



# RHOMA HOLDINGS BERHAD

Registration No. 201401040077 (1116225-A)



# 2022

## Annual Report



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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

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

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

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

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

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

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



## COMPANY SECRETARIES

Tai Yit Chan  
(MAICSA 7009143) / (SSM PC No.: 202008001023)

Tan Ai Ning  
(MAICSA 7015852) / (SSM PC No.: 202008000067)

**t** (603) 7890 4800

**f** (603) 7890 4650

## 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

**f** (603) 2770 0119

**e** [customercareline@rhonema.com](mailto:customercareline@rhonema.com)

**w** [www.rhonema.com](http://www.rhonema.com)

## AUDITORS

### BDO PLT

Level 8

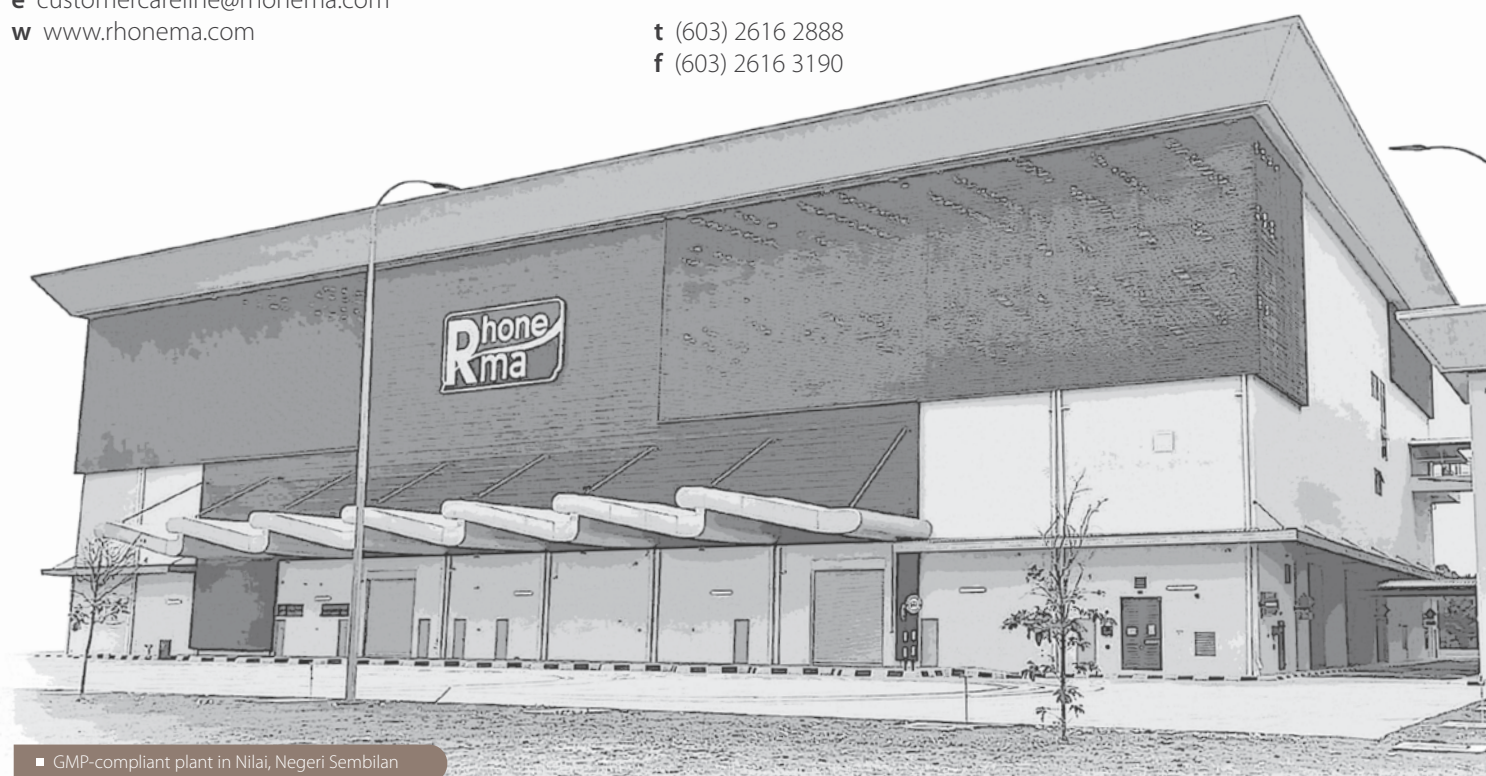
BDO @ Menara CenTARa

360, Jalan Tuanku Abdul Rahman

50100 Kuala Lumpur

**t** (603) 2616 2888

**f** (603) 2616 3190



## PRINCIPAL BANKERS

**OCBC Bank (Malaysia) Berhad**

**Public Bank Berhad**

**HSBC Bank Malaysia Berhad**

**HSBC Amanah Malaysia Berhad**

## STOCK EXCHANGE LISTING

**Main Market of Bursa Malaysia Securities Berhad**

### Shares

Stock Code: 5278

Stock Name: RHONEMA

### Warrants

Stock Code: 5278WA

Stock Name: RHONEMA-WA

## 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

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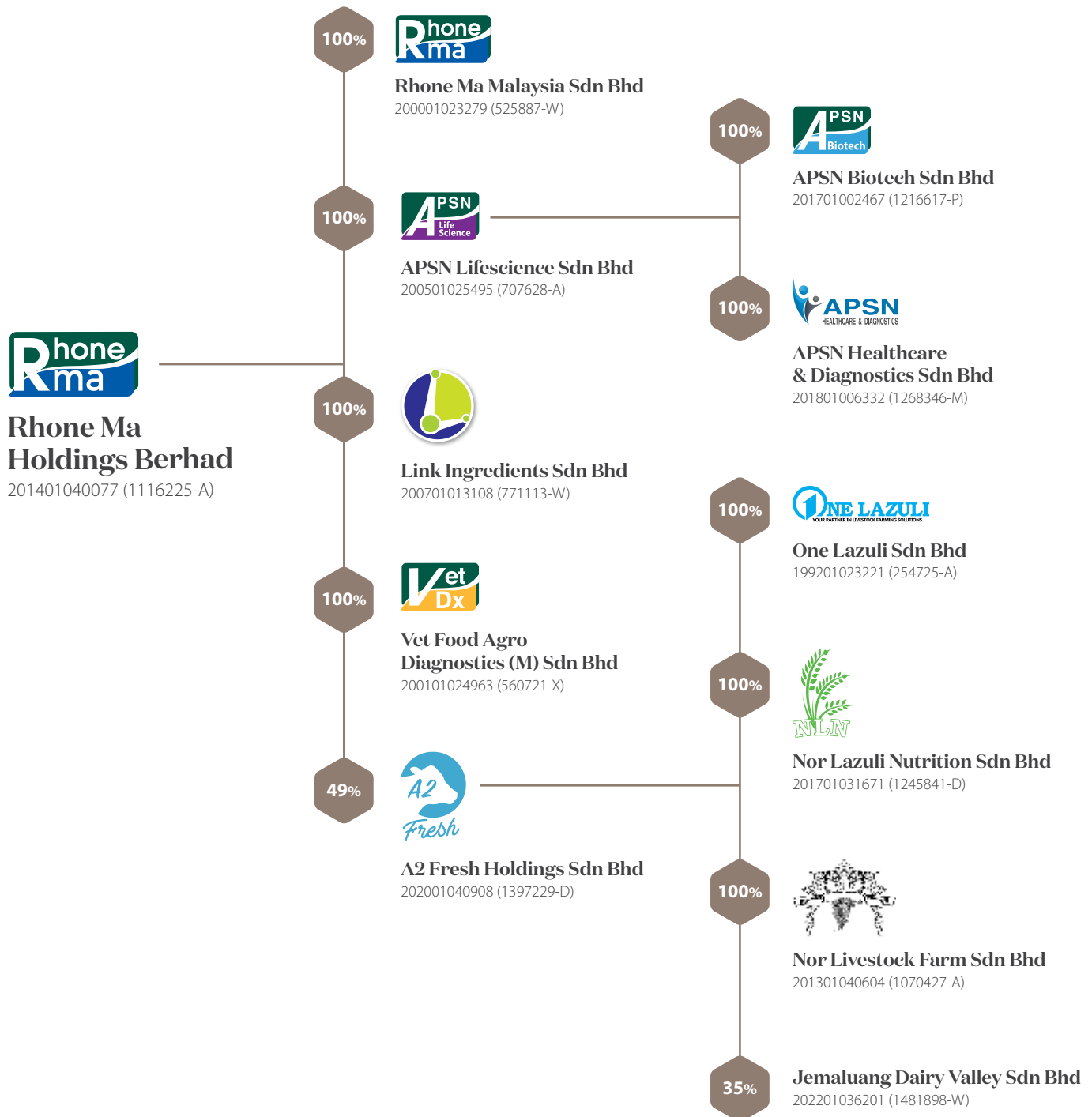
# GROUP FINANCIAL HIGHLIGHTS

