK THE FUTURE OF DAIRY

There's nothing better than a splash of milk in your morning coffee. For the important nutrients for our body, however, sometimes consuming milk and milk products might result in tummy problems. If that happens, there are 2 kinds of proteins in milk, A1 and A2. While most cow milk contains both, A2A2 contains only A2 protein, which results in A2 milk.

The ruminant industry in Malaysia only started taking off over the last ten years with many participants being small farmers. To help them out, we plan to share our combined expertise and technological knowhows for dairy farming and milk production with other farmers and other interested parties.

As a first step, the Group and its partners started building a dairy farm in Malacca. The farm, which currently houses more than 100 A2A2 Friesian cows, is set to produce more than 100,000 litres of A2 milk daily as they are expanding ground 80 more female cows for the farm in the coming 12 months. In addition, they are also planning to import another batch of 100 ruminant cows in 2021. The farm will produce currently averages 12,000 litres of milk daily and over the farm is expected to produce approximately 62,000 litres monthly.

The Group's staff are the ruminant sector in part and based on its responsibilities as a key industry player in the dairy sector, the Group is committed to Rhone Ma, a member of the Total Solutions Programme (TSP) which allows customers the flexibility to customise the animal health services and product portfolio to meet their demand animal health solution. The Group is committed to work together with local dairy farmers to support them and establish more dairy farms in the country in line with the government's goal to increase the industry.

"This will also include educating the use of A2 milk, which is a healthier option and that was successful."

财经 - 市场动态 - 股权投资

2020-02-22 10:55:00

现金 + 发股·龙马跃784万购3公司股权

股权交易

【香港21日讯】龙马跃（RHONE MA, 5278, 主要消费产品服务组）通过现金和发股方式，以784万令吉收购家居用品和家居器材制造商和批发公司股权。

龙马跃发公告表示，龙马跃将以539万令吉代价收购One Lazuli公司（OLS8）49%股权，其中180万令吉为现金，余下359万令吉则以发售龙马跃新股融资。每股新股作价68仙。

OLS8卖主也会提供盈利保证，2020及2021年的净利润不低于200万令吉。

龙马跃也建议以175万令吉及70万令吉现金向OLS8和诺地龙马收购Nor Lazuli营养公司（NLN）及Nor Livestock Farm公司（NLF）各49%股权。

卖主亦提供2020至2022年的净利润保证，3年不低于50万、70万及90万令吉。

Rhone Ma acquires interests in 3 livestock companies for RM7.84m

World Class Learning at Educatable Value

Flexible Weekday Boarding Programme

RM11,000/term for life

OLN, NLN & NLF are 100% owned by Rhone Ma Holdings Berhad and are operating and controlling interests in Rhone Ma Holdings Berhad. The Group is committed to work together with local dairy farmers to support them and establish more dairy farms in the country in line with the government's goal to increase the industry.

In a filing today, Rhone Ma which is controlled and owned by Rhone Ma Holdings Berhad, said that it is

RHONE MA IN THE NEWS (CONTINUED)

DAIRY
reporter.com

Rhone Ma introduces A2 milk to Malaysia

By Jim Cornall

18 Aug 2020 | Last updated on 18 Aug 2020 at 09:23 GMT



The company brought in 95 A2 cows from Australia in June. Pic: Rhone Ma

In Malaysia, Rhone Ma Holdings Berhad (Rhone Ma) is a homegrown dairy industry player that is introducing A2 milk to the local market.

The company first entered into the dairy farming industry in February 2020 through an initial investment of approximately RM5.70m (\$1.7 million) and later, an additional capital injection of RM1.47m (\$350,000) after the completion of the shares sale agreement in for Livestock Farm Sdn. Bhd., a dairy farm located in Batang Kali, Selangor.

Rhone Ma strengthens foothold in Malaysian market

It has acquired non-controlling interests in three livestock companies for RM7.84 million



A2 acquisitions come with profit guarantee agreements of about RM2.7 million a year, which means some RM1.32 million net profit to Rhone Ma's bottom line.

Rhone Ma Holdings Berhad (Rhone Ma) has strengthened its foothold in the Malaysian dairy market by acquiring non-controlling interests in three livestock companies for a total of RM7.84 million.

The acquisitions include Livestock Farm Sdn Bhd, a dairy farm in Batang Kali, Selangor, and two other livestock companies. The company has also entered into profit guarantee agreements with the acquired companies, which will provide it with a net profit of approximately RM1.32 million per year.

Rhone Ma is a homegrown dairy industry player that is introducing A2 milk to the local market. The company first entered into the dairy farming industry in February 2020 through an initial investment of approximately RM5.70m (\$1.7 million) and later, an additional capital injection of RM1.47m (\$350,000) after the completion of the shares sale agreement in for Livestock Farm Sdn. Bhd., a dairy farm located in Batang Kali, Selangor.



minime insights

Fast-moving consumer goods market analysis

Rhone Ma is the company to watch for A2 milk

By Tan Hong Hoang - 6th September 2020



Malaysia's Rhone Ma Holdings Bhd., which offers end-to-end animal health solutions, said it will delay the production of A2 milk to November or December, reported *Foiaza Malaysia* citing Rhone Ma managing director Dr Lim Ben Keong. The delay was due to disruption caused by the movement control order (MCO).

AsianAgribiz

Where the animal protein industry finds and shares information

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Malaysia's Rhone Ma moves expansively into dairy sector

Rhone Ma Holdings has speed to go to strengthen its market value by expanding into the lucrative dairy business. The company has acquired 49% non-controlling interest in three dairy related companies for USD 1.81 million. Group Managing Director Dr Lim Ben Keong told AsianAgribiz: "We are..."

Rhone Ma's dairy cows fed Milk Boosta for energy

Malaysia's Rhone Ma Holdings Berhad is partnering with Nor Livestock Farm and they use their own feed additive Milk Boosta and alfalfa for their dairy cows. Nor Farm's Managing Director Queen Wai-Han told AsianAgribiz the alfalfa is imported from the US and mixed with their own Milk Boosta.

Alfalfa hay used for TMR feed in Rhone Ma's A2 milk

Rhone Ma Holdings in Malaysia has flown in 95 Holstein A2A2 dairy cows from Australia to populate their new farm. The company in partnership with Nor Livestock Farm ventured into dairy farming in February with a total investment of USD 700,000. The farm is expected to produce 65,000 liters of A2 milk.

BOARD OF DIRECTORS



Front (from left to right)

Foong Kam Weng

Executive Director / Group Sales Director

Dr. Lim Ban Keong

Group Managing Director

Dato' Hamzah Bin Mohd Salleh

Independent Non-Executive Chairman

Teoh Chee Yong

Independent Non-Executive Director

Back (from left to right)

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

DIRECTORS' PROFILE



Dato' Hamzah Bin Mohd Salleh

*Independent
Non-Executive Chairman*

Dato' Hamzah, a Malaysian male aged 72, was appointed to the Board on 1 April 2015. He graduated with a Diploma in Management from Malaysian Institute of Management in 1980. Subsequently in 1989, he obtained a Master of Business Administration from University of Bath, United Kingdom.

Dato' Hamzah articulated at Price, Waterhouse & Co. (now known as PricewaterhouseCoopers) in 1969. He left Price, Waterhouse & Co. as an Audit Assistant in 1974 to join Pillar Naco Malaysia Sdn Bhd, a company involved in the fabrication of architectural metal as the Finance and Administration Manager in 1975. In 1981, he left Pillar Naco Malaysia Sdn Bhd and joined Pernas Sime Darby group where he held several senior managerial positions within the Pernas Sime Darby group and the Sime Darby group of companies. His last position was the General

Manager of Sime Swede Distribution Services Sdn Bhd before he left in September 1994. He joined Malaysia Aica Berhad (now known as Sunsuria Berhad) as an Executive Director in 1995 and was redesignated as a Non-Executive Director in January 1997. Dato' Hamzah resigned as a Non-Executive Director of Malaysia Aica Berhad in 2001.

In April 1996, Dato' Hamzah was appointed as a Non-Executive Director of Spanco Sdn Bhd, a company involved in providing fleet management services and he subsequently joined Spanco Sdn Bhd as an Executive Director in February 1997. Currently, Dato' Hamzah is the Chief Executive Officer of Spanco Sdn Bhd. He is also a director of 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 2020.

DIRECTORS' PROFILE (CONTINUED)



Dr. Lim Ban Keong

Group Managing Director

Dr. Lim, a Malaysian male aged 49, 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 2020.

DIRECTORS' PROFILE (CONTINUED)



Foong Kam Weng

*Executive Director /
Group Sales Director*

Mr. Foong, a Malaysian male aged 60, 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 2020.

DIRECTORS' PROFILE (CONTINUED)



Dr. Yip Lai Siong

*Executive Director /
Group Marketing &
Technical Director*

Dr. Yip, a Malaysian female aged 58, 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 2020.

DIRECTORS' PROFILE (CONTINUED)



Martin Jeyaratnam A/L Thiagaraj

*Senior Independent
Non-Executive Director*

Mr. Martin, a Malaysian male aged 74, 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 2020.

DIRECTORS' PROFILE (CONTINUED)



Rahanawati Binti Ali Dawam

*Independent
Non-Executive Director*

Pn. Rahanawati, a Malaysian female aged 68, 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 2020.

DIRECTORS' PROFILE (CONTINUED)



Teoh Chee Yong

*Independent
Non-Executive Director*

Mr. Teoh, a Malaysian male aged 50, 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 Lead Group Operations Transformation CoE 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 2020.

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 51, is primarily responsible for the financial and accounting, human resources and commercial services 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 group 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 2020.

KEY MANAGEMENT (CONTINUED)



Dr. Lim Hang Chern

Group Commercial Director

Dr. Lim Hang Chern, a Malaysian male aged 41, is in charge of technical support and advisory services, as well as product and market development of feed additive products of the Group. 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.

Dr. Lim 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 2020.

KEY MANAGEMENT (CONTINUED)



Dr. Chua Chee Heng

*Group General Manager -
Commercial & Services*

Dr. Chua Chee Heng, a Malaysian male aged 40, is primarily responsible for the overall general administrative and operational functions including warehouse, logistics, laboratory, as well as the companion animal department of our Group. He graduated from Universiti Putra Malaysia with a Doctor of Veterinary Medicine in 2005. He is also a veterinary surgeon registered with the Malaysian Veterinary Council.

Dr. Chua began his career in 2005 as a Veterinarian at Global Pets Sdn Bhd where he was responsible for attending to clinical cases on a daily basis. He was promoted to Branch Manager in 2006, overseeing the overall branch operations. He was

then promoted to Human Resource Manager in 2007 where he was responsible for all human resource matters of the company. In 2009, he was promoted to Human Resource & Purchasing Manager overseeing the company's human resource matters, purchasing and inventory management. He then joined Rhone Ma Malaysia Sdn Bhd in 2013 as Techno-Commercial Manager (Marketing) where he managed the marketing activities for the companion animal department. He was then promoted to Techno-Commercial Manager (Sales) in 2015, Senior Techno-Commercial Manager in 2018 and subsequently to Group General Manager - Commercial & Services in 2021.

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 2020.

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 2020.



OVERVIEW

The year 2020 was undoubtedly a difficult one, with the outbreak of the Covid-19 pandemic disrupting both daily life and the world economy. Emerging markets in Asia, including Malaysia, were among the first to feel the effects of Covid-19, being closely linked both geographically and economically to China, the epicentre of the outbreak. However, the largely successful containment of the virus in most countries, combined with the development of new digital solutions have left the region well positioned to capitalise on the post-pandemic changes in the global economic landscape.

Despite the pandemic, the Group continued to achieve significant milestones that not only further anchored our foundation in the animal health and nutrition industry but also create strategic and sustainable opportunities for the future. The Group commenced the year by entering into agreements, on 21 February 2020, 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 RM7.58 million. The agreements were completed on 1 July 2020 marking the Group's venture into the ruminant segment. OLSB is primarily involved in the

wholesale and distribution of pharmaceutical and veterinary products including animal feed catering to the ruminant segment whereas NLN is primarily involved in the manufacturing, wholesale and distribution of livestock feed and other related products mainly for the consumption of ruminants. Meanwhile, NLF is primarily involved in the livestock business and the operation of a dairy cow farm which will allow us to venture into dairy farming and ultimately the production of fresh A2 milk.

Our 6-acre farm in Batang Kali, Selangor currently has a herd of more than 230 comprising a mix of purebred Holstein A2A2 cows, heifers and calves. We aim to import up to 200 more cows from Australia in 2021. Currently, the farm is producing an average of 30,000 litres of milk per month and we are expecting the milk production to increase up to 65,000 litres per month as a result of the birth of new calves and importation of impregnated cows.

As the Group celebrated our 20th year anniversary in 2020, our drive to provide betterment for the animal health and nutrition industry became greater especially in this new normal. For that purpose, the Group has introduced the Vehicle Disinfection System on a project basis as a critical biosecurity control point for vehicles entering farms. Vehicles will first be washed and rinsed to remove organic materials and then disinfected appropriately before being dried using a heat drying system that will eliminate low temperature-resistant

CHAIRMAN'S STATEMENT (CONTINUED)

pathogen such as the African Swine Fever virus.

On top of that, we had also entered into a distribution agreement with Boehringer Ingelheim Vetmedica GMBH ("BI") for the distribution of BI's animal health products related to companion animals in Malaysia. The agreement is effective from 1 January 2021 and will be valid for five years, after which it will be automatically renewed for successive terms of one year.

FINANCIAL PERFORMANCE

For the financial year ended 31 December 2020, the Group recorded a revenue of approximately RM146.68 million, an increase of approximately RM27.62 million or 23.20% compared to the preceding year. The increase in revenue recorded for the financial year ended 31 December 2020 was partly contributed by the newly acquired subsidiaries namely OLSB, NLN, and NLF upon completion of the acquisitions on 1 July 2020. The three subsidiaries contributed approximately RM14.39 million to the Group's topline, on top of approximately RM13.23 million from the Group's existing operations.

The Group's operating segments of animal health products and equipment and food ingredients have also performed well in the year under review. The animal health products and equipment segment recorded approximately RM113.84 million in

revenue, reflecting a surge of approximately RM25.51 million or 28.89% for the financial year ended 31 December 2020. Simultaneously, the food ingredients segment contributed approximately RM30.06 million in revenue, an increase of approximately RM1.91 million or 6.78% to the Group's total revenue. The animal health products and equipment segment remains the Group's largest contributor, representing approximately 77.61% of the Group's total topline.

Consistent with the increase in revenue, the Group also posted a relatively higher profit before tax for the financial year ended 31 December 2020 of approximately RM11.54 million as compared to approximately RM11.31 million reported for the preceding financial year, an increase of approximately RM0.23 million or 1.96%.

As at 31 December 2020, the total equity attributable to shareholders at the Group level stood at approximately RM124.11 million, contributing to net assets per share of 61.79 sen.

PROSPECTS

After months of containment measures to curb the spreading of the Covid-19 virus, Malaysia's economy has reopened and continues to be in recovery in 2021. Underpinned by the effective roll-out of a Covid-19 vaccine, continued improvements in exports and build up in momentum particularly in consumption and investment, the World Bank in its

Malaysia Economic Monitor Report, is forecasting Malaysia's economy to grow by 6.7% in 2021 after contracting by 5.8% in 2020.

In line with the projected growth of the Malaysian economy, the livestock industry is also anticipated to grow due to the corresponding growing Malaysian population resulting in the demand for meat as a source of protein to soar. In fact, in 2020, the number of standing livestock population for poultry and buffalo, cattle, goat and sheep recorded a healthy increase of 3.66% and 0.47% respectively, albeit a marginal decline recorded in the swine category. The livestock subsector is estimated to expand 5.7% in 2021 in line with the various Government's initiatives in modernising the agro-food subsector which include integration of agriculture technologies such as agro-robotic, sensor, precision farming, drones, agriculture data development and Internet of Things (IoT) applications.

The estimated increase in livestock in Malaysia is expected to result in correlating increase in demand for animal pharmaceutical and veterinary products, including animal feed to meet the rising needs. This is expected to augur well for the Group to ride on the growth trajectory in line with the government's endeavour to develop a sustainable livestock industry in the country for national food security.

We are also anticipating growth in our dairy production business segment due

CHAIRMAN'S STATEMENT (CONTINUED)

to the projected uptrend in the local market. The production of milk in Malaysia was expected to increase to 43.3 million litres in 2020 from 40.6 million litres in 2019, representing an increase of approximately 2.7 million litres or 6.65%. On the other hand, milk consumption in Malaysia was expected to increase to 69.4 million litres in 2020 from 64.4 million litres in 2019, representing an increase of approximately 5.0 million litres or 7.76%. These, and the government's aim to increase the country's fresh milk self-sufficiency level from 63.0% in 2019 to 100% within five years will create abundant opportunities for the Group to capitalise on.

ACKNOWLEDGEMENT

Despite the economic volatility and challenging business environment in 2020, the Group was able to push through to record another year of growth. We are immensely thankful to our customers, business partners and shareholders for their continued trust in the Group particularly in these tough times. A final note of appreciation for the efforts of the Board, the management team and all the members of the large Rhone Ma family. Your contribution has been instrumental to the Group's achievements and I am ever optimistic that we will continue providing the highest standard of excellence and ability to create value that our customers, business partners and shareholders have come to expect of us.

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.

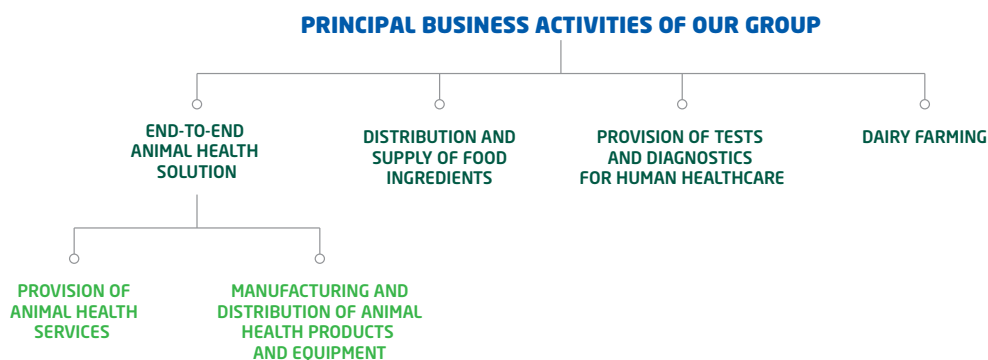
The animal health services provided by our Group consist of the provision of veterinary advisory and consultation services, diagnostic laboratory analyses as well as research and development (“R&D”) services whereas the animal health products offered include vaccines, pharmaceuticals, feed and feed additives 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.

On 21 February 2020, our Company entered into 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”) marking the Group’s expansion into the ruminant segment. OLSB is primarily involved in the wholesale and distribution of pharmaceutical and veterinary products and equipment catering to the ruminant segment whereas NLN is primarily involved in the manufacturing, wholesale and distribution of livestock feed and other related products mainly for the consumption of ruminants. Meanwhile, NLF is primarily involved in the livestock business and the operation of a dairy cow farm. The agreements were completed on 1 July 2020 and OLSB, NLN and NLF became 49% owned subsidiaries of the Company.

The investments in OLSB and NLN represent an opportunity for the Group to broaden its 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 its existing products to their customers which will potentially reduce the cost of marketing and promotional activities of the Group. The investment in 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 a new revenue stream.

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



MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 and equipment. For the financial year ended ("FYE") 31 December 2020, our animal health services accounted for approximately 1.32% and 2.16% of our Group's total revenue and total gross profit respectively whereas our animal health products and equipment accounted for approximately 77.61% and 85.46% of our Group's total revenue and total gross profit respectively.

In addition, distribution and supply of food ingredients accounted for approximately 20.49% and 11.14% of our Group's total revenue and total gross profit respectively for the FYE 31 December 2020 whereas provision of tests and diagnostics services for human healthcare accounted for approximately 0.33% and 0.59% of our Group's total revenue and total gross profit respectively for the FYE 31 December 2020. Contribution from dairy farming was approximately 0.25% and 0.65% of our Group's total revenue and total gross profit respectively for the FYE 31 December 2020.

Location of Operations

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

We have obtained the Certificate of Completion and Compliance for our new GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Nilai, Negeri Sembilan in September 2020. With the commencement of operation of the new GMP-compliant plant in early 2021, we will see an increase in our production capacity of up to approximately four (4) times the existing maximum production capacity in the financial year 2021.

For our newly acquired subsidiaries, the wholesale and distribution of pharmaceutical and veterinary products and equipment catering to the ruminant segment is located in Taman Desaria, Petaling Jaya, Selangor whereas our livestock feed and dairy farming businesses are located in a 6-acre farm in Batang Kali, Selangor.

Distribution

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

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

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

Key Markets

Our Group's revenue is primarily generated from Malaysia which accounted for approximately 97.45% of our total revenue for the FYE 31 December 2020, whilst the remaining 2.55% of revenue was derived from overseas markets which include Thailand, the Philippines, Indonesia, Myanmar, Brunei, Singapore and Vietnam. Revenue from overseas mainly comprised export of animal health products.

Objectives and Strategies

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

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

- (i) Expansion of our production capacity through the new GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Negeri Sembilan which will allow us to increase our production volume;
- (ii) Expansion of our product range which includes new in-house developed animal health products, new animal health products and equipment 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 and equipment market and to develop new markets;
- (iv) Expansion of our dairy farming business as the government is looking to increase the nation's production of dairy products, especially fresh milk, to reach the aspiration of self-sustainability in the near future; and
- (v) Venturing into other related businesses with growth prospects.

Highlights of Financial Information for the Past Five Financial Years

Financial Information

Description	2016 RM	2017 RM	2018 RM	2019 RM	2020 RM
Revenue	119,195,312	137,488,068	135,239,103	119,058,142	146,682,802
Profit before tax	13,220,330	17,062,206	13,609,656	11,314,931	11,536,624
Finance costs	326,320	315,482	659,628	942,074	1,381,770
Net profit attributable to shareholders	9,165,825	13,905,375	10,065,500	8,636,462	7,284,563
Shareholders' equity	95,163,053	102,428,428	104,193,928	107,333,947	124,113,710
Total assets	120,205,722	130,963,020	130,966,222	148,885,040	185,993,690
Total borrowings	5,243,625	8,116,278	14,555,255	27,286,936	34,797,998
Gearing ratio (times)	0.06	0.08	0.14	0.25	0.28
Current ratio (times)	4.61	4.64	5.98	4.61	3.69
Earnings per share (sen)	7.31	8.38	6.06	4.74	3.73
Net assets per share (sen)	57.33	61.70	62.77	58.78	61.79
Dividend per share (sen)	4.00	5.00	3.00	1.00	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	2020
Year high (RM)	1.02	1.47	1.05	0.85	0.83
Year low (RM)	0.81	0.76	0.75	0.65	0.57
Year close (RM)	0.985	0.965	0.835	0.665	0.805
Total trading volume for the financial year (million)	109.12	165.32	20.07	5.80	18.94
Market capitalisation as at 31 December (RM million)	163.51	160.19	138.61	121.43	161.69

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 ("Bursa Securities"). 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	2019		2020	
	RM	%	RM	%
Animal health services	2,281,904	1.92	1,935,485	1.32
Animal health products and equipment	88,321,862	74.18	113,836,386	77.61
Food ingredients	28,153,474	23.65	30,061,951	20.49
Human healthcare services	300,902	0.25	478,493	0.33
Dairy farming	-	-	370,487	0.25
Total	119,058,142	100.00	146,682,802	100.00

Revenue generated from animal health products and equipment is our Group's main source of income, contributing 74.18% and 77.61% of our total revenue for the FYE 31 December 2019 and the FYE 31 December 2020 respectively. The animal health products and equipment provided by our Group comprising vaccines, pharmaceuticals, feed and feed additives and farm equipment are mainly sourced from international animal health product and equipment manufacturers. Our Group also manufactures pharmaceuticals and feed additives under our own brand names at our GMP-compliant plant.

Our Group's revenue is predominantly generated from Malaysia which accounted for 97.45% of our total revenue for the FYE 31 December 2020. Revenue contribution from exports, of which mainly comprised of sale of animal health products, had increased

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

slightly to 2.55% in the FYE 31 December 2020 as compared to 2.27% for the previous financial year mainly due to higher demand from our existing markets in the Philippines, Myanmar and Thailand.

Animal Health Services

Revenue from animal health services which is derived from Vet Food Agro Diagnostics Sdn Bhd decreased by approximately RM0.35 million or 15.18% for the FYE 31 December 2020. The decrease in revenue generated from this segment was mainly due to major customers setting up their own in-house laboratory to reduce their reliance on external services.

Animal Health Products and Equipment

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

Revenue	2019		2020	
	RM	%	RM	%
Vaccines	27,951,169	31.65	32,243,881	28.33
Pharmaceuticals	30,351,114	34.36	38,470,288	33.79
Feed and feed additives	30,019,579	33.99	35,859,112	31.50
Equipment	-	-	7,263,105	6.38
Total	88,321,862	100.00	113,836,386	100.00

The sale of animal health products and equipment recorded an increase of approximately RM25.51 million or 28.89% as compared to the previous financial year. The increase was due to the following:

- Increase in revenue generated from vaccines of approximately RM4.29 million or 15.36% which was mainly contributed by the increase in the sale of Purevax products of approximately RM1.44 million, Biofors products of approximately RM0.92 million, Recombitek products of approximately RM0.85 million and foot-and-mouth disease vaccines of approximately RM2.17 million. However, Bursaplex, Circovac and Poulvac products experienced decrease in sale of approximately RM0.34 million, RM0.29 million and RM0.23 million respectively;
- Increase in revenue generated from pharmaceuticals of approximately RM8.12 million or 26.75% which was mainly contributed by the increase in sale of NexGard products of approximately RM1.53 million, Vetri-DMG Liquid products of approximately RM0.56 million, Frontline products of approximately RM0.55 million, Heparanol of approximately RM0.33 million, Vitaperos of approximately RM0.31 million, Bioclean products of approximately RM0.28 million, Zantel of approximately RM0.28 million, Ferro of approximately RM0.25 million and pharmaceuticals revenue from OLSB of approximately RM2.79 million;
- Increase in revenue generated from feed and feed additives of approximately RM5.84 million or 19.45% as a result of the increase in sales of Intella Fit products of approximately RM1.13 million, Equi-Balance of approximately RM0.89 million, Nystatin of approximately RM0.47 million, Myco-AD products of approximately RM0.34 million, Citrex powder of approximately RM0.33 million, Rhomicosin of approximately RM0.32 million, Cocci-Guard of approximately RM0.31 million, Sow Care products of approximately RM0.27 million and feed revenue from NLN of approximately RM1.80 million; and
- Revenue from sale of farm equipment contributed by OLSB of approximately RM7.26 million.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Food Ingredients

Revenue generated from food ingredients, which is derived from Link Ingredients Sdn Bhd, increased by approximately RM1.91 million or 6.78% as compared to the previous financial year as a result of an increase 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 RM0.30 million in the FYE 31 December 2019 to approximately RM0.48 million in the current financial year.

Dairy Farming

Revenue from dairy farming, which is derived from Nor Livestock Farm Sdn Bhd, comprise mainly of revenue generated from the sale of fresh cow's milk.

Cost of Sales

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

Cost of sales	2019		2020	
	RM	%	RM	%
Animal health services	1,107,566	1.31	1,050,106	0.99
Animal health products and equipment	59,261,537	70.35	78,775,379	74.56
Food ingredients	23,685,197	28.12	25,491,924	24.13
Human healthcare services	184,116	0.22	234,596	0.22
Dairy farming	-	-	103,264	0.10
Total	84,238,416	100.00	105,655,269	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. The cost of sales decreased in tandem with lower sales volume from animal health services.

Animal Health Products and Equipment

Cost of sales attributable to animal health products and equipment accounted for more than 70.00% of our Group's total cost of sales for the past two financial years. The cost of sales for animal health products and equipment 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. As the revenue of animal health products and equipment segment has increased significantly, the cost of sales has also increased significantly by approximately 32.93% or RM19.51 million.

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 increased by approximately RM1.81 million or 7.63% as compared to the FYE 31 December 2019 due primarily to the increase in food ingredients purchases in line with the increase in revenue from food ingredients of 6.78% 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.

Dairy Farming

The cost of sales of dairy farming mainly comprised animal feed, nutrition and medication for dairy cows.

Gross Profit

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

GP	2019		2020	
	RM	%	RM	%
Animal health services	1,174,338	3.37	885,379	2.16
Animal health products and equipment	29,060,325	83.46	35,061,007	85.46
Food ingredients	4,468,277	12.83	4,570,027	11.14
Human healthcare services	116,786	0.34	243,897	0.59
Dairy farming	-	-	267,223	0.65
Total	34,819,726	100.00	41,027,533	100.00

GP margin	2019	2020
	%	%
Animal health services	51.46	45.74
Animal health products and equipment	32.90	30.80
Food ingredients	15.87	15.20
Human healthcare services	38.81	50.97
Dairy farming	-	72.13
Group GP margin	29.25	27.97

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

Our Group's GP increased from approximately RM34.82 million for the FYE 31 December 2019 to approximately RM41.03 million for the FYE 31 December 2020, representing an increase of approximately RM6.21 million or 17.83%. This was mainly due to the increase in GP of our animal health products and equipment segment and the contribution of the new dairy farming segment. GP for animal health products and equipment increased by approximately RM6.00 million while GP for dairy farming contributed approximately RM0.27 million to the Group's GP for the FYE 31 December 2020.

Notwithstanding the increase in overall GP, our Group's GP margin had decreased from 29.25% for the FYE 31 December 2019 to 27.97% for the FYE 31 December 2020 due primarily to the decrease in the GP margin of animal health products and equipment which contributed 85.46% of our Group's total GP for the current financial year.

Animal Health Services

GP from animal health services of approximately RM0.89 million for the FYE 31 December 2020 was approximately RM0.28 million lower than the GP of approximately RM1.17 million for the previous financial year. This is in line with the lower revenue recorded for animal health services during the FYE 31 December 2020. The GP margin of 45.74% for the FYE 31 December 2020 was also lower than the GP margin of 51.46% 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 and Equipment

In line with the increase in revenue from animal health products and equipment for the FYE 31 December 2020 of approximately RM25.51 million compared to the FYE 31 December 2019, GP from animal health products for the FYE 31 December 2020 was approximately RM6.00 million or 20.65% higher compared to the previous financial year. The GP margin of animal health products and equipment decreased from 32.90% for the FYE 31 December 2019 to 30.80% for the current financial year.

Food Ingredients

GP from food ingredients increased by approximately RM0.10 million or 2.28% as compared to the FYE 31 December 2019 which is consistent with the increase in revenue of approximately RM1.91 million for food ingredients during the FYE 31 December 2020. The GP margin of 15.20% for the FYE 31 December 2020 remained relatively consistent with the GP margin of 15.87% recorded in the previous financial year.

Human Healthcare Services

Human healthcare services which only commenced operations in the FYE 31 December 2018 contributed GP of approximately RM0.24 million or 0.59% to the Group's total GP for the FYE 31 December 2020. 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.

Dairy Farming

Dairy farming which became an operating segment of the Group consequent to the completion of the acquisition of 49% equity interest in NLF on 1 July 2020 contributed GP of approximately RM0.27 million or 0.65% to the Group's total GP for the FYE 31 December 2020. The segment is anticipated to have a significant contribution to the Group's GP in the coming years.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Operating Expenses

Distribution costs decreased marginally by approximately RM0.23 million from approximately RM9.00 million for the FYE 31 December 2019 to approximately RM8.77 million for the FYE 31 December 2020 mainly due to cost control measures being put in place. Distribution costs as a percentage of revenue of 5.98% for the current financial year was also lower than the 7.56% in the FYE 31 December 2019.

Administration expenses increased by approximately RM6.43 million from approximately RM14.37 million for the FYE 31 December 2019 to approximately RM20.80 million for the FYE 31 December 2020. The increase in administration expenses was mainly due to higher write off of inventories of approximately RM1.64 million, professional fees of approximately RM0.61 million incurred for the acquisitions of OLSB, NLN and NLF as well as the private placement exercise, and professional fees of approximately RM0.12 million incurred for the issuance of free warrants during the financial year. The increase in administration expenses was also due to the inclusion of administration expenses of the newly acquired subsidiaries amounting to approximately RM1.77 million subsequent to the completion of the acquisitions. Administration expenses as a percentage of revenue of 14.18% for the FYE 31 December 2020 was slightly higher compared to the 12.07% in the previous financial year.

Finance costs increased from approximately RM0.94 million for the FYE 31 December 2019 to approximately RM1.38 million for the current financial year due to the further drawdown of a term loan amounting to RM8.60 million during the FYE 31 December 2020 for the construction of our new GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Nilai, Negeri Sembilan.

Profit Before Tax

Despite the increase in GP of approximately RM6.21 million and other income of approximately RM0.66 million, our Group's profit before tax ("PBT") of approximately RM11.54 million for the FYE 31 December 2020 was only approximately RM0.23 million or 1.96% higher than the PBT of approximately RM11.31 million for the FYE 31 December 2019. This was mainly due to the increase in administration expenses of approximately RM6.43 million, as well as the increase in finance costs of approximately RM0.44 million.

Taxation

The effective tax rate of the Group for the FYE 31 December 2020 of 27.49% was higher than the statutory tax rate of 24.00% mainly due to expenses non-allowable for tax purposes which were partially mitigated by non-taxable income of one of the Company's subsidiaries, Asia-Pacific Special Nutrients Sdn Bhd ("APSN").

APSN was 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 APSN 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.

Assets

Trade Receivables

Trade receivables of approximately RM25.77 million as at 31 December 2020 was approximately RM0.98 million higher compared to the previous financial year. The increase was mainly due to the trade receivables of OLSB, NLN and NLF being consolidated into the Group's financials for the FYE 31 December 2020. Trade receivables turnover period of 65 days for the current financial year

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

was lower compared to 76 days for the FYE 31 December 2019 and remains in line with the normal credit term of 30 days to 90 days granted to our customers.

Inventories

Inventories of approximately RM30.63 million as at 31 December 2020 was approximately RM3.19 million lower than at the end of the previous financial year. The inventories turnover period of 106 days for the FYE 31 December 2020 was lower than the 147 days recorded for the previous financial year and was in line with our normal inventory holding period of 90 days to 120 days. The higher inventory turnover period in the previous year 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 2020, our Group had cash and bank balances of approximately RM24.48 million.

Liabilities

Trade Payables

Trade payables of approximately RM11.40 million as at 31 December 2020 was approximately RM2.94 million higher than the trade payables as at 31 December 2019. The trade payables turnover period of 40 days for the FYE 31 December 2020 was also slightly higher than the 37 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

- (i) On 2 April 2020, the issued shares of the Company increased from 182,600,000 ordinary shares to 195,580,589 ordinary shares pursuant to a private placement of 12,980,589 new ordinary shares in the Company;
- (ii) On 23 June 2020, the issued shares of the Company further increased from 195,580,589 ordinary shares to 200,860,000 ordinary shares pursuant to the issuance of 5,279,411 new ordinary shares in the Company as partial purchase consideration for the acquisition of 49% equity interest in OLSB; and
- (iii) On 10 February 2021, the Company completed the issuance of 80,343,987 free warrants following the listing and quotation of the new warrants on the Main Market of Bursa Securities on even date, on the basis of 2 warrants for every 5 existing ordinary shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company at 5.00pm on 4 February 2021.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

Capital Structure and Capital Resources

Borrowings

Our Group's borrowings of approximately RM34.80 million as at 31 December 2020 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 Kawasan Perindustrian Nilai Utama, 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 lab equipment as well as GMP plant and equipment.

As at 31 December 2020, our Group has unutilised banking facilities of approximately RM25.95 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 2020 had increased slightly to 0.28 times compared to the ratio of 0.25 times as at 31 December 2019 due to the further drawdown of a term loan amounting to RM8.60 million for the construction of our new GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Nilai, Negeri Sembilan.

Capital Expenditure

Capital expenditure incurred by our Group for the FYE 31 December 2020 amounted to approximately RM14.04 million and consists of the following:

Description	RM
Laboratory equipment	955,250
Office and computer equipment	161,723
Motor vehicles	137,060
Furniture and fittings	180,707
Capital work in progress relating to construction of GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Nilai, Negeri Sembilan	12,387,184
GMP plant and equipment	113,478
Others	103,995
Total	14,039,397

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 2020 were as follows:

Description	Capital commitment RM
Construction of GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Nilai, Negeri Sembilan	5,481,830
Acquisition of GMP plant and equipment	2,615,063
Total	8,096,893

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 2.05% of our sales were transacted in United States Dollar ("USD") for the FYE 31 December 2020. Our purchases are primarily denominated in foreign currency as majority of our purchases are from USA and France. For the FYE 31 December 2020, majority of our purchases were transacted in USD and Euro. As such, our Group's financial position and results of operations may be affected by foreign currency fluctuations. Loss on foreign currency exchange for the FYE 31 December 2020 amounted to approximately RM0.95 million.

REVIEW OF OPERATING ACTIVITIES

Performance

Our Group's revenue for the FYE 31 December 2020 of approximately RM146.68 million was approximately 23.20% or RM27.62 million higher than the revenue recorded in the previous financial year due mainly to the increase in sales of animal health products and equipment and food ingredients of approximately RM25.51 million and RM1.91 million respectively.

In line with the increase in revenue, the Group's PBT of approximately RM11.54 million for the FYE 31 December 2020 was approximately 1.96% or RM0.23 million higher than the RM11.31 million reported for the FYE 31 December 2019.

GMP-Compliant Plant

The construction of our new GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Nilai, Negeri Sembilan has been completed and we have obtained the Certificate of Completion and Compliance in September 2020. We have commenced operation at the new GMP-compliant plant in early 2021 and 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.

Dairy Farming

Our 6-acre farm in Batang Kali, Selangor currently has a herd of more than 230 comprising a mix of purebred Holstein A2A2 cows, heifers and calves. We are anticipating growth in our dairy farming segment due to the projected uptrend in the local market. The production of milk in Malaysia is expected to increase to 43.3 million litres in 2020 from 40.6 million litres in 2019, representing an increase of approximately 2.7 million litres or 6.65%. On the other hand, milk consumption in Malaysia is expected to increase to 69.4 million litres in 2020 from 64.4 million litres in 2019, representing an increase of approximately 5.0 million litres or 7.76%. These, and the government's aim to increase the country's fresh milk self-sufficiency level from 63.0% in 2019 to 100% within five years will create future opportunities for the Group.

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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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 2020, approximately 2.05% of our sales were transacted in USD whereas majority 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 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 will be value accretive to the Group.

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.

Environmental Risk

The Covid-19 pandemic has had 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 that 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FORWARD-LOOKING STATEMENT

Outlook

The continued expansion of our capacity and operations through our future plans would provide a platform to grow and sustain our business. 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.

The Group believes that with our strong foundation, together with the commitment of our people and with prudent business management values in place, we are well positioned to tackle the challenges ahead and perform within expectations.

Dividend

In considering the level of dividend, if any, upon recommendation by our Directors, we 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 2020. This proposal is pending our shareholders' approval at the forthcoming Annual General Meeting of the Company.

SUSTAINABILITY STATEMENT

We are pleased to report our 2020 sustainability journey, encapsulating our progress and achievements during the year as part of our ongoing commitment to contribute to a brighter future. As one of the key players in the animal health and nutrition industry, we are steadfast in our mission to make a meaningful contribution to animal and human health through our trusted portfolio of products.

Sustainability Initiatives: Governance Structure

We strive to build our business on clear principles and sound governance to help us maintain trust in the Group while simultaneously reduce risk throughout our value chain. For that purpose, our sustainability strategy and initiatives are supervised and managed by the Board of Directors which are supported by the key management team to drive our ambitions and commitments.

In order to drive the progress and execution of our sustainability strategy, the Board of Directors and key management team are responsible for providing guidance while ensuring alignment of all activities and workstreams with the Group's role in society and reviewing the ever-changing societal landscape and revising or instituting new policies and initiatives resulting from changes or developments relevant to the Group.