FINANCIAL YEAR ENDED 31 DECEMBER		2018	2019	2020	2021	2022
<b>OPERATING RESULTS</b>						
Revenue	RM'000	135,239	119,058	146,683	169,431	198,152
Profit before tax	RM'000	13,610	11,315	11,537	17,605	19,048
Net profit attributable to shareholders	RM'000	10,066	8,636	7,285	11,268	12,738
<b>FINANCIAL POSITION</b>						
Shareholders' equity	RM'000	104,194	107,334	124,114	131,365	153,335
Total assets	RM'000	130,966	148,885	185,994	195,807	219,435
Total borrowings	RM'000	14,555	27,287	34,798	32,786	28,716
<b>FINANCIAL RATIOS</b>						
Gearing ratio	times	0.14	0.25	0.28	0.25	0.19
Current ratio	times	5.98	4.61	3.69	3.28	3.50
<b>MARKET RATIOS</b>						
Earnings per share	sen	6.06	4.74	3.73	5.61	5.86
Net assets per share	sen	62.77	58.78	61.79	65.40	69.31
Dividend per share	sen	3.00	1.00	1.00	2.00	2.00 #

# Of which 1.00 sen per share is subject to shareholders' approval at the forthcoming Annual General Meeting.



# CORPORATE STRUCTURE



# RHONE MA IN THE NEWS



龙马跃前景看俏 新业务护航



读者ROY Lim问：请问龙马跃（RHONEMA, 5278, 主板消费产品服务组）主要从事什么业务？公司前景如何？这只股可以投资吗？

答：龙马跃是一家动物保健专门公司，主要业务为提供动物特设保健医疗方案，分销和供应动物保健产品、动物疫苗、药品和饲料食品，以及奶牛养殖等领域。

## AsianAgribiz

Where the animal protein industry finds and shares information

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First Friday

## Rhone Ma sees Asean's livestock industry growing

By Agribiz Reporter - 16 March 2022, 10:11

Malaysian animal nutrition manufacturer Rhone Ma sees Asean's livestock industry continuing to grow. "We expect demand for animal protein to grow bringing more opportunities for Malaysian-made nutritional products," Commercial Director Lim Heng Chern told Asian Agribiz. "For example, Thailand's farming standards are more established than other countries in the region, and production will keep expanding for domestic and international markets. Eventually, ASF will be controlled. For now, we focus on producing poultry nutrition for Thailand until they rebuild their pig herds," said Dr Lim.

## Rhone Ma set for increase in earnings

**PETALING JAYA:** Rhone Ma Holdings Bhd expects to continue sustaining an increase in earnings by leveraging on the demand for meat, in tandem with the growing population of Malaysia.

In a filing with Bursa Malaysia, the group said net profit in the second quarter ended June 30, 2022 rose to RM3.02mil from RM1.95mil previously, on the back of higher revenue from the company's animal health products and equipment division, as well as its food ingredients segment.

Revenue in the second quarter grew to RM46.83mil from RM38.83mil.

Basic earnings per share stood at 1.36 sen compared with 0.97 previously.

Rhone Ma, Kulim to spearhead Jemaluang Dairy Valley project

**PETALING JAYA:** Rhone Ma Holdings Bhd announced yesterday that its subsidiary Dairy Valley Sdn Bhd (DVS), a joint venture between Rhone Ma Holdings Bhd and Kulim (Malaysia) Sdn Bhd, has been approved by the Joint Development Committee (JDC) to develop, operate and manage the 275-hectare Jemaluang Dairy Valley project in Kelantan, Malaysia.

DVS, 51.75% owned by Rhone Ma Holdings Bhd, will undertake the investment, operation and management of the project which includes expansion and development of dairy cattle farming, with processing and related product marketing.

The Jemaluang Dairy Valley project is part of the Jemaluang Dairy Valley project in Kelantan, Malaysia, which is one of the country's dairy milk and milk products production hubs. The project is expected to be completed by July 2024.



Rhone Ma says it is looking forward to spearheading the expansion of animal husbandry business. The dairy works. - RHONE MA HOLDINGS





# RHONE MA IN THE NEWS (CONTINUED)

**BUSINESSTODAY**

## Rhone Ma's Growth Within Expectations : Affin-Hwang IB

By: Bloomberg News - August 11, 2022



Affin-Hwang Investment Bank has maintained a "HOLD" rating on Rhone Ma

**星洲网**  
sinchew.com.sg

## 龙马跃第三季赚320万 营业额上滑



【吉隆坡15日讯】在营业额上滑带动之下，龙马跃（RHONEMA, 5278，主板消费产品服务组）截至9月30日第三季净利报320万4000令吉，微扬1.29%，前期为316万3000令吉。

该公司首3季净利涨19.03%，升上967万9000令吉，去年同期为813万1000令吉。

该公司第三季营业额起17.19%至5138万2000令吉；顺和首3季营业额也达1亿4443万3000令吉，上滑19.95%。

**The Malaysian Reserve**  
Kulim, April 14, 2022

## Kulim and Rhone Ma's unit are anchor group for second dairy valley project



A JOINT venture between Kulim (Malaysia) Bhd, and Rhone Ma Holdings Bhd's 48%-owned unit, A2 Fresh Holdings Bhd Bhd, has been appointed as the anchor group for Jemaluang Dairy Valley (JDV) project in Johor.