Stakeholder Engagement

Stakeholder engagement is an essential component of our sustainability strategy. For over 20 years, we have dedicated ourselves to building strong relationships with those who are impacted by our business. This includes our employees, shareholders, consumers, suppliers, local communities, government and relevant authorities, industry and trade associations, media, as well as academia. We engage with our key stakeholders through multi-faceted engagement strategy which includes several channels of communication as summarised in the table below:

Stakeholder	Engagement methods	Priority issues
Employees	<ul style="list-style-type: none"> On-going education and training programmes Employee events Internal announcements 	<ul style="list-style-type: none"> Employee satisfaction and well being Job training and development Occupational Safety and Health Administration (OSHA) Employee engagement and welfare
Shareholders and investors	<ul style="list-style-type: none"> Annual report Annual General Meeting Analyst meetings Announcements on Bursa Malaysia Securities Berhad 	<ul style="list-style-type: none"> Company development Business strategy Regulatory compliance
Consumers, suppliers and general public	<ul style="list-style-type: none"> Corporate website Meetings Social media channel Exhibitions Product launches Forums 	<ul style="list-style-type: none"> Company development Product quality and safety Public service announcement Product development Animal nutrition, health and wellness

SUSTAINABILITY STATEMENT (CONTINUED)

Stakeholder	Engagement methods	Priority issues
Local communities	<ul style="list-style-type: none"> • CSR initiatives 	<ul style="list-style-type: none"> • Employee volunteerism • Community engagement
Government and related authorities, industry and trade associations	<ul style="list-style-type: none"> • Advisory panelists • Key associations • Forums • Strategic partnerships and agreements • Memberships 	<ul style="list-style-type: none"> • Animal health, nutrition and wellness • Industry trends and development • Employee participation
Media	<ul style="list-style-type: none"> • Interviews (face-to-face, virtual) 	<ul style="list-style-type: none"> • Business development and performance
Academia	<ul style="list-style-type: none"> • Internship programmes • Hosting field trips 	<ul style="list-style-type: none"> • Experiential learning • Mentorship

Our sustainability agenda, presented through three main pillars - Maximising Value to Society, Preserving the Environment and Supporting Our People and Our Community - continuously evolves, shaped by material issues relevant to our stakeholders.



FIRST PILLAR: MAXIMISING VALUE TO SOCIETY

Community Investment

Community investment is a priority at Rhone Ma. For years, we have been dedicated to enhancing social well-being through our long-standing community outreach programmes that address societal needs. The Group, and by extension our employees, has made monetary assistance to orphanages and old folks' homes such as Pusat Jagaan Suci Rohani, Trinity Community Children Home,

SUSTAINABILITY STATEMENT (CONTINUED)

Siddharthan Care Centre, Seri Setia Sungai Way Old Folks' Home and Dignity for Children Foundation. On top of this, we are also proud to contribute to the important role healthy animals play in our society. For this purpose, we have donated vaccines and supplements to the Society for the Prevention of Cruelty to Animals (SPCA) Selangor and Second Chance Animal Society to prevent and treat illness in animals and address unmet medical needs.



We also aim to impact the society by contributing towards the development of a well-rounded and stimulating community. For the past several years, we have awarded scholarships to students pursuing studies in the veterinary field to ensure the sustainability of our talent pipeline. In 2020, the programme continued with the awarding of scholarships to students in Universiti Putra Malaysia (UPM) and Universiti Malaysia Kelantan (UMK). Not only that, we had also provided internship placements for university students studying in areas of biotechnology, science and pharmaceutical courses in local private and public universities.

Indirect Economic Impact

As a business, we are often on the lookout for new opportunities for expansion as with growth, we will be able to develop new products or process innovations, open up new markets and ultimately create jobs. For two decades since our inception, we have been committed to creating jobs while supporting and growing local businesses in the community in which we operate.



SUSTAINABILITY STATEMENT (CONTINUED)

SECOND PILLAR: PRESERVING THE ENVIRONMENT

Emissions

Recognising that as a business and as individuals, we rely upon the planet's natural resources to sustain our lives and livelihoods, we are committed to reduce our energy consumption and are constantly seeking to minimise the environmental impact of our operations by increasing efficiency, preventing wastage and reducing our emissions. In our effort to ensure adoption of this initiative, we have been promoting the conservation mindset and culture amongst all our employees and our external contractors.

The bulk of our emissions are generated during the distribution of finished goods. Our business activities include the widespread transportation and distribution of goods as well as the administration of animal health services. We endeavour to minimise and subsequently reduce our fuel consumed as well as noise emitted.



Recognising that poor waste management leads to environmental damage and poses health risks, we have engaged a professional waste management service, Kualiti Alam Sdn. Bhd., for disposal of waste. On top of that, in our pledge to reduce waste effluent from our factory, we have implemented a waste management system in our Good Manufacturing Practice (GMP)-compliant plant in Nilai, Negeri Sembilan. The system comprises a water conservation system, a dust filter system to prevent dust emission into the environment, an energy-efficient heating, ventilation and air conditioning (HVAC) system and an energy-saving light-emitting diode (LED) lighting system. A water conservation system has also been installed in our warehouse in Kapar, Selangor which recycles rainwater for gardening, sewerage cleansing and other non-essential usages.

THIRD PILLAR: SUPPORTING OUR PEOPLE AND OUR COMMUNITY

Diversity

It is intrinsic to our company values to respect and to safeguard the welfare of our most valuable asset and a crucial aspect of our continued success, our people. We are well aware of the importance of nurturing a harmonious and fulfilling work environment that provides equal opportunities for all, ensuring that everyone is treated with dignity and respect. In an effort to achieve this, we offer various talent development programmes to upskill our employees, to maximise their potential and ultimately to advance their careers. At the same time, we also provide a multitude of leadership opportunities to ensure a stable line of succession for the long-term growth of the Group. Currently, our Board of Directors is made up of 5 males and 2 female Directors, with their ages ranging from 49 to 74 years old.

SUSTAINABILITY STATEMENT (CONTINUED)

We strongly believe that a multicultural workforce provides broader exposure for our people and encourages them to embrace different perspective. Therefore, although our workforce is well represented by people of all races, ages, religions and gender, we continue to instil and nurture a workplace culture that fosters mutual respect amongst employees while empowering each other.



Human Rights

We believe that employee policies should promote productivity and performance, by the virtue of improving levels of motivation through employees' welfare and well-being, including safeguarding them against the Covid-19 pandemic. As an organisation that operates within the ambit of essential industries, our office remained open throughout the movement restriction orders imposed by the Malaysian government in March 2020. In the interest of maintaining a safe workplace for our employees, we had implemented several precautionary measures at the office. For example, all employees and visitors are required to complete a health and safety declaration form as well as to have their temperature recorded upon entering our premises. Other precautionary measures include a mandatory one-metre physical distancing measure as well as the use of face masks, contactless drop off and pick up as well as a temporary travel ban for our employees.



On top of this, in order to keep our employees abreast of new emerging skills and technologies while also protecting their welfare, we have in place employee benefits such as upskilling and reskilling programmes, industry driven pay scale and other remuneration incentives such as bonus and allowance, internal promotions as well as average pay increments. This also includes due awards and recognitions such as the Group's Long Service Awards accorded to employees who attain their career milestone 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. The policy was reviewed and updated as we navigate through the breakout of the Covid-19 pandemic.

Our Integrated Quality and Occupational Health & Safety (IQOHS) Committee continues to advocate and ensure a safe and conducive environment to prevent work-related accidents, injuries and ill health amongst our employees, contractors and others. Our Emergency Preparedness and Response Team continues to receive first aid and emergency response training in order to assist in events of fire, spillage and other emergencies.

Anti-Competitive Behaviour

Our Code of Conduct emphasises on general principles that safeguard the Group and by extension our employees 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. We require all employees and representatives to comply with anti-competition law and any failure to comply will be deemed as a serious breach of obligations towards the Group.

Anti-Corruption

Bribery and corruption negatively impact both the Group's performance as well as external perceptions. We do not tolerate deception, bribery, breach of confidence or abuse of power of any kind. For this purpose, the Group's Anti-Bribery & Anti-Corruption Policy and Procedure was adopted on 25 February 2020 that prohibits all our employees and representatives 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.

Labour Practices

As we strive to ensure the sustainable growth of the Group, we are also fully committed to nurturing and developing our talent. With this in mind, we advocate lifelong learning and provide various avenues for our employees to upskill and reskill themselves to ultimately maximise their potential. A major part of this training also includes exposing our employees to attendance at trainings

SUSTAINABILITY STATEMENT (CONTINUED)

and exhibitions abroad which serve as a platform to enhance their level of competency and assist in their career development. In addition, to enhance performance and development, we provide support system in terms of coaching, feedback and recognition which includes financial benefits and career growth opportunities. We also conduct performance appraisals to identify and address any issues that may arise, to provide career path guidance, and to ensure our employees' alignment to the Group's key performance metrics and values.



Product and Services Responsibility

At Rhone Ma, we take product stewardship seriously. We work tirelessly to manage and minimise all possible adverse effects of our products in people and the environment, across the entire value chain. For this purpose, we started promoting greener feed additive products to our customers. In addition, we have also installed a green farming system at our dairy farm in Batang Kali, Selangor. The 6-acre dairy farm includes a housed farming system to optimise land utilisation and is equipped with a modern waste management system.

Customer engagement is also an area of focus to the Group hence various customer feedback channels have been implemented to further improve on our customer service. One of the most important and most used tools is the annual customer satisfaction survey.

Society

We continue to give back to the community by encouraging our employees to actively participate in imparting education to the community and our industry peers. For this purpose, our employees have continued to be committee members for the registration of veterinary products in Malaysia with the Malaysia Animal Health and Nutrition Industries Association (MAHNNIA) as well as the Federation of Livestock Farmers' Association of Malaysia (FLFAM) that safeguards the welfare and interest of farmers, livestock producers and consumers.

MOVING FORWARD

Our success as an organisation depends on the strong and continuing support of our employees, shareholders, consumers, suppliers, local communities, government and relevant authorities, industry and trade associations, media, as well as academia. We believe that being an outstanding corporate citizen and contributing to the vitality of our marketplace are the best ways to command our stakeholders' respect and confidence. One of the ways to achieve this is continuing to improve our sustainability initiatives. Therefore, as we look forward to more growth, we vow to continue embracing and prioritising sustainability initiatives in our core strategies to ensure that we operate safely, efficiently and responsibly while bringing wider benefits to the environment we operate in.

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 practice as set out in the Code for the financial year ended 31 December 2020, 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 2020, 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 of its Board Charter and policies to ensure compliance with the regulatory requirements. 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 49 to 63 of this Annual Report.

EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit and Risk Management Committee played a key role in ensuring integrity and transparency of corporate reporting. The Audit and Risk Management Committee’s role is to review and challenge Management to ensure that appropriate disclosures of accounting treatment and accounting policies are made. The Audit and Risk Management Committee has a duty to provide assurance

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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) Financial operations;
- (ii) Compliance with terms and conditions of approval to operate and the movement of personnel during the Movement Control Order;
- (iii) Human resources;
- (iv) Procurement;
- (v) Status of compliance to the Guidelines on Adequate Procedures in pursuant to the new provisions under Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009;
- (vi) Inventory management; and
- (vii) 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 67 to 70 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

- (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;
- (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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 four (4) times a year. The meetings are scheduled at the onset of the financial year to help facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board. All Board meetings are furnished with proper agendas with due notice given and Board papers are prepared by the Management and circulated to all Directors prior to the meetings.

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

The Board met four (4) times during the financial year ended 31 December 2020. Details of attendance are as follows:

Directors	Attendance	%
Dato' Hamzah Bin Mohd Salleh	4/4	100%
Dr Lim Ban Keong	4/4	100%
Foong Kam Weng	4/4	100%
Dr Yip Lai Siong	4/4	100%
Martin Jeyaratnam A/L Thiagaraj	4/4	100%
Rahanawati Binti Ali Dawam	4/4	100%
Teoh Chee Yong	3/4	75%

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

It is the Board's policy for Directors to notify the Board before accepting any new directorship notwithstanding that the Main Market Listing Requirements ("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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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	6 March 2020	Malaysian Anti-Corruption Commission Act 2009
Dr Lim Ban Keong	12 February 2020	Revisit the Seven Roles of an Effective CEO
	21 April 2020	Creating a Coaching Culture in Your Organization
	15 May 2020	Social Entrepreneurship - Doing Well by Doing Good
	12 June 2020	CEO Personal Branding
	14 August 2020	Path to Organizational Excellence
	14 September 2020	Crash Course on Automotive Safety
	11 November 2020	Managing Teams Remotely
Foong Kam Weng	22 July 2020	Recent Advances on In Ovo Vaccination Technology
	18 August 2020	Effective Salmonella Control Requires Involvement of Entire Production Chain
	7 November 2020	Transformation in the Malaysian Poultry Industry
	11 November 2020	The Role of Private and Public Sector in the Poultry Industry
Dr Yip Lai Siong	7 January 2020	Poultry Coccidiosis Seminar
	14 January 2020	Defensive Driving Training
	25 February 2020	Handling & Troubleshooting LN2 Tank
	6 May 2020	Zoetis Remote Solution Selling
	22 July 2020	Recent Advances on In Ovo Vaccination Technology
	10 August 2020	Basic Awareness Training on ISO 22000
	12 August 2020	Basic Awareness Training on FAMI-QS & GMP+B2
	15 October 2020	Personal Branding with Relation 7 Habits
Rahanawati Binti Ali Dawam	5 November 2020	Opportunities in Derivatives Market Explained - How to Trade in Crude Palm Oil Futures Contract (FCPO)
	11 November 2020	Opportunities in Derivatives Market Explained - How to Trade Single Stock Futures (SSFs)

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Save as disclosed above, the other Directors of the Company did not attend any relevant training and/or seminar courses during the financial year due to the limited courses available as a result of the Covid-19 outbreak. The Directors will undertake the relevant training and/or seminar courses in the next financial year to continue enhancing their skills and knowledge.

The Company Secretaries will 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 67 to 70 of this Annual Report.

A copy of the Audit and Risk Management Committee's Terms of Reference can be found on the Company's website at www.rhonema.com.

Nominating Committee

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

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

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

The Nominating Committee met once (1) during the financial year ended 31 December 2020 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 and Directors' Assessment Policy;
- (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;
- (v) Reviewed the composition of the Board of Directors; and
- (vi) Assessed the trainings needs of the Directors.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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

The Remuneration Committee met once (1) during the financial year ended 31 December 2020 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;
- (ii) Reviewed the remuneration packages of Non-Executive Directors and their meeting allowances; and
- (iii) Reviewed the Terms of Reference of the Remuneration Committee and Directors and Senior Management's Remuneration Policy

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 expenditures
- Strategic investments, mergers and acquisitions and corporate exercises
- Authority levels
- Treasury policies
- Risk management policies
- Key human resource issues

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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

A copy of the Board Charter can be found on the Company's website at www.rhonema.com.

Subsequent to the introduction of the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Group had adopted the Anti-Bribery and Anti-Corruption Policy and Procedure to stress the Group's commitment to the highest ethical standards in conducting business dealings.

Besides that, the Company has also put in place the following policies:

- Code of Conduct
- Code of Ethics
- Corporate Disclosure Policies
- 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
- Risk Management Framework
- Sustainability Policy
- Succession Planning Policy
- Whistle Blowing Policies and Procedures

8. Code of Conduct and Code of Ethics

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

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

The Board is provided 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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

confirm their directorships and shareholdings in the Group and any other entities where they have interest for the Company's monitoring on a half yearly basis or as and when required.

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

The whistle blowing policies and procedures can be found on the Company's website at www.rhonema.com.

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 members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA") and have obtained their Practising Certificates from the Companies Commission of Malaysia ("CCM"). 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 CCM 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, one (1) Senior Independent Non-Executive Directors, two (2) 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.

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 appointment of new Director for the financial year 2020. Nonetheless, the Board will utilise independent search firms in identifying suitable candidates for appointment of directors in the future when the need arise.

6. Chairman of the Nominating Committee

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

7. Annual Evaluation

The Nominating Committee is responsible in evaluating the performance and effectiveness of the entire Board, the Board Committees and individual Director on a yearly basis. The evaluation process is led by the Nominating Committee Chairman

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 23 February 2021, 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 Yip Lai Siong, Teoh Chee Yong and Martin Jeyaratnam A/L Thiagaraj.

III. Remuneration

The objective of the Group's remuneration policy is to provide fair and competitive remuneration to its Board members and Senior Management in order for the Group to attract and retain human resources of calibre to run the Group successfully. The responsibilities for developing the remuneration policy and determining the remuneration packages of 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 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 2020 can be obtained on Note 32 to

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

the Financial Statements.

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.

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 2020, fees paid to the external auditors, Messrs BDO PLT and its affiliated firms by

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

the Company and the Group are stated in the table below:

Nature of Services	Company RM	Group RM
Audit	65,000	225,700
Non-Audit		
- Tax filing	2,000	48,700
- Review of the Statement on Risk Management and Internal Control	5,000	5,000
- Review of other information	8,000	8,000
Total	80,000	287,400

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. An annual assessment on the external auditors was conducted during the financial year 2020 in accordance with the criteria set out in the External Auditors' Assessment Policy of the Company. The Audit and Risk Management Committee was satisfied with the performance of the external auditors and has recommended to the Board to put forth the proposal for the re-appointment of Messrs BDO PLT as external auditors of the Company for the financial year 2021 to the shareholders for approval at the upcoming Annual General Meeting.

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 67 to 70 of this Annual Report.

II. Risk Management and Internal Control Framework

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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

Person responsible	Lim Kean Chai
Qualification	<ul style="list-style-type: none"> 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 64 to 66 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

The Board believes that stakeholders' communication is an essential requirement of the Group's sustainability. In view thereof, stakeholders are informed of all material business events of the Group in a factual, timely and widely available manner. The Board has formalised a corporate disclosure policy and procedure not only to comply with the disclosure requirements as stipulated in the 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.

STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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.

The Company had on 18 January 2021 conducted an extraordinary general meeting entirely through remote participation and voting facilities. During the meeting, all shareholders and proxies were allowed to participate and vote remotely.

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.

ADDITIONAL COMPLIANCE INFORMATION

1. Utilisation of Proceeds

During the financial year ended 31 December 2020, the Company undertook a private placement of 12,980,589 ordinary shares and raised proceeds amounting to RM8,177,771. The proceeds were fully utilised during the financial year.

2. Material Contracts

There were no material contracts entered into by the Group during the financial year ended 31 December 2020 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 2020 that involved the interests of Directors and major shareholders.

4. Recurrent Related Party Transactions

Details of the recurrent related party transactions undertaken by the Group during the financial year ended 31 December 2020 are disclosed in the Circular to Shareholders dated 28 April 2021 and Note 32 to the Financial Statements.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

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

BOARD RESPONSIBILITY

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

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

RISK MANAGEMENT

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

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

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

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

INTERNAL AUDIT FUNCTION

The Group has outsourced the internal audit function to a professional service firm which is independent of the activities and

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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) Financial operations;
- (ii) Compliance with terms and conditions of approval to operate and the movement of personnel during the Movement Control Order;
- (iii) Human resources;
- (iv) Procurement;
- (v) Status of compliance to the Guidelines on Adequate Procedures in pursuant to the new provisions under Section 17A(5) of the Malaysian Anti-Corruption Commission Act 2009;
- (vi) Inventory management; and
- (vii) Annual inventory count.

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

KEY ELEMENTS OF INTERNAL CONTROL

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

CONCLUSION

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

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

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the external auditors have reviewed this Statement on Risk Management and Internal Control. As set out in their terms of engagement, the procedures were performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report ("AAPG3") issued by the Malaysian Institute of Accountants. AAPG3 does not require the external auditors to consider whether the Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the risk management system and internal control processes of the Group. AAPG3 also does not require the external auditors to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report would, in fact, remedy the problems. Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared in all material respects, in accordance with the disclosures required by paragraphs 41 & 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, nor is it factually inaccurate.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board of Directors on 13 April 2021.

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 of whom are independent non-executive directors. Mr Teoh Chee Yong, the Chairman of the Audit and Risk Management Committee is a Chartered Accountant of the Malaysian Institute of Accountants. Hence, the Company has complied with Paragraph 15.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and Step-Up Practice 8.4 of Malaysian Code on Corporate Governance.

The Committee is comprised of following members:

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

TERM OF OFFICE AND PERFORMANCE

In order to assess the term of office of the Audit and Risk Management Committee members and performance of the Audit and Risk Management Committee in accordance with the Listing Requirements, each of the Audit and Risk Management Committee members has performed the self and peer evaluation assessment and the results were tabled to the Nominating Committee for review and discussion. The Nominating Committee was satisfied with the performance of the Audit and Risk Management Committee and confirmed that they have carried out their duties and responsibilities effectively in accordance with the Terms of Reference.