**南洋**  
星洲网

## 受惠于政策 龙马跃控股WA可留意/温世麟

2022年08月22日



龙马跃控股（RHONEMA, 5278，主板消费组）的关联龙马跃控股WA，自去年初交易首日

**南洋**  
星洲网

## 龙马跃联营公司 获柔州牧场开发权



龙马跃控股（RHONEMA, 5278，主板消费组）旗下联营乳品公司，获

得东海岸经济特区发展局（ECERDC）指定开发275公顷乳品牧场。

**dagangnews**  
星洲网

## Kulim, A2 Fresh jalin kerjasama bangunan projek tenusu Jemaluang Dairy Valley



KUALA LUMPUR 7 April - Jemaluang Dairy Valley Sdn Bhd (JDVSB), syarikat usaha sama antara Kulim (Malaysia) Bhd dan A2 Fresh Holdings Sdn Bhd (A2FHBB), Bersekutu Membangun Wilayah Ekonomi Pantai Timur (BCEWOT) untuk membangunkan, menguruskan dan mengoperasikan ladang tenusu seluas 275 hektar di Jemaluang, Johor.

# BOARD OF DIRECTORS



- 01** **Dato' Hamzah Bin Mohd Salleh**  
Independent Non-Executive Chairman
- 02** **Dr. Lim Ban Keong**  
Group Managing Director
- 03** **Foong Kam Weng**  
Executive Director / Group Sales Director
- 04** **Dr. Yip Lai Siong**  
Executive Director / Group Marketing & Technical Director

- 05** **Martin Jeyaratnam A/L Thiagaraj**  
Senior Independent Non-Executive Director
- 06** **Rahanawati Binti Ali Dawam**  
Independent Non-Executive Director
- 07** **Teoh Chee Yong**  
Independent Non-Executive Director

# DIRECTORS' PROFILE



**DATO' HAMZAH  
BIN MOHD SALLEH**  
Independent Non-Executive Chairman

Dato' Hamzah, a Malaysian male aged 74, 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. His last position was the Deputy Chairman of Spanco Sdn Bhd before he left in December 2022. Dato' Hamzah is also a director of Techbond Group Berhad and SFP Tech Holdings Berhad both of which are 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 2022.



## DIRECTORS' PROFILE (CONTINUED)



**DR. LIM BAN KEONG**  
Group Managing Director

Dr. Lim, a Malaysian male aged 51, 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 2022.

## DIRECTORS' PROFILE (CONTINUED)



**FOONG KAM WENG**  
Executive Director / Group Sales Director

Mr. Foong, a Malaysian male aged 62, 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 2022.

## DIRECTORS' PROFILE (CONTINUED)



### DR. YIP LAI SIONG

Executive Director / Group Marketing & Technical Director

Dr. Yip, a Malaysian female aged 60, 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 2022.



## DIRECTORS' PROFILE (CONTINUED)



**MARTIN JEYARATNAM  
A/L THIAGARAJ**

Senior Independent Non-Executive Director

Mr. Martin, a Malaysian male aged 76, 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 2022.

## DIRECTORS' PROFILE (CONTINUED)



**RAHANAWATI BINTI ALI DAWAM**  
Independent Non-Executive Director

Pn. Rahanawati, a Malaysian female aged 70, 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. Pn. Rahanawati also sits on the board of several private limited companies. She does not hold any directorship in other public 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 2022.

## DIRECTORS' PROFILE (CONTINUED)



### TEOH CHEE YONG

Independent Non-Executive Director

Mr. Teoh, a Malaysian male aged 52, 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 and Governance 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 2022.



# KEY MANAGEMENT



- 01 Dr. Lim Ban Keong**  
Group Managing Director
- 02 Foong Kam Weng**  
Executive Director / Group Sales Director
- 03 Dr. Yip Lai Siong**  
Executive Director / Group Marketing & Technical Director
- 04 Calvin Chan Yan San**  
Group Finance Director

- 05 Dr. Lim Hang Chern**  
Group Commercial Director
- 06 Dr. Chua Chee Heng**  
Group General Manager - Commercial & Services
- 07 Johan Bin Nasir Yeo**  
Group General Manager - Operations

# KEY MANAGEMENT'S PROFILE

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 53, 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 2022.

## KEY MANAGEMENT'S PROFILE (CONTINUED)



**DR. LIM HANG CHERN**  
Group Commercial Director

Dr. Lim Hang Chern, a Malaysian male aged 43, 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 2022.

## KEY MANAGEMENT'S PROFILE (CONTINUED)



**DR. CHUA CHEE HENG**  
Group General Manager - Commercial & Services

Dr. Chua Chee Heng, a Malaysian male aged 42, is primarily responsible for the overall general administrative and commercial functions including 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 2022.



## KEY MANAGEMENT'S PROFILE (CONTINUED)



**JOHAN BIN NASIR YEO**  
Group General Manager - Operations

Johan Bin Nasir Yeo, a Malaysian male aged 35, is responsible for the overall operational functions including warehouse and logistics, engineering and maintenance, information technology services, as well as Good Manufacturing Practice compliant manufacturing activities of our Group. He is also our Group's health and safety team leader. He graduated from University Centre César Ritz in Switzerland with a Bachelor of International Business in 2009.

He began his career in 2009 as a project coordinator for Pembangunan Samudera Sdn Bhd where he was responsible for handling several mixed development projects and was one of the main liaisons between contractors, consultants and the local authority. In 2010, he left the company and joined Sabah International Dairies Sdn Bhd as a Business Development Manager where he was responsible for the development of new products, management of several key accounts, and part of the planning team for plant expansion. He was promoted to General Manager in 2016 with the added responsibilities of plant management, quality control and assurance, human resources, maintenance and legal affairs. He then joined our Group as Deputy General Manager in 2020 and was promoted to Group General Manager - Operations in 2022.

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 2022.

# 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 2022.

”

## OVERVIEW

It was a year fraught with challenges thanks to the broad-based and sharper-than-expected slowdown of the global economic activity as well as the lingering effects of the Covid-19 pandemic and the military conflict in Ukraine. These uncertainties surrounding the global economic outlook increased amid record-high commodity prices, sanctions on Russia, global supply chain disruptions, and concerns over weaker growth in China and will inevitably continue to do so in the forthcoming year.

Despite the rocky and significantly challenging economic environment, we were fortunate to notch a noteworthy milestone that was in line with our commitment to provide continued care to pets and livestock, a responsibility that is core to our business. In January 2022, our newly built Good Manufacturing Practice (“GMP”) compliant plant in Nilai, Negeri Sembilan was officiated by the Menteri Besar of Negeri Sembilan Yang Amat Berhormat Dato’ Seri Haji Aminuddin bin Harun.

The GMP-compliant plant is part of our business expansion plans to provide our own-brand animal health products, particularly pharmaceuticals and feed additives, to our fast-growing clientele across the country and within the ASEAN region.

In line with our efforts to ensure that the products manufactured at the new plant are safe, efficacious and of good quality, we have applied for the GMP certification from the National Pharmaceutical Regulatory Agency which we expect to be approved by the second quarter of 2023.

## FINANCIAL PERFORMANCE

For the financial year ended 31 December 2022, the Group recorded a revenue of approximately RM198.15 million, an increase of approximately RM28.72 million or 17.0% compared to the preceding year. The increase in revenue recorded for the financial year ended 31 December 2022 was due to the Group’s high-performing business segments namely animal health products and equipment and food ingredients. The animal health products and equipment segment remains the Group’s mainstay, contributing approximately 76.4% to its total topline.

# CHAIRMAN'S STATEMENT (CONTINUED)

Revenue from the Group's animal health products and equipment rose by approximately RM17.61 million from approximately RM133.82 million in the preceding year to approximately RM151.43 million in the current year. Meanwhile, the Group's food ingredients segment posted a revenue of approximately RM35.34 million, an increase of approximately RM8.10 million or 29.7% from the preceding year. On that same note, revenue from the Group's dairy business increased by approximately RM2.84 million from approximately RM4.56 million in the preceding year to approximately RM7.40 million in the current year.