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 four (4) meetings during the financial year ended 31 December 2020. The attendance of the Committee members is as follows:

REPORT ON THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

Committee members	Attendance
Teoh Chee Yong	3/4
Martin Jeyaratnam A/L Thiagaraj	4/4
Rahanawati Binti Ali Dawam	4/4

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 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

- (i) 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;
- (ii) Reviewed the recurrent related party transactions and additional recurrent related party transactions entered into by the Group to ensure the transactions were fair, reasonable, on normal commercial terms, not detrimental to the interests of the minority shareholders and in the best interest of the Group; and
- (iii) Reviewed the circular to shareholders in respect of the proposed renewal of shareholders' mandate for existing recurrent related party transactions and proposed new shareholders' mandate for additional recurrent related party transactions and recommended the same to the Board for consideration and approval.

Other Activities

- (i) Reviewed and recommended to the Board for approval of the Terms of Reference to ensure it is always updated with the changes in the regulatory requirements;
- (ii) Reviewed and recommended the Audit and Risk Management Committee Report and Statement on Risk Management and Internal Control to the Board for approval and inclusion in the Annual Report 2020; and
- (iii) Reviewed if there are any complaints and/or cases received in relation to the whistle blowing policy.

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 RM53,000 for the financial year ended 31 December 2020.

REPORT ON THE AUDIT AND RISK MANAGEMENT COMMITTEE (CONTINUED)

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 64 to 66 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 2020 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 2020, 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 of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records which enable the financial position of the Group and the Company as at 31 December 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended to be disclosed with reasonable accuracy and which enable them to ensure that the financial statements comply with 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.

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DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

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 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than the acquisitions of subsidiaries as disclosed in Note 12(e) to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the financial year	<u>8,365,403</u>	<u>2,102,343</u>
Attributable to:		
Owners of the parent	7,284,563	2,102,343
Non-controlling interests	<u>1,080,840</u>	<u>-</u>
	<u>8,365,403</u>	<u>2,102,343</u>

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 2019:	
Final single-tier dividend of 1.00 sen per ordinary share, paid on 15 July 2020	<u>2,008,600</u>

The Directors propose a final single-tier dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2020, 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 2021.

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (CONTINUED)

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 182,600,000 ordinary shares to 200,860,000 ordinary shares by way of the issuance of 18,260,000 new ordinary shares pursuant to the following:

- (i) Private placement of 12,980,589 new ordinary shares for RM0.63 each; and
- (ii) Issuance of 5,279,411 new ordinary shares for RM0.63 each for the purpose of the acquisition of a subsidiary, One Lazuli Sdn. Bhd. The details and effects of the acquisition are disclosed in Note 12 and Note 36 to the financial statements respectively.

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.

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:

Dato' Hamzah Bin Mohd Salleh
 Lim Ban Keong
 Foong Kam Weng
 Yip Lai Siong
 Rahanawati Binti Ali Dawam
 Raymond Choo Pow Yoon
 Lim Hang Chern
 Raja Mariam Binti Raja Rustam Shahrome
 Mai Lam @ Rosli Mai Lam (alternate to Raja Mariam Binti Raja Rustam Shahrome)
 Melissa Aini Mai
 Qasem Walid Alhasan
 Raja Zainab Binti Raja Rustam Shahrome (resigned on 12 August 2020)
 Nor Hazimah Binti Zabarudin (resigned on 12 August 2020)

DIRECTORS' REPORT (CONTINUED)

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 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	----- Number of ordinary shares -----			Balance as at 31.12.2020
	Balance as at 1.1.2020	Acquired	Sold	
Shares in the Company				
<u>Direct interests:</u>				
Lim Ban Keong	5,108,060	1,849,400	-	6,957,460
Martin Jeyaratnam A/L Thiagaraj	110,000	-	-	110,000
Rahanawati Binti Ali Dawam	55,000	-	-	55,000
Foong Kam Weng	-	100,000	-	100,000
Yip Lai Siong	-	150,000	-	150,000
<u>Indirect interests:</u>				
Lim Ban Keong *	93,709,443	-	-	93,709,443
Foong Kam Weng *	93,709,443	-	-	93,709,443
Yip Lai Siong *	93,709,443	-	-	93,709,443

Shares in the ultimate holding company

Blue Advantage Sdn. Bhd.

<u>Direct interests:</u>				
Lim Ban Keong	3,647	-	-	3,647
Foong Kam Weng	3,164	-	-	3,164
Yip Lai Siong	2,212	-	-	2,212

	----- Number of ordinary shares -----				Balance as at 31.12.2020
	Balance as at 1.1.2020	Acquired on date of acquisition 1.7.2020	Allotment	Total shares after acquisition and allotment	
Shares in the subsidiaries					
One Lazuli Sdn. Bhd.					
<u>Indirect interests:</u>					
Lim Ban Keong	-	1,225,000	-	1,225,000	1,225,000
Foong Kam Weng	-	1,225,000	-	1,225,000	1,225,000
Yip Lai Siong	-	1,225,000	-	1,225,000	1,225,000

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (continued)

	Balance as at 1.1.2020	Number of ordinary shares			Acquired/ (Sold)	Balance as at 31.12.2020
		Acquired on date of acquisition 1.7.2020	Allotment	Total shares after acquisition and allotment		
Shares in the subsidiaries (continued)						
Nor Lazuli Nutrition Sdn Bhd.						
<u>Indirect interests:</u>						
Lim Ban Keong	-	588,000	-	588,000	-	588,000
Foong Kam Weng	-	588,000	-	588,000	-	588,000
Yip Lai Siong	-	588,000	-	588,000	-	588,000
Nor Livestock Farm Sdn. Bhd.						
<u>Indirect interests:</u>						
Lim Ban Keong	-	490,000	2,120,818	2,610,818	-	2,610,818
Foong Kam Weng	-	490,000	2,120,818	2,610,818	-	2,610,818
Yip Lai Siong	-	490,000	2,120,818	2,610,818	-	2,610,818

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

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

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than deemed benefits arising from related party transactions as disclosed in Note 32 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 32(c) to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS

The Company maintains a corporate liability insurance for the Directors and certain officers of the Group throughout the financial year and which provides appropriate insurance cover for the Directors and certain officers of the Group. The amount of insurance premium paid by the Group and the Company for the financial year ended 31 December 2020 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 except for inventories written off, resulting in a decrease in the Group's profit for the financial year by RM2,172,047.

(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 12 to the financial statements.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 36 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 37 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

HOLDING COMPANY

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

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 2020 are disclosed in Note 25 to the financial statements.

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

.....
Lim Ban Keong
Director

.....
Foong Kam Weng
Director

Kuala Lumpur
13 April 2021

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 91 to 180 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 2020 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
 13 April 2021

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 91 to 180 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
 13 April 2021

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

Before me:

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rhone Ma Holdings Berhad, which comprise the statements of financial position as at 31 December 2020 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 91 to 180.

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 2020, 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' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("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. Impairment assessment of the carrying amounts of property, plant and equipment and right-of-use assets

As disclosed in Notes 7 and 8 to the financial statements, the carrying amounts of property, plant and equipment and right-of-use assets of the Group amounted to RM73,127,443 and RM12,604,713 respectively as at 31 December 2020. Included in these carrying amounts are property, plant and equipment and right-of-use assets amounting to RM67,620,436 and RM11,666,927 respectively as at 31 December 2020 in certain subsidiaries which have indication of impairment.

Management used forecasted future cash flows in value-in-use model to determine the recoverable amounts of these property, plant and equipment and right-of-use assets (hereinafter referred to as Cash Generating Units ("CGUs")) to assess if there is any impairment loss required on the property, plant and equipment and right-of-use assets.

We determined this to be a key audit matter because it requires management to exercise significant judgements and estimates about the future results and key assumptions applied to cash flow projections of CGUs in determining their 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, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

Audit procedures

Our audit procedures included the following:

- (a) compared cash flow projections against recent performance and assessed and evaluated the key assumptions used in the projections by comparing to actual historical operating profit margins and growth rates;
- (b) compared prior period budgets to actual outcomes to assess reliability of management's forecasting process;
- (c) assessed appropriateness of pre-tax discount rates used for each CGU by comparing to the weighted average cost of capital of the Group and relevant risk factors incorporating the impact of the COVID-19 pandemic; and
- (d) performed sensitivity analysis to stress test the key assumptions 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 Group (continued)

2. Recoverability of trade receivables

As at 31 December 2020, the net carrying amount of trade receivables of the Group was RM25,767,411 as disclosed in Note 15 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, incorporating the impact of the COVID-19 pandemic.

Audit procedures

Our audit procedures included the following:

- (a) assessed the adequacy of credit impaired assessment performed by management on trade receivables exceeding their credit terms and long overdue and old balances;
- (b) recomputed the probability of default using historical data and forward-looking information adjustment, incorporating the impact of the COVID-19 pandemic, 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)

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

As at 31 December 2020, the Group held RM30,631,279 of inventories, as disclosed in Note 14 to the financial statements.

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 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 judgements 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.

Audit procedures

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 close to expiry dates as well as slow-moving inventories for sales subsequent to the year end to support the assertion 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 Group (continued)

4. Impairment assessment of the carrying amount of goodwill

As disclosed in Note 11 to the financial statements, the net carrying amount of goodwill of the Group amounted RM3,941,075 as at 31 December 2020.

Goodwill is tested for impairment by the Group annually, and whenever there is an indication that the goodwill may be impaired. To determine if there is any impairment loss required on goodwill, management used a value-in-use model to compute the present values of forecasted future cash flows for the respective Cash Generating Units ("CGUs").

We determined the impairment assessment of the carrying amount of goodwill to be a key audit matter as the determination of whether or not an impairment loss is necessary involves significant judgements by the management about the future results and cash flows of the relevant business, including forecast growth in future revenue and operating profit margins as well as determining an appropriate discount factor and growth rates, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

Audit procedures

Our audit procedures included the following:

- (a) assessed the reasonableness of the key assumptions used by management in the cash flows forecasts and projections;
- (b) assessed the reasonableness of the pre-tax discount rate used by management for each of the CGUs by comparing to market data, weighted average cost of capital of the Group and relevant risk factors incorporating the impact of the COVID-19 pandemic;
- (c) assessed the cash flows projections against recent performance and compared the current period's actual results with previous forecasts to assess the historical accuracy of forecasts; and
- (d) performed sensitivity analysis of our own to stress test the key assumptions used by management in the impairment models.

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 amounts of costs of investments in subsidiaries

As disclosed in Note 12 to the financial statements, the carrying amounts of costs of investments in subsidiaries amounted to RM96,765,030 as at 31 December 2020. Included in this carrying amount are costs of investments in certain subsidiaries amounting to RM93,315,028 as at 31 December 2020.

Management used forecasted future cash flows and a value-in-use model to compute the present value of forecasted future cash flows for these subsidiaries/Cash Generating Units ("CGUs") to determine if there is any impairment loss required on the costs of investments in these subsidiaries.

We determined the impairment assessment of the carrying amounts of the costs of investments in these subsidiaries to be a key audit matter as the determination of whether or not an impairment loss is necessary involves significant judgements and estimates by the management about the future results and key assumptions applied to cash flow projections of these subsidiaries/CGUs in determining their 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, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

Audit procedures

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 the reasonableness of the pre-tax discount rate used for each subsidiary by comparing to the weighted average cost of capital of the Group and relevant risk factors incorporating the impact of the COVID-19 pandemic; 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)

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.

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.

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:

- (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.
- (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.

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

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

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

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

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current 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.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 12 to the financial statements.

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
13 April 2021

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	73,127,443	57,660,065	-	-
Right-of-use assets	8	12,604,713	12,050,164	-	-
Biological assets	9	2,216,588	-	-	-
Investment property	10	5,610,078	5,652,718	-	-
Intangible asset	11	3,941,075	-	-	-
Investments in subsidiaries	12	-	-	96,765,030	87,719,001
Other investment	13	31,168	40,040	-	-
		97,531,065	75,402,987	96,765,030	87,719,001
Current assets					
Inventories	14	30,631,279	33,818,921	-	-
Trade and other receivables	15	33,170,539	30,410,645	3,332,260	6,314,200
Cash and bank balances	16	19,965,949	9,061,881	1,315,191	88,583
Short term funds	17	4,509,497	147,237	4,509,497	147,237
Current tax assets		185,361	43,369	-	-
		88,462,625	73,482,053	9,156,948	6,550,020
TOTAL ASSETS		185,993,690	148,885,040	105,921,978	94,269,021
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	103,618,035	92,114,235	103,618,035	92,114,235
Reserves	19	20,495,675	15,219,712	2,161,249	2,067,506
		124,113,710	107,333,947	105,779,284	94,181,741
Non-controlling interests		6,537,505	-	-	-
TOTAL EQUITY		130,651,215	107,333,947	105,779,284	94,181,741

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
LIABILITIES					
Non-current liabilities					
Borrowings	20	30,428,702	25,221,232	-	-
Lease liabilities	8	491,782	-	-	-
Deferred tax liabilities	21	435,042	342,177	-	-
		31,355,526	25,563,409	-	-
Current liabilities					
Trade and other payables	22	18,075,821	12,953,090	80,000	63,000
Borrowings	20	4,369,296	2,065,704	-	-
Lease liabilities	8	336,818	190,887	-	-
Current tax liabilities		1,205,014	778,003	62,694	24,280
		23,986,949	15,987,684	142,694	87,280
TOTAL LIABILITIES		55,342,475	41,551,093	142,694	87,280
TOTAL EQUITY AND LIABILITIES		185,993,690	148,885,040	105,921,978	94,269,021

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 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	23	146,682,802	119,058,142	3,800,000	2,850,000
Cost of sales		<u>(105,655,269)</u>	<u>(84,238,416)</u>	<u>-</u>	<u>-</u>
Gross profit		41,027,533	34,819,726	3,800,000	2,850,000
Other operating income		1,463,690	802,304	81,970	222,021
Distribution costs		(8,769,963)	(8,995,934)	-	-
Administrative expenses		(20,802,866)	(14,369,091)	(1,546,382)	(955,146)
Finance costs	24	<u>(1,381,770)</u>	<u>(942,074)</u>	<u>-</u>	<u>-</u>
Profit before tax	25	11,536,624	11,314,931	2,335,588	2,116,875
Tax expense	26	<u>(3,171,221)</u>	<u>(2,678,469)</u>	<u>(233,245)</u>	<u>(157,937)</u>
Profit for the financial year		8,365,403	8,636,462	2,102,343	1,958,938
Other comprehensive income, net of tax		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income		<u>8,365,403</u>	<u>8,636,462</u>	<u>2,102,343</u>	<u>1,958,938</u>
Total profit for the financial year and total comprehensive income attributable to:					
Owners of the parent		7,284,563	8,636,462	2,102,343	1,958,938
Non-controlling interests		<u>1,080,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>8,365,403</u>	<u>8,636,462</u>	<u>2,102,343</u>	<u>1,958,938</u>

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

		Group		Company	
	Note	2020 sen	2019 sen	2020 sen	2019 sen
Earnings per ordinary share attributable to equity holders of the parent:					
- Basic	27	3.73	4.74		
- Diluted	27	<u>3.73</u>	<u>4.74</u>		
Dividend per ordinary share in respect of the financial year:					
<u>2019</u>					
- Final single-tier dividend (paid)	28	<u>-</u>	<u>1.00</u>	<u>-</u>	<u>1.00</u>
<u>2020</u>					
- Final single-tier dividend (proposed)	28	<u>1.00</u>	<u>-</u>	<u>1.00</u>	<u>-</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Group	Note	[-----Non-distributable-----]		Total equity RM	
		Share capital RM	Distributable Retained earnings RM		
Balance as at 1 January 2019		92,114,235	(59,488,997)	71,550,247	104,175,485
Profit for the financial year		-	8,636,462	8,636,462	8,636,462
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	8,636,462	8,636,462	8,636,462
Transaction with owners					
Dividends paid	28	-	(5,478,000)	(5,478,000)	(5,478,000)
Total transaction with owners		-	(5,478,000)	(5,478,000)	(5,478,000)
Balance as at 31 December 2019		92,114,235	(59,488,997)	74,708,709	107,333,947

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

Group	Note	Share capital RM	Reorganisation debit balance RM	Retained earnings RM	Distributable	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
Balance as at 1 January 2020		92,114,235	(59,488,997)	74,708,709		107,333,947	-	107,333,947
Profit for the financial year		-	-	7,284,563		7,284,563	1,080,840	8,365,403
Other comprehensive income, net of tax		-	-	-		-	-	-
Total comprehensive income		-	-	7,284,563		7,284,563	1,080,840	8,365,403
Transactions with owners								
Ordinary shares issued pursuant to private placement	18	8,177,771	-	-		8,177,771	-	8,177,771
Issuance of ordinary shares	18	3,326,029	-	-		3,326,029	-	3,326,029
Acquisition of subsidiaries	12	-	-	-		-	3,926,665	3,926,665
Issuance of ordinary shares to non-controlling interest	12	-	-	-		-	1,530,000	1,530,000
Dividends paid	28	-	-	(2,008,600)		(2,008,600)	-	(2,008,600)
Total transactions with owners		11,503,800	-	(2,008,600)		9,495,200	5,456,665	14,951,865
Balance as at 31 December 2020		103,618,035	(59,488,997)	79,984,672		124,113,710	6,537,505	130,651,215

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

STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Company	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 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	28	-	(5,478,000)	(5,478,000)
Total transaction with owners		-	(5,478,000)	(5,478,000)
Balance as at 31 December 2019/ 1 January 2020		92,114,235	2,067,506	94,181,741
Profit for the financial year		-	2,102,343	2,102,343
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	2,102,343	2,102,343
Transactions with owners				
Ordinary shares issued pursuant to private placement	18	8,177,771	-	8,177,771
Issuance of ordinary shares	18	3,326,029	-	3,326,029
Dividends paid	28	-	(2,008,600)	(2,008,600)
Total transactions with owners		11,503,800	(2,008,600)	9,495,200
Balance as at 31 December 2020		103,618,035	2,161,249	105,779,284

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		11,536,624	11,314,931	2,335,588	2,116,875
Adjustments for:					
Bad debts written off	25	1,386	-	-	-
Changes in fair value of biological assets	9	(466,021)	-	-	-
Depreciation of property, plant and equipment	7	1,600,155	1,049,597	-	-
Depreciation of investment property	10	42,640	42,639	-	-
Depreciation of right-of-use assets	8	523,463	502,950	-	-
Dividend income	23	-	-	(2,800,000)	(2,250,000)
Fair value changes on other investment	25	8,872	10,010	-	-
Impairment losses on trade receivables	15(e)	19,096	147,416	-	-
Interest expense	24	1,381,770	942,074	-	-
Interest income	25	(115,118)	(37,826)	(19,710)	(205)
Income distribution from short term funds	25	(62,260)	(234,755)	(62,260)	(221,816)
Inventories written off	14	2,172,047	533,050	-	-
Inventories written down	14	(279,200)	(192,100)	-	-
Gain on disposal of property, plant and equipment	25	-	(2,000)	-	-
Gain on bargain purchase	25	(137,725)	-	-	-
Property, plant and equipment written off	25	-	10,820	-	-
Reversal of impairment loss on trade receivables	15(e)	(338,548)	(10,004)	-	-
Net unrealised loss/(gain) on foreign currency exchange	25	441,490	(262,625)	-	-
Operating profit/(loss) before changes in working capital		16,328,671	13,814,177	(546,382)	(355,146)
Changes in working capital:					
Inventories		2,844,941	(6,017,304)	-	-
Trade and other receivables		1,573,481	221,199	61,940	(61,940)
Trade and other payables		(965,293)	2,453,439	17,000	(31,618)
Cash generated from/(used in) operations		19,781,800	10,471,511	(467,442)	(448,704)
Tax refunded		59,440	-	-	-
Tax paid		(2,899,248)	(3,050,715)	(194,831)	(214,630)
Net cash from/(used in) operating activities		16,941,992	7,420,796	(662,273)	(663,334)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of other investment		-	(50,050)	-	-
Equity loan to a subsidiary		-	-	-	(8,500,000)
Interest received	25	115,118	37,826	19,710	205
Net cash outflows on acquisition of subsidiaries	12	(1,329,491)	-	(4,250,000)	-
Issuance of ordinary shares to non-controlling interest	12	1,530,000	-	-	-
(Placement)/Withdrawal of short term fund		(4,300,000)	15,092,907	(4,300,000)	12,950,000
(Placement)/Withdrawal of deposits with licensed banks (maturity more than three (3) months)		(369,927)	1,000,000	-	-
Proceeds from disposal of property, plant and equipment		-	2,000	-	-
Purchase of property, plant and equipment	7(a)	(5,442,129)	(13,775,956)	-	-
Purchase of right-of-use assets	8	-	(1,690,840)	-	-
Net cash (used in)/from investing activities		(9,796,429)	615,887	(8,530,290)	4,450,205
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments from subsidiaries		-	-	4,250,000	1,700,000
Dividends paid	28	(2,008,600)	(5,478,000)	(2,008,600)	(5,478,000)
Drawdown of term loan		-	1,435,594	-	-
Interest paid		(1,358,627)	(924,017)	-	-
Proceeds from issuance of shares pursuant to private placement	18	8,177,771	-	8,177,771	-
Repayment of:					
- lease liabilities		(335,760)	(420,791)	-	-
- term loans		(1,086,206)	(2,017,492)	-	-
Net cash from/(used in) financing activities		3,388,578	(7,404,706)	10,419,171	(3,778,000)
Net increase in cash and cash equivalents		10,534,141	631,977	1,226,608	8,871
Cash and cash equivalents at beginning of financial year		9,041,881	8,409,904	88,583	79,712
Cash and cash equivalents at end of financial year	16(c)	19,576,022	9,041,881	1,315,191	88,583

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

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group	
	Lease liabilities	Term loans
	(Note 8)	(Note 20)
	RM	RM
As at 1 January 2019	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	<u>190,887</u>	<u>27,286,936</u>
As at 1 January 2020	190,887	27,286,936
Cash flows	(335,760)	(1,086,206)
Acquisition of subsidiaries	712,547	-
Non-cash flows:		
- Unwinding of interest	23,143	-
- Addition of right-of-use assets	237,783	-
- Purchase of property, plant and equipment	-	8,597,268
As at 31 December 2020	<u>828,600</u>	<u>34,797,998</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

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 is located at 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 2020 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 13 April 2021.