In line with the increase in revenue, the Group posted a higher profit before tax amounting to approximately RM19.05 million from approximately RM17.61 million in the preceding financial year. This represents a growth of approximately RM1.44 million or 8.2% as compared to the previous financial year.

As at 31 December 2022, the total equity attributable to shareholders at the Group level stood at approximately RM153.34 million, contributing to net assets per share of 69.31 sen.

## PROSPECTS

The Malaysian economy is still basking from the benefits of the post-pandemic reopening, which has boosted domestic economy activity, as proven by the strong gross domestic product ("GDP") growth of 8.7% in 2022 exceeding the estimated 6.5% to 7.0% forecasted in October the same year. The market continues to recover and the Malaysian economy is growing at a rapid pace. The strong hike in GDP, deemed the highest annual growth recorded in 22 years, was mainly contributed by the reopening catalysts coupled with the low base effect from the previous year. As the economy normalises post pandemic, the impact of domestic reopening benefits will gradually diminish and the anticipated challenging global environment will most likely moderate the country's GDP growth in 2023 in line with the subdued world economic growth forecast of 2.9% in 2023 from 3.4% in 2022.

Meanwhile, in contrast to this, the global animal health market is expected to grow owing to the global increase in livestock, followed by the upsurge in several types of animal diseases worldwide. Other key growth drivers include the increasing number of pet ownership and demand for animal healthcare commodities especially nutrition, vaccines and medicines.

At the same time, the global food ingredients industry is also expected to grow to approximately USD74.78 billion in 2027 at a compound annual growth rate of 9.6% from approximately USD47.24 billion in 2022. The increase in the awareness of fitness within the society and the growing number of health-conscious consumers are expected to drive the market for food ingredients during the forecast period.

On top of these anticipated uptrends, we have also advanced our footsteps in the dairy business. In early April 2023, Jemaluang Dairy Valley Sdn. Bhd., a joint venture company formed between our 49%-owned subsidiary, A2 Fresh Holdings Sdn. Bhd. and Kulim (Malaysia) Berhad, was appointed by the East Coast Economic Region Development Council to develop, operate, and manage the 275-hectare Jemaluang Dairy Valley in Jemaluang, Mersing, Johor Darul Takzim. This venture will see both sides sharing their respective knowledge, technology and expertise to create a sustainable dairy industry.

In line with the projected growth of these industries we operate in, we remain assured that this combined with our governance, strategy and policies will guide the Group to achieve positive results. Our risk management policies and procedures will assist us in identifying, monitoring, and responding to key risks, allowing us to capture opportunities when they arise. In the face of adversities, we trust our strategies will navigate the way forward as our prospects remain positive.

## ACKNOWLEDGEMENT

I am immensely appreciative of my fellow Board members for their invaluable insights and guidance, and the Management team as well as members of the Rhone Ma family for their dedicated services and outstanding efforts and contributions to deliver another respectable performance for our shareholders. Despite the continuing challenging environment, I believe that the Group will continue to forge ahead.

I would also like to thank all other stakeholders such as our shareholders, customers, and business partners for their trust and support. I look forward to your continuing support as we work towards delivering a resilient performance in the new financial year.

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS AND OPERATIONS

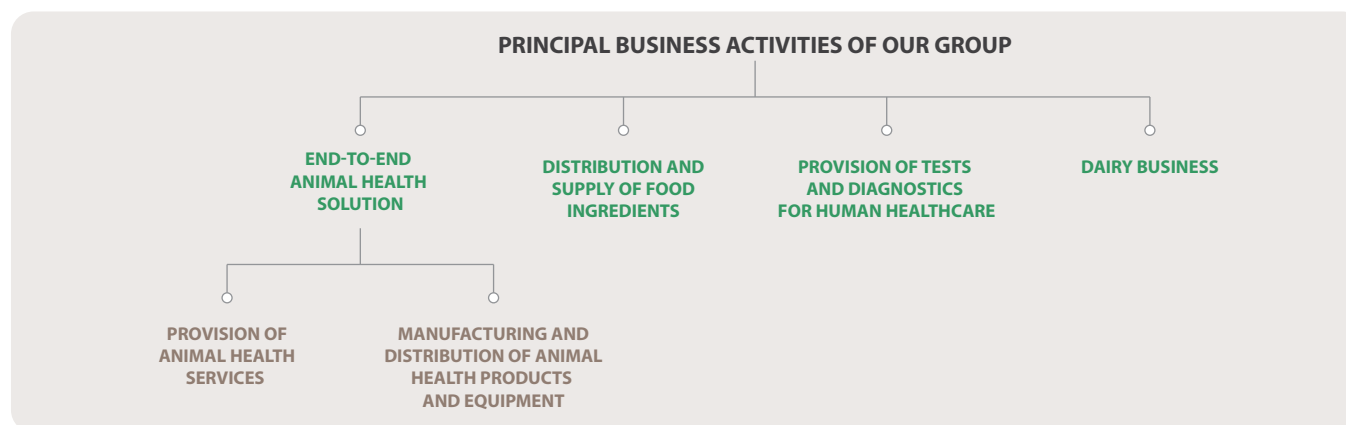
### Business Activities

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 and equipment 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. The animal health products and equipment offered include vaccines, pharmaceuticals, feed and feed additives, as well as farm equipment 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 as well as in the operation of a dairy cow farm under our dairy business segment.

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



Our revenue is derived mainly from the provision of end-to-end animal health solution comprising the provision of animal health services and the manufacturing and distribution of animal health products and equipment. For the financial year ended ("FYE") 31 December 2022, our animal health services accounted for approximately 1.18% and 1.91% of our Group's total revenue and total gross profit respectively whereas our animal health products and equipment accounted for approximately 76.42% and 85.00% of our Group's total revenue and total gross profit respectively.

In addition, distribution and supply of food ingredients accounted for approximately 17.84% and 8.58% of our Group's total revenue and total gross profit respectively for the FYE 31 December 2022 whereas provision of tests and diagnostics services for human healthcare accounted for approximately 0.83% and 0.72% of our Group's total revenue and total gross profit respectively for the FYE 31 December 2022. Contribution from dairy business was approximately 3.73% and 3.79% of our Group's total revenue and total gross profit respectively for the FYE 31 December 2022.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Location of Operations

Our Group's head office, laboratory, in-house R&D centre, GMP-compliant 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. In addition, we have a GMP-compliant plant located in Kawasan Perindustrian Nilai Utama, Nilai, Negeri Sembilan. We also have an office cum warehouse located in RH Park Light Industrial Estate, Kuching, Sarawak to better serve our East Malaysian customers.