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 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year other than the acquisitions of subsidiaries as disclosed in Note 12(e) to the financial statements.

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 has early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* during the financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (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 19 to the financial statements.

The reverse acquisition was completed in the financial year ended 31 December 2016.

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 2020 (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 2020 (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 2020 (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. The accounting policy for goodwill is set out in Note 4.9 to the financial statements. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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:

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%
Barn	5%
Farm equipment and machinery	10%

Freehold land has unlimited useful life and is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.4 Property, plant and equipment and depreciation (continued)

Capital work-in-progress represent plant and equipment under construction. Capital work-in-progress are not depreciated until such time when the assets are ready for their intended 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 4.11 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

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.

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. Short-term leases are leases with a lease term of twelve (12) months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.5 Leases (continued)

The Group as lessee (continued)

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 and office premises	2 to 3 years
Motor vehicles	5 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.

4.6 Biological assets

Biological assets of the Group comprise dairy cows. The biological assets are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resulting gain or loss recognised in profit or loss for the year in which it arises.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.7 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.

4.8 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 properties is fifty (50) years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.8 Investment properties (continued)

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 4.11 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 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 off 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.

4.9 Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the interest of the Group in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill arising on acquisition of an associate is the excess of cost of investment over the share of the net fair value of net assets of the associates' identifiable assets and liabilities by the Group at the date of acquisition.

Goodwill relating to the associate is included in the carrying amount of the investment and is not amortised. The excess of the share of the net fair value of the associate's identifiable assets and liabilities by the Group over the cost of investment is included as income in the determination of the share of the associate's profit or loss by the Group in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.10 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.

4.11 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), biological assets 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 is tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill 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. Goodwill acquired in a business combination is from the acquisition date, allocated to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquiree are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of the CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment determined in accordance with MFRS 8 *Operating Segments*.

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, including the goodwill, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated, first, to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.11 Impairment of non-financial assets (continued)

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.

4.12 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial instruments (continued)

(a) Financial assets (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial instruments (continued)

(a) Financial assets (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.12 Financial instruments (continued)

(b) Financial liabilities (continued)

(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.

4.13 Financial guarantee contract

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.14 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.

4.15 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.15 Impairment of financial assets (continued)

Impairment for other receivables, amounts owing by subsidiaries and amounts owing by 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 owing by subsidiaries and amounts owing by 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 owing by subsidiaries and amounts owing by 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.

4.16 Borrowing costs

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

4.17 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.17 Income taxes (continued)

(b) Deferred tax

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

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

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

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

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

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

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

4.18 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.18 Provisions (continued)

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.

4.19 Contingent liabilities and contingent assets

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

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

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

4.20 Employee benefits

(a) Short term employee benefits

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.20 Employee benefits (continued)

(b) Defined contribution plans

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

4.21 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.

4.22 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.22 Revenue recognition (continued)

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

(a) Sale of goods

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

(b) Services

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

(c) Management fee

Management fee is recognised at a point in time when management services are 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.

(c) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

4.23 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, particularly in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.23 Operating segments (continued)

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

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

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

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

4.24 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.

(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.

4.25 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

4.25 Fair value measurements (continued)

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

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

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

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

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

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

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
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
Amendment to MFRS 16 <i>Covid-19-Related Rent Concessions</i>	1 June 2020 (early adopt)
Amendments to MFRS 4 <i>Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards and Amendments did not have any material effect on the financial performance or position of the Group and of the Company. The impact of the adoption of Amendment to MFRS 16 is described in the following section.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

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

5.1 New MFRSs adopted during the financial year (continued)

Amendment to MFRS 16 Covid-19-Related Rent Concessions

MFRS 16 has been amended to:

- (a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
- (b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (a) Changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (c) There is no substantive change to other terms and conditions of the lease.

The Group has early adopted the Amendment to MFRS 16 with election to apply the practical expedient as mentioned above to all rent concessions received that meet the conditions as stated above where effectively the Group recognised the concession separately in other income in profit or loss of the Group. There is no impact on the adoption of Amendment to MFRS 16 on the financial statements of the Group.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

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
<i>Interest Rate Benchmark Reform - Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)</i>	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendments to MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)</i>	1 January 2023

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

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

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021 (continued)

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 (continued):

Title	Effective Date
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for future financial years.

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment assessment of the carrying amounts of property, plant and equipment and right-of-use assets

Management used forecasted future cash flows in value-in-use model to determine the recoverable amounts of the property, plant and equipment and right-of-use assets in certain subsidiaries which have indication of impairment (hereinafter referred to as Cash Generating Units ("CGUs")) to assess if there is any impairment loss required on the property, plant and equipment and right-of-use assets.

The determination of whether or not an impairment loss is necessary involves significant judgements and estimates about the future results and key assumptions applied to cash flow projections of the CGUs in determining their 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, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

(b) 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, incorporating the impact of the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(c) Carrying amount of inventories at the 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 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 judgements 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.

(d) Impairment assessment of the carrying amount of goodwill

Goodwill is tested for impairment by the Group annually, and whenever there is an indication that the goodwill may be impaired. To determine if there is any impairment loss required on goodwill, management used a value-in-use model to compute the present values of forecasted future cash flows for the respective Cash Generating Units (“CGUs”).

Management focused on the impairment assessment of the carrying amount of goodwill because the determination of whether or not an impairment loss is necessary involves significant judgements by the management about the future results and cash flows of the relevant business, including forecast growth in future revenue and operating profit margins as well as determining an appropriate discount factor and growth rates, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

(e) Impairment assessment of the carrying amounts of costs of investments in subsidiaries

Management used forecasted future cash flows and a value-in-use model to compute the present value of forecasted future cash flows for certain subsidiaries/Cash Generating Units (“CGUs”) to determine if there is any impairment loss required on the costs of investments in these subsidiaries.

The determination of whether or not an impairment loss is necessary involves significant judgements and estimates by the management about the future results and key assumptions applied to cash flow projections of these subsidiaries/CGUs in determining their 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, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land		Buildings		GMP plant and equipment		Furniture and fittings		Motor vehicles		Laboratory equipment		Office and computer equipment		Product applicator and vaccination equipment		Renovations		Capital work-in-progress		Barn		Farm equipment and machinery		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
At 31 December 2020																									
At 1 January 2020	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
Acquisition of subsidiaries (Note 12)	-	352,807	-	65,130	274,641	-	103,349	-	186,782	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	1,119	113,478	180,707	137,060	955,250	161,723	-	48,686	12,387,184	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,028,135
Written off	-	-	(18,937)	-	-	(36,860)	(33,125)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,039,397
Reclassification from right-of-use assets (Note 8)	-	36,370,763	-	-	(165,853)	-	-	-	-	(36,370,763)	(112,022)	277,875	-	-	-	-	-	-	-	-	-	-	-	-	(88,922)
	-	-	-	-	1,005,790	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005,790
At 31 December 2020	8,512,003	52,278,702	3,204,132	782,522	1,982,972	5,727,633	2,433,822	460,266	4,450,327	7,759,470	1,383,778	881,691	89,857,318												

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land		Buildings		GMP plant and equipment		Furniture and fittings		Motor vehicles		Laboratory equipment		Office and computer equipment		Product applicator and vaccination equipment		Renovations		Capital work-in-progress		Barn		Farm equipment and machinery		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 31 December 2020	-	617,865	2,926,944	421,843	638,333	3,649,117	1,547,629	226,867	4,184,255	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,212,853
Accumulated depreciation																										
At 1 January 2020	-	532,960	128,552	45,113	116,547	342,816	203,778	80,863	33,323	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,600,155
Depreciation charge for the financial year	-	-	(18,937)	-	-	(36,860)	(33,125)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(88,922)
Written off	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification from right-of-use assets (Note 8)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,005,789
At 31 December 2020	-	1,150,825	3,036,559	466,956	1,664,485	3,955,073	1,718,282	307,730	4,217,578	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,729,875
Net carrying amount																										
At 31 December 2020	8,512,003	51,127,877	167,573	315,566	318,487	1,772,560	715,540	152,536	232,749	7,759,470	1,331,801	721,281	73,127,443													

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold 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	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 10)	(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 2020 (CONTINUED)

7. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold 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	-	384,407	2,808,223	415,838	574,586	3,509,457	1,494,046	136,784	4,153,652	-	13,476,993
Accumulated depreciation											
At 1 January 2019	-	318,739	118,721	16,705	63,747	248,110	162,889	90,083	30,603	-	1,049,597
Depreciation charge for the financial year	-	-	-	-	-	(108,450)	-	-	-	-	(108,450)
Disposals	-	-	-	(10,700)	-	-	(109,306)	-	-	-	(120,006)
Written off	-	-	-	-	-	-	-	-	-	-	-
Reclassification to investment properties (Note 10)	-	(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 2020 (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	
	2020 RM	2019 RM
Purchase of property, plant and equipment	14,039,397	27,209,796
Financed by term loans	<u>(8,597,268)</u>	<u>(13,433,840)</u>
Cash payments on purchase of property, plant and equipment	<u>5,442,129</u>	<u>13,775,956</u>

- (b) 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 RM1,484,336 respectively (2019: RM8,512,003 and RM1,528,795 respectively) have been charged to banks for credit facilities granted to the Group as disclosed in Note 20 and Note 31 to the financial statements.
- (c) In the previous financial year, a freehold land and building of the Group with a total carrying amount of RM5,695,357 been reclassified as an investment property as disclosed in Note 10 to the financial statements.
- (d) For the purpose of impairment assessment, the recoverable amount of property, plant and equipment is determined based on a “value-in-use” of each Cash Generating Unit (“CGU”).

Value-in-use of the CGUs is determined by discounting the future cash flows to be generated from continuing use of the CGUs. Management has made estimates about the future results and key assumptions applied to cash flow projections of the CGUs, including forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

Management has determined that the recoverable amounts are in excess of the carrying amounts of the property, plant and equipment and no impairment has been recorded in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

8. LEASES

The Group as lessee

Right-of-use assets

Group	Long term leasehold land RM	Warehouse and office premises RM	Motor vehicles RM	Total RM
At 31 December 2020				
At cost				
At 1 January 2020	13,201,040	454,917	1,005,790	14,661,747
Acquisition of subsidiaries (Note 12)	-	420,419	419,811	840,230
Addition	85,942	151,841	-	237,783
Reclassification to property, plant and equipment (Note 7)	-	-	(1,005,790)	(1,005,790)
At 31 December 2020	<u>13,286,982</u>	<u>1,027,177</u>	<u>419,811</u>	<u>14,733,970</u>
Accumulated depreciation				
At 1 January 2020	1,318,478	287,316	1,005,789	2,611,583
Depreciation charge for the financial year	218,500	241,144	63,819	523,463
Reclassification to property, plant and equipment (Note 7)	-	-	(1,005,789)	(1,005,789)
At 31 December 2020	<u>1,536,978</u>	<u>528,460</u>	<u>63,819</u>	<u>2,129,257</u>
Net carrying amount				
At 31 December 2020	<u>11,750,004</u>	<u>498,717</u>	<u>355,992</u>	<u>12,604,713</u>
At 31 December 2019				
At cost				
At 1 January 2019	11,510,200	454,917	1,005,790	12,970,907
Addition	1,690,840	-	-	1,690,840
At 31 December 2019	<u>13,201,040</u>	<u>454,917</u>	<u>1,005,790</u>	<u>14,661,747</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

8. LEASES (continued)

The Group as lessee (continued)

Right-of-use assets (continued)

	Long term leasehold land RM	Warehouse and office premises RM	Motor vehicles RM	Total RM
At 31 December 2019				
Accumulated depreciation				
At 1 January 2019	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	<u>1,318,478</u>	<u>287,316</u>	<u>1,005,789</u>	<u>2,611,583</u>
Net carrying amount				
At 31 December 2019	<u>11,882,562</u>	<u>167,601</u>	<u>1</u>	<u>12,050,164</u>

- (a) The long term leasehold land of the Group have remaining tenure of 52 to 95 years.
- (b) The Group leases warehouse, office premises and motor vehicles with lease periods of two (2) years to five (5) years.
- (c) In the previous financial year, the Group has leased a warehouse with a lease term of less than twelve (12) months. The Group applied 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 RM9,115,397 (2019: RM9,295,973) that have been charged to banks for credit facilities granted to the Group as disclosed in Note 20 and Note 31 to the financial statements.
- (e) The following are the amounts recognised in profit or loss:

	Group	
	2020 RM	2019 RM
Included in administration expenses:		
Expense relating to short-term lease	-	66,295
Depreciation charge of right-of-use assets	523,463	502,950
Included in finance costs:		
Interest expense on lease liabilities	23,143	18,057
	<u>546,606</u>	<u>587,302</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

8. LEASES (continued)

The Group as lessee (continued)

Right-of-use assets (continued)

- (f) For the purpose of impairment assessment, recoverable amount of the right-of-use assets is determined based on a “value-in-use” of Cash Generating Units (“CGUs”).

The value-in-use of the CGUs is determined by discounting the future cash flows for the remaining useful life of the right-of-use assets. Management has made estimates about the future results and key assumptions applied to cash flow projections of the CGUs, including forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

Management has determined that the recoverable amounts of right-of-use assets were higher than their carrying amounts and therefore no impairment loss were required.

Lease liabilities

Group	Long term leasehold land RM	Warehouse and office premises RM	Motor vehicles RM	Total RM
At 31 December 2020				
At 1 January 2020	-	179,417	11,470	190,887
Acquisition of subsidiaries (Note 12)	-	445,240	267,307	712,547
Additions	85,942	151,841	-	237,783
Lease payments	(3,200)	(268,716)	(63,844)	(335,760)
Interest expense	642	19,199	3,302	23,143
At 31 December 2020	83,384	526,981	218,235	828,600
At 31 December 2019				
At 1 January 2019	-	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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

8. LEASES (continued)

The Group as lessee (continued)

Lease liabilities (continued)

	Group	
	2020 RM	2019 RM
Represented by:		
Non-current liabilities		
- Lease liabilities owing to financial institutions	129,235	-
- Lease liabilities owing to non-financial institutions	362,547	-
	491,782	-
Current liabilities		
- Lease liabilities owing to financial institutions	89,000	-
- Lease liabilities owing to non-financial institutions	247,818	190,887
	<u>336,818</u>	<u>190,887</u>
Total lease liabilities	<u><u>828,600</u></u>	<u><u>190,887</u></u>

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

	Group	
	2020 RM	2019 RM
At 1 January 2020	190,887	593,621
Acquisition of subsidiaries (Note 12)	712,547	-
Addition	237,783	-
Lease payments	(335,760)	(420,791)
Interest expense	23,143	18,057
At 31 December 2020	<u><u>828,600</u></u>	<u><u>190,887</u></u>

(b) At the end of the financial year, the Group had total cash outflow for leases of RM335,760 (2019: RM420,791).

(c) Information on the financial risk of lease liabilities is disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

8. LEASES (continued)

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	
	2020 RM	2019 RM
Less than one (1) year	231,000	252,000
One (1) to two (2) years	-	231,000
	231,000	483,000

9. BIOLOGICAL ASSETS

	Group	
	2020 RM	2019 RM
At fair value		
At 1 January	-	-
Acquisition of a subsidiary (Note 12)	1,750,567	-
Changes in fair value of biological assets	466,021	-
At 31 December	2,216,588	-

- (a) The fair value of biological assets of the Group, which are estimated using unobservable inputs is categorised within Level 3 of the fair value hierarchy. Fair value assessment have been completed using the same valuation techniques.

There was no transfer between levels in the hierarchy during the financial year ended 31 December 2020.

- (b) The following table shows the valuations techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Valuation technique used	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value
Market approach	The most recent market transaction price or market prices	The higher the market transaction price or market prices, the higher the fair value of the biological asset

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

10. INVESTMENT PROPERTY

Group	Freehold	Building	Total
At 31 December 2020	land	RM	RM
	RM	RM	RM
At cost			
At 1 January 2020/31 December 2020	3,648,640	2,131,998	5,780,638
Accumulated depreciation			
At 1 January 2020	-	127,920	127,920
Depreciation charge for the financial year	-	42,640	42,640
At 31 December 2020	-	170,560	170,560
Net carrying amount			
At 31 December 2020	3,648,640	1,961,438	5,610,078
Fair value			
At 31 December 2020			5,995,000
At 31 December 2019			
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

- (a) As at the end of the reporting period, the investment property of the Group with a total carrying amount of RM5,610,078 (2019: RM5,652,718) has been pledged as securities for banking facilities granted to the Group as disclosed in Note 20 and Note 31 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

10. INVESTMENT PROPERTY (continued)

- (b) As at the end of the reporting period, rental income of the Group derived from the investment property amounted to RM178,500 (2019: RM21,000).
- (c) The amounts of direct expenses recognised in profit or loss during the financial year are as follows:

	Group	
	2020 RM	2019 RM
Income generating unit		
Repairs and maintenance	-	49,050
Quit rent and assessment	14,735	15,159
	<u>14,735</u>	<u>15,159</u>

- (d) The fair value of the investment property for disclosure purposes, which is at Level 3 fair value is estimated at approximately RM5,995,000 (2019: RM5,800,000) based on the Directors' estimation by reference to market evidence of transaction prices of similar properties in the vicinity and same category.

There was no transfer between levels in the hierarchy during financial year ended 31 December 2020.

11. INTANGIBLE ASSET

	Group	
	2020 RM	2019 RM
Goodwill		
At 1 January	-	-
Acquisition of subsidiaries (Note 12)	3,941,075	-
At 31 December 2020	<u>3,941,075</u>	<u>-</u>

- (a) Goodwill acquired in a business combination is allocated, at acquisition, to the Cash Generating Units ("CGUs") that are expected to benefit from the business combination. Goodwill is tested for impairment annually, and whenever there is an indication that the goodwill may be impaired by comparing the carrying amount with the recoverable amount.

The carrying amount of goodwill allocated to the CGUs are as follows:

	Group	
	2020 RM	2019 RM
Segment - Animal health products and equipment		
CGU 1	2,875,234	-
CGU 2	1,065,841	-
	<u>3,941,075</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

11. INTANGIBLE ASSET (continued)

- (b) For the purpose of impairment assessment, recoverable amount of the goodwill is determined based on a “value-in-use” of CGUs. The value-in-use of the CGUs is determined by discounting the future cash flows to be generated from continuing use of the CGUs. The value-in-use is derived based on management’s cash flow projections for five (5) years.

The key assumptions used in the value-in-use calculations, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic, are as follows:

- (i) The anticipated average annual revenue growth rates used in the cash flow projections of the CGUs ranged from 4% to 7% (2019: Nil) per annum.
- (ii) Profit margins are projected based on historical profit margin achieved and management’s expectations for the future.
- (iii) Pre-tax discount rate of 5.5% (2019: Nil) was applied over the projection periods in determining the recoverable amount of the CGUs. The discount rate used is pre-tax plus a reasonable risk premium and reflects the overall weighted average cost of capital of the Group.

Based on these assumptions, management is of the view that no impairment loss is required as the recoverable amounts determined are higher than the carrying amount of the CGUs.

With regard to the assessment of value-in-use of the CGUs, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying amounts of the CGUs to materially exceed their recoverable amounts.

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	2019
	RM	RM
Unquoted equity shares, at cost	96,765,030	63,219,001
Equity loan to a subsidiary	<u>-</u>	<u>24,500,000</u>
	<u>96,765,030</u>	<u>87,719,001</u>

- (a) Investments in subsidiaries are stated in the Company’s separate financial statements at cost.
- (b) In the previous financial year, equity loan to a subsidiary was unsecured, interest-free and settlement was 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.

The Company had capitalised the equity loan to the subsidiary amounting to RM24,500,000 as cost of investment in the subsidiary during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

(c) Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective interest in equity		Principal activities
		2020 %	2019 %	
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
One Lazuli Sdn. Bhd. ("OLSB")	Malaysia	49%	-	Engaged in wholesale and distribution of pharmaceutical and veterinary products including animal feeds
Nor Lazuli Nutrition Sdn. Bhd. ("NLN")	Malaysia	49%	-	Engaged in livestock feeds manufacturing and distribution
Nor Livestock Farm Sdn. Bhd. ("NLF")	Malaysia	49%	-	Engaged in raising, breeding and production of semi-domesticated animals and business of dairy farming

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of Company	Country of incorporation	Effective interest in equity		Principal activities
		2020 %	2019 %	
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
Subsidiary of NLF				
A2 Fresh Sdn. Bhd.*	Malaysia	49%	-	Engaged in the business of wholesale, marketing and distribution of milk

* This subsidiary was consolidated based on its management account for the period ended 31 December 2020. The financial statements of this subsidiary is not required to be audited as it is newly incorporated during the year.

(d) The Group considers that it controls OLSB, NLN, and NLF even though it owns less than fifty percent (50%) of the voting rights. This is due to the Group having control over the Board of Directors and power to govern the relevant activities of these entities.

(e) Acquisition of subsidiaries during the financial year ended 31 December 2020

(i) Acquisition of OLSB

On 1 July 2020, the Company completed the acquisition of 1,225,000 ordinary shares in OLSB, representing 49% equity interest in OLSB for a consideration of RM5,126,029 as follows:

- i. cash consideration of RM1,800,000; and
- ii. issuance of 5,279,411 new ordinary shares in the Company at an issue price of RM0.63 each.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

(e) Acquisition of subsidiaries during the financial year ended 31 December 2020 (continued)

(i) Acquisition of OLSB (continued)

Following the completion of the acquisition, OLSB has become a subsidiary of the Company.

The fair value of the identifiable assets and liabilities of OLSB at the date of acquisition are as follows:

	Note	At date of acquisition RM
Property, plant and equipment	7	465,315
Right-of-use assets	8	681,083
Inventories		1,197,218
Trade and other receivables		3,489,179
Cash and bank balances		1,977,958
Current tax assets		70,056
Trade and other payables		(2,706,381)
Lease liabilities	8	<u>(580,969)</u>
Total fair value of identifiable net assets		4,593,459
Less: Non-controlling interests		<u>(2,342,664)</u>
Share of net assets of the Group		2,250,795
Goodwill on acquisition	11	<u>2,875,234</u>
Total purchase consideration at fair value		<u><u>5,126,029</u></u>

The consideration transferred for the acquisition of OLSB is as follows:

	RM
Cash paid	1,800,000
Equity instruments issued	<u>3,326,029</u>
Total purchase consideration at fair value	<u><u>5,126,029</u></u>

The effect of the acquisition of OLSB on the cash flows of the Group is as follows:

	RM
Consideration for equity interest acquired	5,126,029
Less: Equity instruments issued	(3,326,029)
Less: Cash and cash equivalents of the subsidiary acquired	<u>(1,977,958)</u>
Net cash inflow of the Group on acquisition	<u><u>(177,958)</u></u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

(e) Acquisition of subsidiaries during the financial year ended 31 December 2020 (continued)

(i) Acquisition of OLSB (continued)

Impact of acquisition in statement of profit or loss of the Group:

	RM
Revenue	12,263,949
Profit after tax	<u>1,809,562</u>

If the acquisition had taken place at the beginning of the financial year, OLSB's contribution to the Group's revenue and profit after tax would have been RM16,646,570 and RM3,301,848 respectively.

(ii) Acquisition of NLN

On 1 July 2020, the Company completed the acquisition of 588,000 ordinary shares in NLN, representing 49% equity interest in NLN for a cash consideration of RM1,750,000.

Following the completion of the acquisition, NLN has become a subsidiary of the Company.

The fair value of the identifiable assets and liabilities of NLN at the date of acquisition are as follows:

	Note	At date of acquisition RM
Property, plant and equipment	7	631,071
Right-of-use assets	8	18,305
Inventories		266,815
Trade and other receivables		345,604
Cash and bank balances		360,546
Trade and other payables		(120,788)
Lease liabilities	8	(19,291)
Deferred tax liabilities	21	(10,064)
Current tax liabilities		<u>(75,955)</u>
Total fair value of identifiable net assets		1,396,243
Less: Non-controlling interests		<u>(712,084)</u>
Share of net assets of the Group		684,159
Goodwill on acquisition	11	<u>1,065,841</u>
Total purchase consideration at fair value		<u>1,750,000</u>

The effect of the acquisition of NLN on the cash flows of the Group is as follows:

	RM
Consideration for equity interest acquired	1,750,000
Less: Cash and cash equivalents of the subsidiary acquired	<u>(360,546)</u>
Net cash outflow of the Group on acquisition	<u>1,389,454</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

(e) Acquisition of subsidiaries during the financial year ended 31 December 2020 (continued)

(ii) Acquisition of NLN (continued)

Impact of acquisition in statement of profit or loss of the Group:

	RM
Revenue	2,121,933
Profit after tax	<u>165,255</u>

If the acquisition had taken place at the beginning of the financial year, NLN's contribution to the Group's revenue and profit after tax would have been RM3,645,164 and RM285,927 respectively.

(iii) Acquisition of NLF

On 1 July 2020, the Company completed the acquisition of 490,000 ordinary shares in NLF, representing 49% equity interest in NLF for a cash consideration of RM700,000.

Following the completion of the acquisition, NLF has become a subsidiary of the Company.

The fair value of the identifiable assets and liabilities of NLF at the date of acquisition are as follows:

	Note	At date of acquisition RM
Property, plant and equipment	7	1,931,749
Right-of-use assets	8	140,842
Biological assets	9	1,750,567
Inventories		86,113
Trade and other receivables		180,526
Cash and bank balances		582,005
Trade and other payables		(2,819,365)
Lease liabilities	8	(112,287)
Current tax liabilities		<u>(30,508)</u>
Total fair value of identifiable net assets		1,709,642
Less: Non-controlling interests		<u>(871,917)</u>
Share of net assets of the Group		837,725
Gain on bargain purchase	25	<u>(137,725)</u>
Total purchase consideration at fair value		<u>700,000</u>

The share of the fair value of identifiable net assets of the Group measured at acquisition date exceeded the fair value of purchase consideration by RM137,725, which has been recognised as other income in the statement of profit or loss of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

- (e) Acquisition of subsidiaries during the financial year ended 31 December 2020 (continued)

- (iii) Acquisition of NLF (continued)

The effect of the acquisition of NLF on the cash flows of the Group is as follows:

	RM
Consideration for equity interest acquired	700,000
Less: Cash and cash equivalents of the subsidiary acquired	<u>(582,005)</u>
Net cash outflow of the Group on acquisition	<u>117,995</u>

Impact of acquisition in statement of profit or loss of the Group:

	RM
Revenue	393,267
Profit after tax	<u>144,476</u>

If the acquisition had taken place at the beginning of the financial year, NLF's contribution to the Group's revenue and profit after tax would have been RM1,017,258 and RM240,572 respectively.

- (f) Subscription of additional new ordinary shares in NLF

On 6 October 2020, NLF, a 49% owned subsidiary allotted and issued 3,000,000 new ordinary shares of RM3,000,000. The Company subscribed for an additional 1,470,000 new ordinary shares in NLF at an issue price of RM1.00 via capitalisation of the amount owing by NLF which amounted to RM1,470,000.

The non-controlling interests subscribed for the remaining additional 1,530,000 new ordinary shares for a cash consideration of RM1,530,000.

On 30 November 2020, NLF allotted and issued 1,328,200 new ordinary shares of RM1,328,200. The Company subscribed for an additional 650,818 new ordinary shares in NLF at an issue price of RM1.00 via capitalisation of the amount owing by NLF to a former Director of NLF which amounted to RM650,818.

The non-controlling interests subscribed for the remaining additional 677,382 new ordinary shares via capitalisation of the amount owing by NLF to a former Director of NLF which amounted to RM677,382.

- (g) Incorporation of A2 Fresh Sdn. Bhd.

On 11 December 2020, NLF, a 49% owned subsidiary of the Company incorporated a wholly-owned subsidiary known as A2 Fresh Sdn. Bhd. which principal activities are in wholesale, marketing and distribution of milk.

- (h) The subsidiaries of the Group that have material non-controlling interests ("NCI") are as follows:

	OLSB RM	NLN RM	NLF RM	Total RM
2020				
NCI percentage of ownership interest and voting interest	51%	51%	51%	
Carrying amount of NCI	<u>3,265,541</u>	<u>796,364</u>	<u>2,475,600</u>	<u>6,537,505</u>
Profit allocated to NCI	<u>922,877</u>	<u>84,280</u>	<u>73,683</u>	<u>1,080,840</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

- (i) The summarised financial information before intra-group elimination of the subsidiaries that have material NCI as at the end of each reporting period are as follows:

	OLSB 2020 RM	NLN 2020 RM	NLF 2020 RM	Total 2020 RM
Assets and liabilities				
Non-current assets	960,250	706,116	5,308,089	6,974,455
Current assets	7,420,623	1,125,383	1,635,773	10,181,779
Non-current liabilities	(238,980)	(68,063)	(236,020)	(543,063)
Current liabilities	(1,738,871)	(201,938)	(1,853,725)	(3,794,534)
Net assets	6,403,022	1,561,498	4,854,117	12,818,637
Results				
Revenue	12,263,949	2,121,933	393,267	14,779,149
Profit for the financial year	1,809,562	165,255	144,476	2,119,293
Total comprehensive income	1,809,562	165,255	144,476	2,119,293
Net cash (used in)/from operating activities	(1,638,139)	(12,852)	1,697,889	46,898
Net cash from/(used in) investing activity	3,385,618	(184,625)	(1,291,876)	1,909,117
Net cash (used in)/from financing activity	(409,008)	67,947	137,716	(203,345)
Net increase/(decrease) in cash and cash equivalents	1,338,471	(129,530)	543,729	1,752,670

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

12. INVESTMENTS IN SUBSIDIARIES (continued)

- (j) The Company has assessed whether there were any indicators of impairment during the financial year. Management has performed impairment assessments and the recoverable amounts are determined based on the value-in-use.

Value-in-use is the net present value of the projected future cash flows, including forecast growth in future revenues and operating profit margins, as well as determining an appropriate pre-tax discount rate and growth rates, which are, among others, dependent on forecasted economic conditions affected by the COVID-19 pandemic.

Based on these assumptions, management is of the view that no impairment loss is required as the recoverable amounts determined are higher than the carrying amount of the investments in subsidiaries.

13. OTHER INVESTMENT

	Group	
	2020	2019
	RM	RM
Financial assets at fair value through profit or loss		
Quoted shares in Malaysia	<u>31,168</u>	<u>40,040</u>

Information on the fair value hierarchy is disclosed in Note 34 to the financial statements.

14. INVENTORIES

	Group	
	2020	2019
	RM	RM
Trading goods	19,044,759	19,223,186
Finished goods	3,195,806	5,467,213
Raw materials	8,007,768	8,758,476
Packaging materials	<u>382,946</u>	<u>370,046</u>
	<u>30,631,279</u>	<u>33,818,921</u>

- (a) Cost of inventories of the Group recognised as cost of sales during the financial year amounted to RM104,080,179 (2019: RM80,182,481).
- (b) During the financial year, the Group has written off inventories amounting to RM2,172,047 (2019: RM533,050) and a reversal of write-down of inventories of the Group amounting RM279,200 (2019: RM192,100) was made as the Group was able to sell those inventories above their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade receivables				
Third parties	25,891,647	25,230,686	-	-
Less: Impairment losses	(124,236)	(443,688)	-	-
	25,767,411	24,786,998	-	-
Other receivables				
Amounts owing by subsidiaries	-	-	3,330,000	6,250,000
Deposits	638,899	590,207	2,260	2,260
Other receivables	23,269	452,615	-	61,940
	662,168	1,042,822	3,332,260	6,314,200
Total trade and other receivables	26,429,579	25,829,820	3,332,260	6,314,200
Prepayments	6,740,960	4,580,825	-	-
	33,170,539	30,410,645	3,332,260	6,314,200

- (a) Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranged from 30 to 90 days (2019: 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 RM2,800,000 (2019: RM2,250,000) which represents dividend income receivable from subsidiaries which are interest free and repayable within the next twelve (12) months in cash and cash equivalents.

The remaining amount owing by subsidiaries of RM530,000 (2019: RM4,000,000) 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 trading goods, machineries and livestock amounting to RM6,540,440 (2019: RM4,433,554).
- (d) The currency exposure profiles of trade and other receivables (exclude prepayments) are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	26,429,579	25,550,727	3,332,260	6,314,200
US Dollar	-	279,093	-	-
	26,429,579	25,829,820	3,332,260	6,314,200

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (continued)

- (e) 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 2020	103,000	340,688	443,688
Charge for the financial year	12,000	7,096	19,096
Reversal of impairment loss	(15,000)	(323,548)	(338,548)
At 31 December 2020	<u>100,000</u>	<u>24,236</u>	<u>124,236</u>
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	<u>103,000</u>	<u>340,688</u>	<u>443,688</u>

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 considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than twelve (12) months as deemed credit impaired and assesses for their risk of loss individually.

The Group has identified Gross Domestic Product ("GDP"), unemployment rate, inflation rate, Malaysia non-performing loan rate, service growth rate, manufacturing growth rate and consumer price index, incorporating the impact of the COVID-19 pandemic as the key macroeconomic factors in determining the lifetime expected credit loss for trade receivables.

- (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	
	2020 RM	2019 RM
Maximum exposure	25,767,411	24,786,998
Collateral obtained	<u>-</u>	<u>-</u>
Net exposure to credit risk	<u>25,767,411</u>	<u>24,786,998</u>

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

15. TRADE AND OTHER RECEIVABLES (continued)

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

Group 2020	Gross carrying amount RM	Total allowance RM	Balance as at 31.12.2020 RM
Current	14,459,843	(4,000)	14,455,843
Past due:			
1 to 30 days	5,853,413	(16,220)	5,837,193
31 to 60 days	3,135,960	(25,650)	3,110,310
61 to 90 days	1,816,199	(23,960)	1,792,239
91 to 120 days	164,474	(30,170)	134,304
More than 120 days	461,758	(24,236)	437,522
	<u>11,431,804</u>	<u>(120,236)</u>	<u>11,311,568</u>
	<u>25,891,647</u>	<u>(124,236)</u>	<u>25,767,411</u>
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
	<u>12,719,163</u>	<u>(439,968)</u>	<u>12,279,195</u>
	<u>25,230,686</u>	<u>(443,688)</u>	<u>24,786,998</u>

(h) A receivable is considered as default when such debtor did not perform their obligation to make payment within the period granted or allowed. 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 defined significant increase in credit risk based on the operating performance of the receivables, changes in contractual terms, payment trends and past due information. A significant increase in credit risk is presumed if contractual payments are more than 30 days past due.

The Group has identified Gross Domestic Product (“GDP”), unemployment rate, inflation rate, Malaysia non-performing loan rate, service growth rate, manufacturing growth rate and consumer price index, incorporating the impact of the COVID-19 pandemic as the key macroeconomic factors in determining the lifetime expected credit loss for other receivables and amounts owing by subsidiaries.

- (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 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

16. CASH AND BANK BALANCES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	19,546,022	9,011,881	1,315,191	88,583
Deposits with licensed banks	419,927	50,000	-	-
	<u>19,965,949</u>	<u>9,061,881</u>	<u>1,315,191</u>	<u>88,583</u>

(a) Deposits placed with financial institutions of the Group have maturity periods ranging from 10 days to 327 days (2019: 10 days to 158 days).

(b) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	17,620,205	8,608,482	1,315,191	88,583
US Dollar	2,229,142	453,399	-	-
Euro	79,616	-	-	-
Australian Dollar	36,986	-	-	-
	<u>19,965,949</u>	<u>9,061,881</u>	<u>1,315,191</u>	<u>88,583</u>

(c) 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Cash and bank balances	19,965,949	9,061,881	1,315,191	88,583
Less:				
Deposits with licensed banks with original maturity of more than three (3) months	<u>(389,927)</u>	<u>(20,000)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents included in the statements of cash flows	<u>19,576,022</u>	<u>9,041,881</u>	<u>1,315,191</u>	<u>88,583</u>

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

(e) Information on the financial risk of cash and bank balances are disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

17. SHORT TERM FUNDS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Fair value through profit or loss				
Short term funds	<u>4,509,497</u>	<u>147,237</u>	<u>4,509,497</u>	<u>147,237</u>

- (a) Short term funds are classified as fair value through profit or loss, and subsequently remeasured to fair value with changes in fair value being recognised in profit or loss. The fair value is categorised as Level 1 in fair value hierarchy. The short term funds of the Group and of the Company are denominated in RM.
- (b) The management assessed that the fair value of the short term funds approximately their carrying amounts largely due to short term maturities of these instruments.
- (c) Information on financial risks of short term funds is disclosed in Note 35 to the financial statements.

18. SHARE CAPITAL

	Group and Company			
	2020 Number of shares	2020 RM	2019 Number of shares	2019 RM
Issued and fully paid				
As at 1 January	182,600,000	92,114,235	166,000,000	92,114,235
Ordinary shares issued pursuant to private placement	12,980,589	8,177,771	-	-
Issuance of ordinary shares	5,279,411	3,326,029	-	-
Ordinary shares issued pursuant to Bonus Issue	-	-	16,600,000	-
As at 31 December	<u>200,860,000</u>	<u>103,618,035</u>	<u>182,600,000</u>	<u>92,114,235</u>

- (a) During the financial year, the issued and fully paid-up ordinary shares of the Company was increased from 182,600,000 ordinary shares to 200,860,000 ordinary shares by way of the issuance of 18,260,000 new ordinary shares pursuant to the following:
- Private placement of 12,980,589 new ordinary shares for RM0.63 each; and
 - Issuance of 5,279,411 new ordinary shares for RM0.63 each for the purpose of the acquisition of a subsidiary, OLSB. The details and effects of the acquisition are disclosed in Note 12 and Note 36 to the financial statements respectively.

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

- (b) In the previous financial year, 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

18. SHARE CAPITAL (continued)

- (c) 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.

19. RESERVES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Non-distributable				
Reorganisation debit balance	(59,488,997)	(59,488,997)	-	-
Distributable				
Retained earnings	<u>79,984,672</u>	<u>74,708,709</u>	<u>2,161,249</u>	<u>2,067,506</u>
	<u>20,495,675</u>	<u>15,219,712</u>	<u>2,161,249</u>	<u>2,067,506</u>

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.