For our subsidiaries in the ruminant industry, the wholesale and distribution of pharmaceutical and veterinary products and equipment is located in Taman Desaria, Petaling Jaya, Selangor whereas our dairy business and livestock feed manufacturing are located on 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 97.39% of our total revenue for the FYE 31 December 2022, whilst the remaining 2.61% of revenue was derived from overseas markets which include the Philippines, Indonesia, India, Thailand, Brunei, Taiwan, Singapore, Pakistan, Vietnam and Myanmar. 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:

- (i) Increasing the utilisation of our production capacity in our GMP-compliant plant in Kawasan Perindustrian Nilai Utama, Negeri Sembilan 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 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.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

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

### Financial Information

Description	2018 RM	2019 RM	2020 RM	2021 RM	2022 RM
Revenue	135,239,103	119,058,142	146,682,802	169,431,450	198,151,787
Profit before tax	13,609,656	11,314,931	11,536,624	17,605,343	19,047,676
Finance costs	659,628	942,074	1,381,770	1,278,034	1,323,147
Net profit attributable to shareholders	10,065,500	8,636,462	7,284,563	11,268,278	12,738,365
Shareholders' equity	104,193,928	107,333,947	124,113,710	131,364,788	153,335,325
Total assets	130,966,222	148,885,040	185,993,690	195,806,720	219,434,783
Total borrowings	14,555,255	27,286,936	34,797,998	32,785,707	28,715,614
Gearing ratio (times)	0.14	0.25	0.28	0.25	0.19
Current ratio (times)	5.98	4.61	3.69	3.28	3.50
Earnings per share (sen)	6.06	4.74	3.73	5.61	5.86
Net assets per share (sen)	62.77	58.78	61.79	65.40	69.31
Dividend per share (sen)	3.00	1.00	1.00	2.00	2.00 #

Note:

# Of which 1.00 sen per share is subject to shareholders' approval at the forthcoming Annual General Meeting.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Share Performance

	2018	2019	2020	2021	2022
Year high (RM)	1.050	0.845	0.830	1.190	0.785
Year low (RM)	0.750	0.650	0.570	0.635	0.655
Year close (RM)	0.835	0.665	0.805	0.740	0.680
Total trading volume for the financial year (million)	20.07	5.80	18.94	73.76	24.40
Market capitalisation as at 31 December (RM million)	138.61	121.43	161.69	148.64	150.43

## REVIEW OF FINANCIAL RESULTS

### Revenue

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

Revenue	2021		2022	
	RM	%	RM	%
Animal health services	2,297,169	1.36	2,331,286	1.18
Animal health products and equipment	133,815,900	78.98	151,429,292	76.42
Food ingredients	27,241,553	16.08	35,343,281	17.84
Human healthcare services	1,512,680	0.89	1,651,878	0.83
Dairy business	4,564,148	2.69	7,396,050	3.73
<b>Total</b>	<b>169,431,450</b>	<b>100.00</b>	<b>198,151,787</b>	<b>100.00</b>

Revenue generated from animal health products and equipment is our Group's main source of income, contributing 78.98% and 76.42% of our total revenue for the FYE 31 December 2021 and the FYE 31 December 2022 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, feed and feed additives under our own brand names at our own plants.

Our Group's revenue is predominantly generated from Malaysia which accounted for 97.39% of our total revenue for the FYE 31 December 2022. Revenue contribution from exports, of which mainly comprised of sale of animal health products, had increased slightly to 2.61% in the FYE 31 December 2022 as compared to 1.61% for the previous financial year mainly due to higher demand from our existing markets in the Philippines and Indonesia, as well as our new market in India.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Animal Health Services

Revenue from animal health services which is derived from Vet Food Agro Diagnostics Sdn Bhd increased by approximately RM0.03 million or 1.49% for the FYE 31 December 2022.

## Animal Health Products and Equipment

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

Revenue	2021		2022	
	RM	%	RM	%
Vaccines	37,612,501	28.11	39,467,831	26.06
Pharmaceuticals	45,888,529	34.29	53,885,783	35.59
Feed and feed additives	37,705,028	28.18	42,708,606	28.20
Equipment	12,609,842	9.42	15,367,072	10.15
<b>Total</b>	<b>133,815,900</b>	<b>100.00</b>	<b>151,429,292</b>	<b>100.00</b>

The sale of animal health products and equipment recorded an increase of approximately RM17.61 million or 13.16% compared to the previous financial year. The increase was due to the following:

- Increase in revenue generated from vaccines of approximately RM1.86 million or 4.93% which was mainly contributed by the increase in the sale of Purevax products of approximately RM1.37 million, Biofors products of approximately RM1.15 million and ruminant vaccines of approximately RM0.63 million. However, Chick N-K and Circovac experienced decrease in sales of approximately RM0.83 million and RM0.57 million respectively;
- Increase in revenue generated from pharmaceuticals of approximately RM8.00 million or 17.43% which was mainly contributed by the increase in the sale of NexGard products of approximately RM4.00 million, Frontline products of approximately RM1.60 million, Bioclean products of approximately RM0.75 million, Forceris of approximately RM0.47 million and Broadline products of approximately RM0.41 million;
- Increase in revenue generated from feed and feed additives of approximately RM5.00 million or 13.27% as a result of the increase in the sale of Aviprime products of approximately RM3.41 million, Tradilin of approximately RM2.98 million and Myco-AD products of approximately RM1.99 million. However, Nystatin, Vetolein and Cocci-Guard experienced decrease in sales of approximately RM1.58 million, RM1.38 million and RM0.62 million respectively; and
- Increase in revenue from sale of farm equipment of approximately RM2.76 million or 21.87% from approximately RM12.61 million in the previous financial year to approximately RM15.37 million in the current year.

## Food Ingredients

Revenue generated from food ingredients, which is derived from Link Ingredients Sdn Bhd, increased by approximately RM8.10 million or 29.74% compared to the previous financial year as a result of the increase in orders from its major 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 and sale of Covid-19 antigen rapid test kits. Revenue from the segment



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

increased by approximately RM0.14 million or 9.20% compared to the previous financial year as a result of increase in tests and diagnostics services conducted.

## Dairy Business

Revenue from our dairy business which is derived from Nor Livestock Farm Sdn Bhd ("NLF") increased by approximately RM2.83 million or 62.05% compared to the previous financial year.

## Cost of Sales

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

Cost of sales	2021		2022	
	RM	%	RM	%
Animal health services	1,333,013	1.13	1,303,654	0.90
Animal health products and equipment	91,749,219	77.59	105,653,454	73.22
Food ingredients	21,577,254	18.24	30,720,341	21.29
Human healthcare services	860,361	0.73	1,262,023	0.88
Dairy business	2,734,013	2.31	5,355,282	3.71
<b>Total</b>	<b>118,253,860</b>	<b>100.00</b>	<b>144,294,754</b>	<b>100.00</b>

## Animal Health Services

The cost of sales of animal health services mainly comprised consumables used in diagnostic laboratory analysis including test kits, chemicals and laboratory testing fee. The cost of sales for animal health services decreased marginally by approximately RM0.03 million or 2.20% compared to the FYE 31 December 2021 despite the slight increase in revenue of approximately RM0.03 million or 1.49% from the segment.

## 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. The increase in cost of sales of the animal health products and equipment segment of approximately RM13.90 million or 15.15% was in tandem with the increase in revenue generated by the animal health products and equipment segment of 13.16%.

## Food Ingredients

Cost of sales incurred for food ingredients mainly comprised cost of products sold, customs duties and handling charges. The cost of sales for food ingredients increased by approximately RM9.14 million compared to the FYE 31 December 2021 due primarily to the increase in food ingredients purchased as a result of the increase in revenue from food ingredients of 29.74% 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

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

kits and laboratory testing fee and the cost of Covid-19 antigen rapid test kits. The cost of sales for human healthcare services increased by approximately RM0.40 million compared to the FYE 31 December 2021 due to the increase in test kits purchased as a result of the increase in revenue from human healthcare services of 9.20% during the financial year.

## Dairy Business

The cost of sales of dairy business mainly comprised animal feed, nutrition and medication for dairy cows. The cost of sales for dairy business increased by approximately RM2.62 million compared to the FYE 31 December 2021 in line with the increase in revenue from dairy business during the financial year.

## Gross Profit

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

GP	2021		2022	
	RM	%	RM	%
Animal health services	964,156	1.88	1,027,632	1.91
Animal health products and equipment	42,066,681	82.20	45,775,838	85.00
Food ingredients	5,664,299	11.07	4,622,940	8.58
Human healthcare services	652,319	1.27	389,855	0.72
Dairy business	1,830,135	3.58	2,040,768	3.79
<b>Total</b>	<b>51,177,590</b>	<b>100.00</b>	<b>53,857,033</b>	<b>100.00</b>

GP margin	2021	2022
	%	%
Animal health services	41.97	44.08
Animal health products and equipment	31.44	30.23
Food ingredients	20.79	13.08
Human healthcare services	43.12	23.60
Dairy business	40.10	27.59
<b>Group GP margin</b>	<b>30.21</b>	<b>27.18</b>

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

Our Group's GP increased from approximately RM51.18 million for the FYE 31 December 2021 to approximately RM53.86 million for the FYE 31 December 2022, representing an increase of approximately RM2.68 million or 5.24%. This was mainly due to the increase in GP of the animal health

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

products and equipment segment and the dairy business segment. GP for animal health products and equipment increased by approximately RM3.71 million while GP for dairy business increased by approximately RM0.21 million for the FYE 31 December 2022. However, the increase was offset by the decrease in GP of the food ingredients and human healthcare services segments. GP for food ingredients decreased by approximately RM1.04 million while GP for human healthcare services decreased by approximately RM0.26 million for the FYE 31 December 2022.

Although there was an increase in overall GP, our Group's GP margin had decreased from 30.21% for the FYE 31 December 2021 to 27.18% for the FYE 31 December 2022 due primarily to the decrease in the GP margins of animal health products and equipment and food ingredients which contributed 85.00% and 8.58% of our Group's total GP respectively for the current financial year.

## Animal Health Services

GP from animal health services of approximately RM1.03 million for the FYE 31 December 2022 was approximately RM0.07 million higher than the GP of approximately RM0.96 million for the previous financial year. This is in line with the higher revenue recorded for animal health services during the FYE 31 December 2022. The GP margin of 44.08% for the FYE 31 December 2022 was slightly higher than the GP margin of 41.97% recorded in the previous financial year mainly due to lower cost of consumables used in diagnostic laboratory analysis.

## Animal Health Products and Equipment

In line with the increase in revenue from animal health products and equipment for the FYE 31 December 2022 of approximately RM17.61 million compared to the FYE 31 December 2021, GP from animal health products and equipment for the FYE 31 December 2022 was approximately RM3.71 million or 8.82% higher compared to the previous financial year. The GP margin of animal health products and equipment decreased marginally from 31.44% for the FYE 31 December 2021 to 30.23% for the current financial year.

## Food Ingredients

Notwithstanding the increase in revenue from food ingredients of approximately RM8.10 million during the FYE 31 December 2022, GP from food ingredients decreased by approximately RM1.04 million or 18.38% compared to the FYE 31 December 2021. The decrease in GP is a result of the increase in cost of sales due to global supply chain disruptions and high commodity prices brought about by the Russia-Ukraine conflict. The GP margin of food ingredients decreased from 20.79% for the FYE 31 December 2021 to 13.08% for the current financial year.

## Human Healthcare Services

Notwithstanding the increase in revenue from human healthcare services of approximately RM0.14 million during the FYE 31 December 2022, GP from human healthcare services decreased by approximately RM0.26 million or 40.24% compared to the FYE 31 December 2021. The decrease in GP is a result of lower margins contributed by the Covid-19 antigen rapid test kits as supply in the market increases and demand for the test kits decreases. The GP margin of human healthcare services decreased from 43.12% for the FYE 31 December 2021 to 23.60% for the current financial year.

## Dairy Business

In line with the increase in revenue from dairy business for the FYE 31 December 2022 of approximately RM2.83 million compared to the FYE 31 December 2021, GP from dairy business for the FYE 31 December 2022 was approximately RM0.21 million or 11.51% higher compared to the previous financial year.

## Operating Expenses

Distribution costs increased by approximately RM1.60 million or 16.74% from approximately RM9.55 million for the FYE 31 December 2021 to approximately RM11.15 million for the FYE 31 December 2022 in line with the 16.95% increase in Group revenue. Distribution costs as a

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

percentage of revenue of 5.63% for the current financial year was consistent with the 5.64% recorded in the FYE 31 December 2021.

Administration expenses decreased by approximately RM0.35 million from approximately RM24.54 million for the FYE 31 December 2021 to approximately RM24.19 million for the FYE 31 December 2022. Administration expenses as a percentage of revenue of 12.21% for the FYE 31 December 2022 was slightly lower compared to the 14.49% recorded in the previous financial year.

Finance costs increased marginally from approximately RM1.28 million for the FYE 31 December 2021 to approximately RM1.32 million for the current financial year as there were increased usage of banking facilities during the year. Conversely, our Group's borrowings of approximately RM28.72 million as at 31 December 2022 represents a decrease of approximately RM4.07 million from the borrowings of approximately RM32.79 million as at 31 December 2021 due to repayments made during the financial year.

## Profit Before Tax

In tandem with the increase in GP of approximately RM2.68 million and the reduction in administration expenses of approximately RM0.35 million, offset by the increase in distribution costs of approximately RM1.60 million, our Group's profit before tax ("PBT") of approximately RM19.05 million for the FYE 31 December 2022 was approximately RM1.44 million higher than the PBT of approximately RM17.61 million for the FYE 31 December 2021.

## Taxation

The effective tax rate of the Group for the FYE 31 December 2022 of 23.16% was lower than the statutory tax rate of 24.00% mainly due to the reversal of over provision of deferred tax in prior years.

## Assets

### Trade Receivables

Trade receivables of approximately RM32.26 million as at 31 December 2022 was approximately RM0.18 million higher compared to the previous financial year. The increase was mainly due to the overall increase in Group revenue of approximately RM28.72 million during the FYE 31 December 2022. Trade receivables turnover period of 60 days for the current financial year was lower compared to 70 days for the FYE 31 December 2021 and remains in line with the normal credit term of 30 days to 90 days granted to our customers.

### Inventories

Inventories of approximately RM60.83 million as at 31 December 2022 was approximately RM27.59 million higher than at the end of the previous financial year. The inventories turnover period of 154 days for the FYE 31 December 2022 was also significantly higher than the 103 days recorded for the previous financial year and exceeded our normal inventory holding period of 90 days to 120 days. It is our Group's general practice to maintain a sustainable level of inventories to support our business operations and to reduce the lead time in delivery of our products to the customers. We have maintained a high level of inventories as at 31 December 2022 as buffer against supply chain disruptions worldwide and high commodity prices brought about by the Russia-Ukraine conflict.

### 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 2022, our Group had cash and bank balances of approximately RM18.64 million.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Liabilities

### Trade Payables

Trade payables of approximately RM14.71 million as at 31 December 2022 was approximately RM3.19 million higher than the trade payables as at 31 December 2021. The trade payables turnover period of 38 days for the FYE 31 December 2022 was slightly higher than the 36 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 90 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, as 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 credit facilities in place.