20. BORROWINGS

	Group	
	2020	2019
	RM	RM
Current liabilities		
Term loans (secured)	4,369,296	2,065,704
Non-current liabilities		
Term loans (secured)	<u>30,428,702</u>	<u>25,221,232</u>
	<u>34,797,998</u>	<u>27,286,936</u>
Total borrowings		
Term loans (secured)	<u>34,797,998</u>	<u>27,286,936</u>

- (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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

20. BORROWINGS (continued)

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

Loan	Interest rate	Year of drawdown	Repayment term
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 drawdown or first day of the 25 th months from the date of first drawdown, whichever is earlier
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 RM31,652 commencing after the first utilisation until the end of the facility tenor or full disbursement of this facility is made, whichever is earlier
Term loan 7	Base lending rate - 2.20%	September 2020	60 monthly instalments of RM12,609 commencing from October 2020

(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, RM1,484,336, RM9,115,397 and RM5,610,078 respectively (2019: RM8,512,003, RM1,528,795, RM9,295,973 and RM5,652,718 respectively) as disclosed in Note 7, Note 8 and Note 10 to the financial statements; and corporate guarantees by the Company as disclosed in Note 31 to the financial statements.

(d) Information on financial risks of borrowings and their remaining maturity is disclosed in Note 35 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

21. DEFERRED TAX

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

	Group	
	2020 RM	2019 RM
Balance as at 1 January	342,177	328,907
Acquisition of subsidiaries (Note 12)	10,064	-
Recognised in profit or loss (Note 26):		
- current year	19,129	(11,452)
- prior years	63,672	24,722
	<u>435,042</u>	<u>342,177</u>
Balance as at 31 December	<u>435,042</u>	<u>342,177</u>

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

	Group	
	2020 RM	2019 RM
Deferred tax liabilities		
At 1 January	342,177	328,907
Acquisition of subsidiaries (Note 12)	10,064	-
Recognised in profit or loss (Note 26):		
- Property, plant and equipment	82,801	13,270
	<u>435,042</u>	<u>342,177</u>
At 31 December	<u>435,042</u>	<u>342,177</u>

- (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	
	2020 RM	2019 RM
Unused tax losses:		
- Expires by 31 December 2025	52,269	61,330
- Expires by 31 December 2026	149,921	149,921
- Expires by 31 December 2027	84,800	-
Unutilised capital allowances	192,657	144,735
	<u>479,647</u>	<u>355,986</u>

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 amount and availability of these items to be carried forward are subject to the agreement of the respective local tax authorities.

Any unused tax losses shall be deductible for a maximum period of seven consecutive years of assessment immediately following that year of assessment. Any amount which is not deducted at the end of the period of seven years of assessment shall be disregarded.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Trade payables				
Third parties	11,397,220	8,453,993	-	-
Other payables				
Other payables	2,270,561	2,147,005	-	-
Deposit	1,254,192	63,000	-	-
Accruals	3,153,848	2,289,092	80,000	63,000
	<u>6,678,601</u>	<u>4,499,097</u>	<u>80,000</u>	<u>63,000</u>
	<u>18,075,821</u>	<u>12,953,090</u>	<u>80,000</u>	<u>63,000</u>

(a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2019: 30 to 60 days) from the date of invoice.

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Ringgit Malaysia	8,035,405	6,137,791	80,000	63,000
US Dollar	2,115,997	1,516,494	-	-
Euro	7,768,968	5,298,805	-	-
British Pound Sterling	155,451	-	-	-
	<u>18,075,821</u>	<u>12,953,090</u>	<u>80,000</u>	<u>63,000</u>

(c) Information on financial risks of trade and other payables is disclosed in Note 35 to the financial statements.

23. REVENUE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Revenue from contracts with customers				
Sales of goods	144,214,301	116,475,336	-	-
Services rendered	2,468,501	2,582,806	-	-
Management fee	-	-	1,000,000	600,000
	<u>146,682,802</u>	<u>119,058,142</u>	<u>1,000,000</u>	<u>600,000</u>
Others				
- Dividend income	-	-	2,800,000	2,250,000
	<u>146,682,802</u>	<u>119,058,142</u>	<u>3,800,000</u>	<u>2,850,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020

23. REVENUE (continued)

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Timing of revenue recognition				
Transferred at a point in time	<u>146,682,802</u>	<u>119,058,142</u>	<u>1,000,000</u>	<u>600,000</u>

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

24. FINANCE COSTS

	Group	
	2020 RM	2019 RM
Interest expenses on:		
Term loans	1,315,961	709,483
Bank overdraft	42,666	211,817
Hire purchase	-	2,717
Lease liabilities	<u>23,143</u>	<u>18,057</u>
	<u>1,381,770</u>	<u>942,074</u>

25. PROFIT BEFORE TAX

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Auditors' remuneration				
- statutory	209,100	169,600	48,000	48,000
- others	30,000	13,000	30,000	13,000
- over-provision in prior year	(4,545)	-	(1,600)	-
Bad debts written off	1,386	-	-	-
Fair value changes on other investment	8,872	10,010	-	-
Changes in fair value of biological assets	(466,021)	-	-	-
Inventories written off	2,172,047	533,050	-	-
Property, plant and equipment written off	-	10,820	-	-
Rental of premises	-	66,295	-	-
Net loss on foreign currency translations:				
- realised	512,110	-	-	-
- unrealised	441,490	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

25. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Dividend income from subsidiaries	-	-	(2,800,000)	(2,250,000)
Gain on bargain purchase	(137,725)	-	-	-
Gain on disposal of property, plant and equipment	-	(2,000)	-	-
Interest income	(115,118)	(37,826)	(19,710)	(205)
Income distribution from short term funds	(62,260)	(234,755)	(62,260)	(221,816)
Net gain on foreign currency translations				
- realised	-	(328,430)	-	-
- unrealised	-	(262,625)	-	-
Inventories written back	(279,200)	(192,100)	-	-
Rental income of investment property, net of rental concession provided	(178,500)	(21,000)	-	-

26. TAX EXPENSE

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Current tax expense based on profit for the financial year:				
- current year provision	3,066,276	2,605,732	218,884	133,062
- under-provision in prior years	22,144	59,467	14,361	24,875
	3,088,420	2,665,199	233,245	157,937
Deferred tax (Note 21):				
- Origination of temporary differences	19,129	(11,452)	-	-
- Under-provision in prior years	63,672	24,722	-	-
	82,801	13,270	-	-
	3,171,221	2,678,469	233,245	157,937

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profits for the fiscal year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

26. 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	
	2020 RM	2019 RM	2020 RM	2019 RM
Profit before tax	<u>11,536,624</u>	<u>11,314,931</u>	<u>2,335,588</u>	<u>2,116,875</u>
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	2,768,790	2,715,583	560,541	508,050
Tax effects in respect of:				
Non-allowable expenses	1,173,461	850,410	350,016	219,429
Non-taxable income	(886,525)	(1,016,544)	(691,673)	(594,417)
Deferred tax assets not recognised	<u>29,679</u>	<u>44,831</u>	<u>-</u>	<u>-</u>
	3,085,405	2,594,280	218,884	133,062
Under-provision of tax expense in prior years	22,144	59,467	14,361	24,875
Under-provision of deferred tax in prior years	<u>63,672</u>	<u>24,722</u>	<u>-</u>	<u>-</u>
	<u>3,171,221</u>	<u>2,678,469</u>	<u>233,245</u>	<u>157,937</u>

- (c) A subsidiary of the Group is an approved BioNexus status company and has been granted 100% income tax exemption on its 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.

27. 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	
	2020	2019
Profit attributable to equity holders of the parent (RM)	<u>7,284,563</u>	<u>8,636,462</u>
Weighted average number of ordinary shares in issue	<u>195,087,236</u>	<u>182,327,123</u>
Basic earnings per ordinary share (sen)	<u>3.73</u>	<u>4.74</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

27. 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.

28. DIVIDENDS

	Group and Company			
	2020		2019	
	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 2019:				
Final single-tier dividend, paid on 15 July 2020	1.00	2,008,600	-	-
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

The Directors propose a final single-tier dividend of 1.00 sen per ordinary share in respect of the financial year ended 31 December 2020, 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 2021.

29. EMPLOYEE BENEFITS

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Wages, salaries and bonuses	14,592,188	10,401,818	-	150,000
Contributions to defined contribution plan	1,921,125	1,475,932	-	-
Social security contributions	122,340	89,771	-	-
	16,635,653	11,967,521	-	150,000

Included in the employee benefits of the Group and of the Company are Executive Directors' remuneration of the Group and of the Company amounting to RM2,409,541 (2019: RM2,268,095) and Nil (2019: RM150,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

30. CAPITAL COMMITMENTS

	Group	
	2020	2019
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment: Contracted but not provided for	8,096,893	16,861,797

31. CONTINGENT LIABILITIES

	Company	
	2020	2019
	RM	RM
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries		
Secured:		
- Limit of guarantee	65,829,304	73,649,304
- Amount utilised	36,130,911	28,329,685
Unsecured:		
- Limit of guarantee	5,300,000	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 10 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.

32. 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.

- (i) Ultimate holding company;
- (ii) Direct and indirect subsidiaries as disclosed in Note 12 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.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

32. RELATED PARTY DISCLOSURES (continued)

- (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:

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Paid/payable to a related party:				
Rental expenses	121,500	-	-	-
Received/receivable from subsidiaries:				
Management fee	-	-	1,000,000	600,000
Dividend income	-	-	2,800,000	2,250,000

The related parties transactions described above were carried out on terms and conditions mutually agreed with the respective related parties.

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

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

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Executive Directors' remuneration:				
Fees	-	246,000	-	150,000
Salaries and other emoluments	2,109,616	1,759,797	-	-
Defined contribution plan	299,925	262,298	-	-
	2,409,541	2,268,095	-	150,000
Estimated monetary value of benefits-in-kind	78,153	68,821	-	-
	2,487,694	2,336,916	-	150,000

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

32. RELATED PARTY DISCLOSURES (continued)

(c) Compensation of key management personnel (continued)

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

Company	2020		2019	
	Directors' fees RM	Other emoluments/ salaries RM	Directors' fees RM	Other emoluments/ salaries RM
Dato' Hamzah Bin Mohd Salleh	60,000	3,200	60,000	4,000
Lim Ban Keong	-	-	50,000	-
Foong Kam Weng	-	-	50,000	-
Yip Lai Siong	-	-	50,000	-
Martin Jeyaratnam A/L Thiagaraj	50,000	4,000	50,000	4,800
Rahanawati Binti Ali Dawam	50,000	4,000	50,000	4,800
Teoh Chee Yong	50,000	3,200	50,000	4,800
	<u>210,000</u>	<u>14,400</u>	<u>360,000</u>	<u>18,400</u>

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

	Group	
	2020 RM	2019 RM
Wages, salaries and bonuses	1,935,052	1,686,020
Contributions to defined contribution plan	394,455	364,802
Other emoluments	652,267	758,654
	<u>2,981,774</u>	<u>2,809,476</u>
Estimated monetary value of benefits-in-kind	<u>108,753</u>	<u>116,821</u>
Total key management personnel's remuneration	<u>3,090,527</u>	<u>2,926,297</u>

Group	Salary and bonus RM	Defined contribution plan RM	Other emoluments RM	Benefits-in-kind RM	Total RM
	Lim Ban Keong	456,344	97,812	120,578	13,528
Foong Kam Weng	333,984	90,613	291,447	13,325	729,369
Yip Lai Siong	303,324	64,085	132,901	9,900	510,210
Chan Yan San	320,600	51,390	22,924	24,000	418,914
Goh Wee Chong	296,800	47,820	22,593	24,000	391,213
Lim Hang Chern	224,000	42,735	61,824	24,000	352,559

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

33. OPERATING SEGMENTS

The Group is principally involved in the marketing, trading, distribution and manufacturing of animal health products and equipment 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, the provision of tests and diagnostic services for human healthcare, as well as the business of livestock.

(a) Business segments

The Group's reportable segments were identified as animal health products and equipment 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 and equipment

Marketing, trading, distribution and manufacturing of animal health products and equipment 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, management services and business of livestock.

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

The Group evaluates performance on the basis of profit or loss before tax.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the consolidated financial statements. These policies have been applied consistently throughout the current and previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

33. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

2020	Animal health products and equipment RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
Revenue					
External sales	113,781,863	30,061,951	2,838,988	-	146,682,802
Inter-segment sales	7,929,481	79,414	10,577,900	(18,586,795)	-
Total	<u>121,711,344</u>	<u>30,141,365</u>	<u>13,416,888</u>	<u>(18,586,795)</u>	<u>146,682,802</u>
Results					
Segment results	8,241,834	2,300,829	2,246,035	(47,682)	12,741,016
Interest expense	(1,375,314)	(149,767)	(39,592)	182,903	(1,381,770)
Interest income	201,467	17,971	93,161	(135,221)	177,378
Profit before tax					11,536,624
Tax expense	(2,345,035)	(538,843)	(287,343)	-	(3,171,221)
Profit for the year					<u>8,365,403</u>
Other information					
Segment assets	154,275,587	12,770,264	37,861,749	(18,913,910)	185,993,690
Segment liabilities	68,995,884	2,451,349	6,768,907	(22,873,665)	55,342,475
Capital expenditure:					
- Property, plant and equipment	12,137,423	-	1,901,974	-	14,039,397
- Right-of-use assets	108,825	196,328	720,623	(787,993)	237,783
Depreciation	1,452,256	406,784	1,087,862	(780,644)	2,166,258
Other material non-cash items:					
- Changes in fair value of biological assets	-	-	466,021	-	466,021
- Gain on bargain purchase	-	-	(137,725)	-	(137,725)
- Inventories (written back)/down	(323,100)	43,900	-	-	(279,200)
- Inventories written off/(back)	2,266,474	(94,427)	-	-	2,172,047
- Reversal of impairment loss on trade receivables	(320,253)	(15,000)	(3,295)	-	(338,548)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

33. OPERATING SEGMENTS (continued)

(a) Business segments (continued)

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	<u>95,924,394</u>	<u>28,323,081</u>	<u>12,606,443</u>	<u>(17,795,776)</u>	<u>119,058,142</u>
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)	<u>272,581</u>
Profit before tax					11,314,931
Tax expense	(1,751,862)	(519,463)	(407,144)	-	<u>(2,678,469)</u>
Profit for the year					<u>8,636,462</u>
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
- Reversal of impairment loss on trade receivables	(5,643)	-	(4,361)	-	<u>(10,004)</u>

(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:

	2020 RM	2019 RM
Customer A	<u>20,700,295</u>	<u>20,691,021</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

34. 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 2020 and 31 December 2019.

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	
	2020 RM	2019 RM	2020 RM	2019 RM
Borrowings	34,797,998	27,286,936	-	-
Lease liabilities	828,600	190,887	-	-
Trade and other payables	18,075,821	12,953,090	80,000	63,000
	53,702,419	40,430,913	80,000	63,000
Less: Cash and bank balances	(19,965,949)	(9,061,881)	(1,315,191)	(88,583)
Less: Short term funds	(4,509,497)	(147,237)	(4,509,497)	(147,237)
Net debt/(Net cash)	29,226,973	31,221,795	(5,744,688)	(172,820)
Total capital	124,113,710	107,333,947	105,779,284	94,181,741
Gearing ratio	24%	29%	- *	- *

* 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 of more than 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 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments

Categories of financial instruments

2020	Fair value through profit or loss RM	Amortised cost RM	Total RM
Group			
Financial assets			
Other investment	31,168	-	31,168
Trade and other receivables, net of prepayments	-	26,429,579	26,429,579
Cash and bank balances	-	19,965,949	19,965,949
Short term funds	4,509,497	-	4,509,497
	<u>4,540,665</u>	<u>46,395,528</u>	<u>50,936,193</u>
		Amortised cost RM	Total RM
Financial liabilities			
Borrowings		34,797,998	34,797,998
Trade and other payables		18,075,821	18,075,821
		<u>52,873,819</u>	<u>52,873,819</u>
2019			
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
	<u>187,277</u>	<u>34,891,701</u>	<u>35,078,978</u>
		Amortised cost RM	Total RM
Financial liabilities			
Borrowings		27,286,936	27,286,936
Trade and other payables		12,953,090	12,953,090
		<u>40,240,026</u>	<u>40,240,026</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

34. FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments (continued)

Categories of financial instruments (continued)

2020	Fair value through profit or loss RM	Amortised cost RM	Total RM
Company			
Financial assets			
Trade and other receivables, net of prepayments	-	3,332,260	3,332,260
Cash and bank balances	-	1,315,191	1,315,191
Short term funds	4,509,497	-	4,509,497
	<u>4,509,497</u>	<u>4,647,451</u>	<u>9,156,948</u>
		Amortised cost RM	Total RM
Financial liabilities			
Other payables		<u>80,000</u>	<u>80,000</u>
2019			
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
	<u>147,237</u>	<u>6,402,783</u>	<u>6,550,020</u>
		Amortised cost RM	Total RM
Financial liabilities			
Other payables		<u>63,000</u>	<u>63,000</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

34. 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) Quoted share

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

(iii) 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).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

34. 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 RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
2020								
Financial assets								
Fair value through profit or loss								
- Short term fund	4,509,497	-	-	-	-	-	4,509,497	4,509,497
- Other investment	31,168	-	-	-	-	-	31,168	31,168
	4,540,665	-	-	-	-	-	4,540,665	4,540,665
2019								
Financial assets								
Fair value through profit or loss								
- Short term fund	147,237	-	-	-	-	-	147,237	147,237
- Other investment	40,040	-	-	-	-	-	40,040	40,040
	187,277	-	-	-	-	-	187,277	187,277

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

34. FINANCIAL INSTRUMENTS (continued)

(d) Fair value hierarchy (continued)

The following tables set out the financial instruments not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (continued).

Company	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value	Carrying Amount
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
2020								
Financial assets								
Fair value through profit or loss								
- Short term fund	4,509,497	-	-	-	-	-	4,509,497	4,509,497
2019								
Financial assets								
Fair value through profit or loss								
- Short term fund	147,237	-	-	-	-	-	147,237	147,237

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group operates within clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below:

(i) Credit risk

Cash deposits and receivables could give rise to credit risk, which requires the loss to be recognised if a counter party fails to perform as contracted. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables while the primary exposure of the Company is through the amounts owing by subsidiaries. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of one (1) month, extending up to three (3) months for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables via a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

As at the end of each reporting period, no collateral has been obtained by the Group. The maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

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

In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any individual customer or counterparty except that 29% (2019: 33%) of the total Group's trade receivables as at reporting date were due from three (3) (2019: three (3)) major customers.