## Equity

### Share Capital

On 14 March 2022, the Company completed the placement of 20,086,000 new ordinary shares in the Company ("Placement Shares") ("Private Placement") following the listing of and quotation for the Placement Shares on the Main Market of Bursa Malaysia Securities Berhad on even date. Pursuant to the Private Placement, the issued shares of the Company increased from 200,860,000 ordinary shares to 220,946,000 ordinary shares.

On 5 April 2022, the issued shares of the Company further increased from 220,946,000 ordinary shares to 221,226,000 ordinary shares pursuant to the issuance of 280,000 new ordinary shares arising from the exercise of 280,000 warrants by a warrant holder.

## Capital Structure and Capital Resources

### Borrowings

Our Group's borrowings of approximately RM28.72 million as at 31 December 2022 were all denominated in Ringgit Malaysia and comprised of term loans, bank overdrafts and hire purchase that were mainly utilised to finance the construction of our 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 acquisition of lab equipment as well as GMP plant and equipment.

As at 31 December 2022, our Group has unutilised banking facilities of approximately RM21.18 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 2022 had decreased to 0.19 times compared to the ratio of 0.25 times as at 31 December 2021 due to repayments being made during the financial year.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Capital Expenditure

Capital expenditure incurred by our Group for the FYE 31 December 2022 amounted to approximately RM2.26 million and consists of the following:

Description	RM
Buildings	798,745
GMP plant and equipment	91,799
Renovations	221,325
Furniture and fittings	153,138
Vaccination equipment	76,150
Farm equipment and machinery	33,213
Capital work in progress relating to farm	22,198
Office and computer equipment	269,312
Motor vehicles	586,512
Others	8,913
<b>Total</b>	<b>2,261,305</b>

The capital commitments of the Group that have been approved and contracted for as at the end of the FYE 31 December 2022 were as follows:

Description	Capital commitment RM
Machineries and equipment	1,110,660
Milk processing plant	4,625,508
<b>Total</b>	<b>5,736,168</b>

## Known Trends and Events

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

(i) Competitive advantages and key strengths

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

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## (ii) Industry outlook

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

The general outlook of the overall food ingredients market is dependent on factors such as the changing eating habits caused by fundamental societal changes, 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, swine and ruminant. Any changes or adverse conditions affecting the livestock industry may have a material adverse effect on the business and financial performance of our Group.

## (iv) Impact of foreign exchange rate

Our revenue is primarily denominated in Ringgit Malaysia where approximately 1.83% of our sales were transacted in United States Dollar ("USD") for the FYE 31 December 2022. Our purchases are primarily denominated in foreign currency as majority of our purchases are from USA and France. For the FYE 31 December 2022, 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. Total gain on foreign currency exchange for the FYE 31 December 2022 amounted to approximately RM1.09 million.

## REVIEW OF OPERATING ACTIVITIES

### Performance

Our Group's revenue for the FYE 31 December 2022 of approximately RM198.15 million was approximately RM28.72 million or 16.95% higher than the revenue recorded in the previous financial year due mainly to the increase in sales of our animal health products and equipment, food ingredients and dairy business segments of approximately RM17.61 million, RM8.10 million and RM2.83 million respectively.

In line with the increase in revenue, the Group's PBT of approximately RM19.05 million for the FYE 31 December 2022 was approximately RM1.44 million or 8.19% higher than the RM17.61 million reported for the FYE 31 December 2021.

### GMP-Compliant Plant

The commencement of operations of our GMP-compliant plant in early 2021 increased our production capacity by approximately four (4) times the existing maximum production capacity. This allows 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.

# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## ANTICIPATED OR KNOWN RISKS

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

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

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

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

### Foreign Currency Fluctuation Risk

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

For the FYE 31 December 2022, approximately 1.83% 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 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.

The Group will continuously monitor the financial and operational performance of all new investments and take the appropriate steps to address any business issues.



# MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

## Environmental Risk

The enduring effects of 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, firstly the knock-on effect from the impacts of the Covid-19 virus abroad and secondly the damage 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.

## FORWARD-LOOKING STATEMENT

### Outlook

After a tough year with unique challenges resulting from the lingering aftershocks of Covid-19, 2023 is expected to present a favourable sentiment despite the continuing geopolitical conflicts and anticipated inflation threatening the global economy. On the domestic front, Malaysia's GDP growth is expected to moderate to 4.5% in 2023 from 8.7% in 2022, in line with the subdued world economic growth as well as the diminishing impact of domestic reopening benefits.

Despite the gloomy outlook, the global animal health market is expected to grow driven by several factors such as the global increase in livestock, an upsurge in several types of animal diseases worldwide, the increasing number of pet ownership as well as the increasing demand for animal healthcare commodities particularly nutrition, vaccines and medicines.

At the same time, by virtue of an increasing awareness regarding fitness and a healthy lifestyle, the global food ingredients industry is also expected to see an uptrend, growing at a compound annual growth rate of 9.6% to approximately USD74.78 billion in 2027 from approximately USD47.24 billion in 2022.

Notwithstanding the challenges posed by global economic headwinds, the Group remains optimistic that a combination of good governance, solid strategies and policies will allow the Group to continue seizing opportunities that will lead to more favourable results in the new financial year.

### 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 2022. This proposal is pending our shareholders' approval at the forthcoming Annual General Meeting of the Company. Including the interim dividend of 1.0 sen per ordinary share which had been paid on 16 January 2023, the proposed final dividend will bring the total dividends for the year to 2.0 sen per ordinary share.

# SUSTAINABILITY STATEMENT

We firmly 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. With this in mind, we are proud to present our latest Sustainability Statement which reflects the Group's sustainability efforts in 2022.



## Sustainability Initiatives: Governance Structure

As part of our commitment towards sustainability, we have established a clear governance structure to ensure utmost compliance and optimal performance across our business operations. Our sustainability directives stem from our key leadership team, with the Board of Directors setting the tone and maintaining responsibility for our overall business conduct.

## Stakeholder Engagement

We actively engage with our stakeholders across seven different groups with varied interests and concerns, as well as ability to impact the Group. We are of the view that such engagements not only help to improve rapport, but help the Group to better understand the concerns of stakeholders which will enable holistic and relevant responses.

# SUSTAINABILITY STATEMENT (CONTINUED)

The table below summarises our key stakeholders and the multi-faceted engagement strategy we have employed throughout the financial year.