The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries constituting approximately 99% (2019: 99%) of the total receivables of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

35. 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:

Group	←----- 2020 ----->			
	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
Financial liabilities				
Trade and other payables	18,075,821	-	-	18,075,821
Term loans	6,016,832	20,495,378	16,355,686	42,867,896
Lease liabilities	365,863	523,740	-	889,603
Total undiscounted financial liabilities	<u>24,458,516</u>	<u>21,019,118</u>	<u>16,355,686</u>	<u>61,833,320</u>
Group	←----- 2019 ----->			
	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	<u>16,553,688</u>	<u>20,925,209</u>	<u>8,079,701</u>	<u>45,558,598</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(ii) Liquidity and cash flow risk (continued)

The table below summarises the maturity profile of the liabilities of the Group and the Company at the end of each reporting period based on contractual undiscounted repayment obligations (continued):

Company	<----- 2020 ----->			Total RM
	On demand or within one year RM	One to five years RM	Over five years RM	
Financial liabilities				
Other payables	80,000	-	-	80,000
Financial guarantees *	71,129,304	-	-	71,129,304
Total undiscounted financial liabilities	71,209,304	-	-	71,209,304
	<----- 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

* 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 2020 (CONTINUED)

35. 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 2020									
Fixed rates									
Deposits with licensed banks	16	1.85 - 3.35	419,927	-	-	-	-	-	419,927
Lease liabilities	8	2.29 - 4.60	(336,818)	(314,781)	(93,218)	(39,528)	(37,160)	(7,095)	(828,600)
Floating rates									
Term loans	20	5.14	(4,369,296)	(4,574,038)	(3,875,467)	(3,832,013)	(3,626,329)	(14,520,855)	(34,797,998)
As at 31 December 2019									
Fixed rates									
Deposits with licensed banks	16	3.00 - 3.35	50,000	-	-	-	-	-	50,000
Lease liabilities	8	2.47 - 5.75	(190,887)	-	-	-	-	-	(190,887)
Floating rates									
Term loans	20	5.08	(2,065,704)	(4,532,087)	(4,768,931)	(4,212,028)	(4,081,646)	(7,626,540)	(27,286,936)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

35. 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	2020 RM	2019 RM
- increase by 0.5%	(133,785)	(104,226)
- decrease by 0.5%	<u>133,785</u>	<u>104,226</u>

(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 the reporting period, such foreign currency balances amounted to RM2,345,744 (2019: RM453,399) (see Note 16(b) to the financial statements) 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	2020 RM	2019 RM
USD/RM		
- strengthen by 10%	8,599	38,225
- weaken by 10%	(8,599)	(38,225)
EUR/RM		
- strengthen by 10%	(584,391)	(378,791)
- weaken by 10%	<u>584,391</u>	<u>378,791</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisitions of subsidiaries

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

- (i) conditional share sale agreement with Raja Mariam Binti Raja Rustam Shahrome (“Raja Mariam”) for the acquisition of 1,225,000 ordinary shares in OLSB, representing a 49% equity interest in OLSB for a purchase consideration which will be satisfied via a combination of cash of RM1,800,000 and the remaining balance through the issuance of new ordinary shares in the Company (“Acquisition of OLSB”);
- (ii) a profit guarantee agreement with Raja Mariam as guarantor and Messrs Chellam Wong as stakeholder in relation to the 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 in each year;
- (iii) a conditional share sale agreement with OLSB for the acquisition of 588,000 ordinary shares in NLN, representing a 49% equity interest in NLN for a cash consideration of RM1,750,000 (“Acquisition of NLN”);
- (iv) a conditional share sale agreement with Nor Hazimah Binti Zabarudin (“Nor Hazimah”) for the acquisition of 490,000 ordinary shares in NLF, representing a 49% equity interest in NLF for a cash consideration of RM700,000 (“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 Acquisition of NLN and 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 Acquisition of OLSB, Acquisition of NLN and Acquisition of NLF are collectively referred to as the “Acquisitions”).

The Acquisitions have been completed during the financial year. The details of the Acquisitions have been disclosed in Note 12 to the financial statements.

(b) Private placement

Concurrently with the acquisition of subsidiaries as disclosed in Note 36(a), the Company had a 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 (“Private Placement”).

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Private placement (continued)

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.

On 23 June 2020, the issued shares of the Company further increased from 195,580,589 ordinary shares to 200,860,000 ordinary shares pursuant to the issuance of 5,279,411 new ordinary shares, at closing market price at date of issue of RM0.63 each for the purpose of acquisition of a subsidiary, OLSB.

(c) Subscription of additional new ordinary shares in NLF

On 6 October 2020, NLF, a 49% owned subsidiary allotted and issued 3,000,000 new ordinary shares of RM3,000,000. The Company subscribed for an additional 1,470,000 new ordinary shares in NLF at an issue price of RM1.00 via capitalisation of the amount owing by NLF which amounted to RM1,470,000.

The non-controlling interests subscribed for the remaining additional 1,530,000 new ordinary shares for a cash consideration of RM1,530,000.

On 30 November 2020, NLF allotted and issued 1,328,200 new ordinary shares of RM1,328,200. The Company subscribed for an additional 650,818 new ordinary shares in NLF at an issue price of RM1.00 via capitalisation of the amount owing by NLF to a former Director of NLF which amounted to RM650,818.

The non-controlling interests subscribed for the remaining additional 677,382 new ordinary shares via capitalisation of the amount owing by NLF to a former Director of NLF which amounted to RM677,382.

(d) Proposed issuance of free warrants

On 25 November 2020, the Company announced a proposed issuance of free warrants which entails the issuance of up to 80,344,000 free warrants on the basis of two (2) warrants for every five (5) existing ordinary shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company at the close of business on the entitlement date (“Proposed Issuance of Free Warrants”).

The listing application in relation to the Proposed Issuance of Free Warrants was approved by Bursa Malaysia Securities Berhad (“Bursa Securities”) on 29 December 2020.

(e) Incorporation of A2 Fresh Sdn. Bhd.

On 11 December 2020, NLF, a 49% owned subsidiary of the Company incorporated a wholly-owned subsidiary known as A2 Fresh Sdn. Bhd. which principal activities are in wholesale, marketing and distribution of milk.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020 (CONTINUED)

36. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

- (f) 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. The Government of Malaysia imposed a Movement Control Order (“MCO”) on 18 March 2020 and has subsequently entered into various phases of the MCO until 18 March 2021 and has subsequently entered into various phases of the MCO until 28 April 2021.

In relation to this, the Group has appropriately taken up the effects from the COVID-19 pandemic in respect of the judgements and assumptions used in the preparation of the financial statements for the financial year ended 31 December 2020, such as expected credit losses of financial assets (trade and other receivables and amounts owing by subsidiaries), fair value measurements of financial instruments and biological assets, write down of inventories to net realisable value and impairment assessments of assets (property, plant and equipment, right-of-use assets, goodwill, investments in subsidiaries and investment property).

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has sufficient cash flows and undrawn facilities to meet its liquidity needs in the next twelve (12) months after the end of the reporting period. The Group will continue to monitor its fund and operational needs.

37. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF REPORTING PERIOD

Issuance of free warrants

The issuance of free warrants was approved by the shareholders of the Company on 18 January 2021.

On 10 February 2021, the Company announced that the issuance of 80,343,987 free warrants of the Company (“Warrant(s)”) on the basis of two (2) Warrants for every five (5) existing ordinary shares held by the shareholders of the Company has been completed following the listing of and quotation of the Warrants on the Main Market of Bursa Securities.

The Warrants are constituted by the Deed Poll dated 18 January 2021 (“Deed Poll”).

Salient features of the Warrants are as follows:

- (i) Each Warrant entitles the registered holder thereof (“Warrant holder(s)”) to subscribe for one (1) new ordinary share in the Company at an exercise price of RM0.70 during the 5-year period expiring on 4 February 2025 (“Exercise Period”), subject to the adjustments as set out in the Deed Poll;
- (ii) At the expiry of the Exercise Period, any Warrants, which has not been exercised shall automatically lapse and cease to be valid for any purposes; and
- (iii) Warrant holders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank *pari passu* in all respects with the then existing shares of the Company, and shall be entitled to any dividends, rights, allotments and/or other distributions after the issue and allotment thereof.

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 31/12/2020 (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	46	5,169,157	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	46	5,430,576	25/9/2012
Rhone Ma Malaysia Sdn Bhd	GRN 212778, Lot 16008, Bandar Nilai Utama, Daerah Seremban, Negeri Sembilan Lot 16008, Jalan Nilam 3, Kawasan Perindustrian Nilai Utama, 71800 Nilai, Negeri Sembilan Darul Khusus	Industrial / Land with a three storey office building, three storey factory and a single storey warehouse annexed	Freehold	165,323	1	38,547,538	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 31/12/2020 (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	2	18,035,894	* 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	4	1,656,073	* 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	4	5,610,078	* 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 31/12/2020 (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	2	1,040,569	* 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	2	1,089,920	* 16/8/2017

There was no revaluation on the land and properties owned by the Group for the financial year ended 31 December 2020.

ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2021

Total number of issued shares : 200,860,000
 Class of shares : Ordinary Shares
 Voting right : One vote per Ordinary Share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
Less than 100	43	2.99	1,084	0.00
100 to 1,000	117	8.15	63,910	0.03
1,001 to 10,000	662	46.10	3,475,400	1.73
10,001 to 100,000	505	35.17	15,665,664	7.80
100,001 to less than 5% of issued shares	108	7.52	88,311,899	43.97
5% and above of issued shares	1	0.07	93,342,043	46.47
Total	1,436	100.00	200,860,000	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names of Substantial Shareholders	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
Blue Advantage Sdn Bhd	93,709,443	46.65	-	-
Dr Lim Ban Keong	7,080,460	3.53	93,709,443 ⁽¹⁾	46.65
Foong Kam Weng	100,000	0.05	93,709,443 ⁽¹⁾	46.65
Dr Yip Lai Siong	150,000	0.08	93,709,443 ⁽¹⁾	46.65

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.

DIRECTORS' SHAREHOLDINGS

Name of Directors	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
Dato' Hamzah Bin Mohd Salleh	-	-	-	-
Dr Lim Ban Keong	7,080,460	3.53	93,709,443 ⁽¹⁾	46.65
Foong Kam Weng	100,000	0.05	93,709,443 ⁽¹⁾	46.65
Dr Yip Lai Siong	150,000	0.08	93,709,443 ⁽¹⁾	46.65
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.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2021 (CONTINUED)

TOP THIRTY (30) SHAREHOLDERS

No.	Names	No. of Shares	%
1.	Blue Advantage Sdn Bhd	93,342,043	46.47
2.	Chew Chong Hock	9,825,750	4.89
3.	Ker Boon Tong	9,538,650	4.75
4.	Tan Leong Ann	8,698,360	4.33
5.	Imaspro Corporation Berhad	7,142,857	3.56
6.	Raymond Choo Pow Yoon	6,985,790	3.48
7.	Lim Ban Keong	4,087,930	2.04
8.	Teo Kwee Hock	3,268,290	1.63
9.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	2,992,530	1.49
10.	Lim Hang Chern	2,734,600	1.36
11.	Chai Lam Seng	2,341,126	1.17
12.	Ng Loon Em & Sons Poultry Farm (M) Sdn Bhd	2,259,576	1.12
13.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	1,901,630	0.95
14.	Solid Pairs Sdn Bhd	1,842,720	0.92
15.	Tan Hoo Kim @ Tan Hoe Kim	1,130,476	0.56
16.	Yeong Min Fatt	1,111,000	0.55
17.	LTK Omega Plus Sdn Bhd	930,000	0.46
18.	Tang Le Huat	875,000	0.44
19.	Ong Boon Leng	591,800	0.29
20.	Chan Chooi Foong	590,700	0.29
21.	Hock Soon Poultry Farm Sdn Bhd	580,000	0.29
22.	Lim Hang Chern	565,060	0.28
23.	Lee Thian Fook @ Lee Tian Fook	550,000	0.27
24.	Raja Mariam Binti Raja Rustam Shahrome	532,900	0.26
25.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Guat Kee (MM0666)	500,000	0.25
26.	Lim Lung Wen	500,000	0.25
27.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohammed Azlan Bin Hashim	480,000	0.24
28.	Lim Guoy Yen	460,350	0.23
29.	Ng Chew Kee	418,000	0.21
30.	Tan Bin Chee	400,850	0.20

ANALYSIS OF WARRANT HOLDINGS AS AT 31 MARCH 2021

Total number of issued warrants A	: 80,343,987
Exercise price of the warrants A	: RM0.70
Issue date of the warrants A	: 5 February 2021
Expiry date of the warrants A	: 4 February 2026

DISTRIBUTION OF WARRANT HOLDINGS

Size of Warrant Holdings	No. of Warrant Holders		No. of Warrants	
		%		%
Less than 100	111	9.40	3,807	0.01
100 to 1,000	191	16.17	107,632	0.13
1,001 to 10,000	592	50.13	2,467,673	3.07
10,001 to 100,000	244	20.66	7,230,430	9.00
100,001 to less than 5% of issued warrants	41	3.47	25,970,628	32.32
5% and above of issued warrants	2	0.17	44,563,817	55.47
Total	1,181	100.00	80,343,987	100.00

DIRECTORS' WARRANT HOLDINGS

Name of Directors	No. of Warrants Held			
	Direct Interest	%	Indirect Interest	%
Dato' Hamzah Bin Mohd Salleh	-	-	-	-
Dr Lim Ban Keong	2,782,984	3.46	37,483,777 ⁽¹⁾	46.65
Foong Kam Weng	40,000	0.05	37,483,777 ⁽¹⁾	46.65
Dr Yip Lai Siong	60,000	0.08	37,483,777 ⁽¹⁾	46.65
Martin Jeyaratnam A/L Thiagaraj	44,000	0.06	-	-
Rahanawati Binti Ali Dawam	22,000	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.

ANALYSIS OF WARRANT HOLDINGS

AS AT 31 MARCH 2021 (CONTINUED)

TOP THIRTY (30) WARRANT HOLDERS

No.	Names	No. of Warrants	%
1.	Blue Advantage Sdn Bhd	37,336,817	46.47
2.	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Boon Ping (7004677)	7,227,000	9.00
3.	Chew Chong Hock	3,930,300	4.89
4.	Imaspro Corporation Berhad	2,857,142	3.56
5.	Raymond Choo Pow Yoon	2,794,316	3.48
6.	Teo Kwee Hock	1,778,636	2.21
7.	Lim Ban Keong	1,635,172	2.04
8.	Tan Leong Ann	1,378,640	1.72
9.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	1,147,812	1.43
10.	Lim Hang Chern	981,840	1.22
11.	Chai Lam Seng	936,450	1.17
12.	Ng Loon Em & Sons Poultry Farm (M) Sdn Bhd	903,830	1.12
13.	Solid Pairs Sdn Bhd	737,088	0.92
14.	Lim Swee Tin	711,200	0.88
15.	Yeong Min Fatt	444,400	0.55
16.	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for RHB Small Cap Opportunity Unit Trust	443,680	0.55
17.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	396,012	0.49
18.	LTK Omega Plus Sdn Bhd	372,000	0.46
19.	Tang Le Huat	350,000	0.44
20.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Nyong Chye Seng (S Petaling-CL)	300,000	0.37
21.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Shafee Bin Sirat	285,840	0.36
22.	Phuan We Ping	270,000	0.34
23.	Tan Hoo Kim @ Tan Hoe Kim	252,190	0.31
24.	Chan Chooi Foong	236,280	0.29
25.	Lee Thian Fook @ Lee Tian Fook	220,000	0.27
26.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Guat Kee (MM0666)	200,000	0.25
27.	Kenanga Nominees (Tempatan) Sdn Bhd Lim Kian Seng	200,000	0.25
28.	Lim Hang Chern	189,184	0.23
29.	Rachel Lai	175,000	0.22
30.	Ng Chew Kee	167,200	0.21

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Seventh Annual General Meeting (“AGM”) 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, Malaysia on Tuesday, 15 June 2021 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 2020 together with the Reports of the Directors and Auditors thereon.
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 2020.
3. To approve the Directors’ Fees and Benefits Payable to the Non-Executive Directors of the Company and its subsidiaries amounting to RM299,200 per annum until the next AGM of the Company.
4. To re-elect the following Directors retiring pursuant to Clause 95 of the Constitution of the Company:
 - 4.1 Dr Yip Lai Siong
 - 4.2 Teoh Chee Yong
 - 4.3 Martin Jeyaratnam A/L Thiagaraj
5. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

Please refer to Note A

Ordinary Resolution 1

Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

Ordinary Resolution 6

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions with or without modifications:

6. **AUTHORITY TO ALLOT AND ISSUE SHARES BY DIRECTORS PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016**

“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 (“Bursa Securities”) and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.”

Ordinary Resolution 7

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING (CONTINUED)

7. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT") AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR ADDITIONAL RRPT ("PROPOSED SHAREHOLDERS' MANDATE")

"THAT subject to the provision of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and its subsidiaries (collectively referred to as "the Group") to enter into any of the transactions falling within the types of existing and additional RRPT of a revenue or trading nature with specified classes of related parties which are necessary for the day to day operations and are in the ordinary course of business and are carried out at arms' length basis on normal commercial terms of the Group on terms not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to minority shareholders of the Company and that such approval shall continue to be in force until:

- i) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
- ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (but must not extend to such extensions as may be allowed pursuant to Section 340(4) of the Companies Act 2016); or
- iii) revoked or varied by resolution passed by the shareholders in general meeting,

whichever is the earlier.

AND THAT the Directors be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Shareholders' Mandate."

8. PROPOSED AMENDMENT TO THE CONSTITUTION OF THE COMPANY

"THAT the proposed amendment to the Constitution of the Company as set out in Appendix II of the Circular to Shareholders dated 28 April 2021 be and is hereby approved and adopted with immediate effect.

AND THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to implement, finalise and give full effect to the above transaction with full power to assent to any conditions, modifications, variations and/or amendments in any manner as the Directors may deem fit."

Ordinary Resolution 8

Special Resolution 1

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING (CONTINUED)

9. To transact any other business that may be transacted at an AGM of which due notice shall have been given in accordance with the Companies Act 2016 and Constitution of the Company.

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN THAT the final single-tier dividend of 1.0 sen per ordinary share in respect of the financial year ended 31 December 2020, if approved by the shareholders at the Seventh Annual General Meeting, will be paid on 15 July 2021 to Depositors whose names appear in Record of Depositors at the close of business on 2 July 2021.

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 2 July 2021 in respect of ordinary transfers; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

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

28 April 2021

NOTES:

1. A proxy may but need not be a member.
2. 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.
3. 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.
4. 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.
5. 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 thereof, and in default the instrument of proxy shall not be treated as valid. 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).

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 AGM or Adjourned AGM.

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING (CONTINUED)

6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 10 June 2021 (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 2020 together with the Reports of the Directors and Auditors thereon.

This resolution is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 does not require a formal approval of shareholders for the Audited Financial Statements. Hence, this item on the Agenda is **not put forward for voting**.

Ordinary Resolution 7

Authority to Allot and Issue Shares by Directors Pursuant to Section 76 of the Companies Act 2016

The proposed Ordinary Resolution 7, if passed, will give flexibility to the Directors of the Company to issue shares and allot up to a maximum of ten per centum (10%) of the total number of issued 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 AGM 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 5,279,411 ordinary shares, representing 2.70% of the total number of issued shares in satisfaction of part of the RM5,390,000 purchase consideration for the acquisition of 49% equity interest in One Lazuli Sdn Bhd amounting to RM3,590,000 since obtaining the said authority from its shareholders at the last AGM held on 16 June 2020.

Ordinary Resolution 8

Proposed Shareholders' Mandate

The proposed Ordinary Resolution 8, if passed, will allow the Company to enter into existing and additional RRPT in accordance with paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities and the necessity to convene separate general meetings from time to time to seek shareholders' approval as and when such RRPT occur would not arise. This would reduce substantial administrative time and expenses associated with the convening of such meetings without compromising the corporate objectives of the Company or affecting the business opportunities available to the Company. The Proposed Shareholders' Mandate is subject to renewal on an annual basis.

Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 28 April 2021.

Special Resolution 1

Proposed Amendment to the Constitution

The proposed Special Resolution, if passed, will render the Constitution of the Company to provide greater clarity and to ensure

NOTICE OF THE SEVENTH ANNUAL GENERAL MEETING (CONTINUED)

compliance with the relevant statutory requirements so as to update in accordance to the latest development of governance.

Further information on the Proposed Amendment to the Constitution is set out in the Circular to Shareholders dated 28 April 2021.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM



CDS ACCOUNT NO. OF AUTHORISED NOMINEE	
NUMBER OF SHARES HELD	

RHONE MA HOLDINGS BERHAD
[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 Seventh 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, Malaysia on Tuesday, 15 June 2021 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 RM299,200 per annum until the next Annual General Meeting of the Company		
Ordinary Resolution 3	To re-elect Dr Yip Lai Siong		
Ordinary Resolution 4	To re-elect Teoh Chee Yong		
Ordinary Resolution 5	To re-elect Martin Jeyaratnam A/L Thiagaraj		
Ordinary Resolution 6	To re-appoint Messrs BDO PLT as Auditors of the Company		
Special Business			
Ordinary Resolution 7	To authorise the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016		
Ordinary Resolution 8	Proposed Shareholders' Mandate		
Special Resolution 1	Proposed Amendment to the Constitution		

Dated this _____ day of _____ 2021

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

Signature / Common Seal of Shareholder

Contact No: _____

	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		100%

Notes:

1. A proxy may but need not be a member.
2. 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.
3. 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.
4. 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.
5. 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 thereof, and in default the instrument of proxy shall not be treated as valid. 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).
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.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 10 June 2021 (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 28 April 2021.

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)

Lot 18A & 18B, Jalan 241, Seksyen 51A, 46100 Petaling Jaya, Selangor Darul Ehsan, Malaysia

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