Stakeholder	Engagement methods	Priority issues
Employees	<ul style="list-style-type: none"> <li>On-going education and training programmes</li> <li>Employee events</li> <li>Internal announcements</li> </ul>	<ul style="list-style-type: none"> <li>Employee satisfaction and well being</li> <li>Job training and development</li> <li>Occupational Safety and Health Administration (OSHA)</li> <li>Employee engagement and welfare</li> </ul>
Shareholders and investors	<ul style="list-style-type: none"> <li>Annual Report</li> <li>Annual General Meeting</li> <li>Analyst meetings</li> <li>Announcements on Bursa Malaysia Securities Berhad</li> </ul>	<ul style="list-style-type: none"> <li>Company development</li> <li>Business strategy</li> <li>Regulatory compliance</li> </ul>
Consumers, suppliers and general public	<ul style="list-style-type: none"> <li>Corporate website</li> <li>Meetings</li> <li>Social media channel</li> <li>Exhibitions</li> <li>Product launches</li> <li>Forums</li> </ul>	<ul style="list-style-type: none"> <li>Company development</li> <li>Product quality and safety</li> <li>Public service announcement</li> <li>Product development</li> <li>Animal nutrition, health and wellness</li> </ul>
Local communities	<ul style="list-style-type: none"> <li>CSR initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Employee volunteerism</li> <li>Community engagement</li> </ul>
Government and related authorities, industry and trade associations	<ul style="list-style-type: none"> <li>Advisory panelists</li> <li>Key associations</li> <li>Forums</li> <li>Strategic partnerships and agreements</li> <li>Memberships</li> </ul>	<ul style="list-style-type: none"> <li>Animal health, nutrition and wellness</li> <li>Industry trends and development</li> <li>Employee participation</li> </ul>
Media	<ul style="list-style-type: none"> <li>Interviews (face-to-face, virtual)</li> </ul>	<ul style="list-style-type: none"> <li>Business development and performance</li> </ul>
Academia	<ul style="list-style-type: none"> <li>Internship programmes</li> <li>Hosting field trips</li> </ul>	<ul style="list-style-type: none"> <li>Experiential learning</li> <li>Mentorship</li> </ul>

# SUSTAINABILITY STATEMENT (CONTINUED)

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 relevance to our stakeholders.

## FIRST PILLAR: MAXIMISING VALUE TO SOCIETY

### Community Investment

We continue to find opportunities to contribute to society in a variety of ways. We managed to successfully carry out a few meaningful activities to uplift the communities we serve.

We continued undertaking charitable activities and demonstrated our culture of caring by channelling monetary assistance to orphanages and old folks' homes such as Pusat Jagaan Suci Rohani, Trinity Community Children Home, Seri Setia Sungai Way Old Folks' Home and the Dignity for Children Foundation.



As a long-term advocate of healthy living, we continue to perpetuate a healthy lifestyle through the sponsorship of various sporting events. In 2022, this tradition continued with our sponsorship of Ride 2 Farm organised by Universiti Putra Malaysia ("UPM"), a cycling event aimed to promote a healthy lifestyle.



# SUSTAINABILITY STATEMENT (CONTINUED)

Having a healthy pool of young talent is important especially in a business as niche as ours. In the spirit of ensuring the marketability and employability of young graduates in our industry in the future, we continued to award scholarships to students pursuing studies in the veterinary field in UPM and Universiti Malaysia Kelantan (UMK). This is further complemented by internship placements at our headquarters in Petaling Jaya.



# SUSTAINABILITY STATEMENT (CONTINUED)

## Indirect Economic Impact

Our support for the local communities, who are interlined with our business activities, continued in the year under review. In the interest of mutual growth, we continued to create and provide employment opportunities within the communities we operate in, the latest being through the establishment of our new Good Manufacturing Practice ("GMP") compliant plant in Nilai, Negeri Sembilan.

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## SECOND PILLAR: PRESERVING THE ENVIRONMENT

### Emissions

As an agro-based company, our operations are sensitive to climate change. Our commitment to minimising our environmental impact is focused on reducing our greenhouse gas emission rate, energy and water efficiency management as well as conserving the environment through energy-efficient technology.

As such, our manufacturing plants and warehouse are equipped with energy-efficient technology such as a dust filter system, energy-efficient heating, ventilation and air conditioning (HVAC) system, and an energy-saving light emitting diode (LED) lighting system.

Meanwhile, our remaining waste which may consist of damaged packaging and rejected products is managed by an appointed licensed contractor holding relevant permits from local authorities.

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### Water Management

Water scarcity affects many communities globally. Thus, it is part of our environmental commitment to safeguard water resources and optimise water consumption at all our premises.

At the moment, both our GMP-compliant plant in Nilai, Negeri Sembilan and our warehouse in Kapar, Selangor have been installed with rainwater harvesting systems. The recycled rainwater will then be repurposed for gardening, sewerage cleansing, and other non-essential usage.

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## THIRD PILLAR: SUPPORTING OUR PEOPLE AND OUR COMMUNITY

### Diversity

We recognise that fostering and valuing a diverse workplace is a competitive advantage. It enables us to attract a larger pool of new talents and help retain existing talents. We continue to ensure that our human resource practices in particular employment and talent development and advancement are evaluated solely based on merits and without discrimination. This begins at the top as reflected in the makeup of our Board and our leadership team which consist of a diverse mix of gender, ethnicities as well as experiences.

# SUSTAINABILITY STATEMENT (CONTINUED)

Realising that talents play a pivotal role in our Group's journey towards stronger growth, we have identified succession planning as an essential component of the human resources planning process to ensure continuity of critical roles. To achieve this, processes have been put in place to assess talent for career development and succession planning. Roles and responsibilities are clearly defined in the job description for each position and continuous improvement approach is implemented in the areas of operational efficiencies as well as manpower productivity.

Having a diverse workforce also provides us with many advantages including but not limited to strengthening our abilities and capacity as an organisation through the accumulation of different experiences, perspectives and ideas, which ultimately promotes innovation. We continuously invest in initiatives to ensure we engage and retain talents critical to our business and equip our people with the relevant soft skills and professional training to ensure they remain relevant, able to advance their career, and add value to our business.

## Human Rights

In a continuous effort to promote a conducive workplace, we take cognisance of changes in life pace. We are aware that in the wake of the pandemic, and by extension the unprecedented challenges it brought, stress and anxiety level amongst our employees may have been elevated. To address this, we continue to take precautions against Covid-19 by maintaining preventive measures such as keeping obligatory records of visitors to our premises, providing hand sanitisers within our premises, maintaining physical distancing, and encouraging the wearing of face masks especially in confined spaces and crowded areas.

We also ensure that our employees are well compensated through competitive incentives such as industry-driven pay scale that takes into account relevant factors such as experience, qualifications, and performance. On top of that, we also provide due awards and recognitions such as the Long Service Awards, performance-based bonus pay-outs, allowances, internal promotions as well as average salary increments.



# SUSTAINABILITY STATEMENT (CONTINUED)

## Occupational Safety and Health

Ensuring the safety and health of our people is of paramount importance to us. We strive to achieve full compliance with the Occupational Safety and Health Act 1994, zero lost workdays and to ensure our Occupational Health and Safety Management System are effectively implemented and continually improved.

Beyond the internal communications and reminders about adhering to safety rules, we have in place an Integrated Quality and Occupational Health and Safety (IQOHS) Committee which advocates and ensures 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 is also suitably equipped with qualified personnel with best-in-class first aid and emergency response training.



## Anti-Competitive Behaviour

As part of our efforts to be a responsible employer who adheres to the relevant laws and regulations on labour rights and practices, we have established a Code of Conduct that governs the professional conduct of our employees and outlines their responsibilities in performing their duties. The Code of Conduct also goes beyond our own workforce to ensure that all individuals acting on behalf of Rhone Ma perform their activities in an ethical way, in accordance with laws and regulations as well as the standards we set through our policies, guidelines, and rules.

## Anti-Corruption

High standards of integrity, accountability, transparency, and fairness are the bedrock of good corporate governance practices. Anchored by our Anti-Bribery & Anti-Corruption Policy and Procedure, we continuously enhance and embed a culture of sound corporate governance practices. This enables us to build confidence while further strengthening the trust of our stakeholders. This in turn contributes to shared value creation through effective discharge of the Board's duties in safeguarding the interests of Rhone Ma's stakeholders.

# SUSTAINABILITY STATEMENT (CONTINUED)

## Labour Practices

Understanding the importance of providing employees with a formal channel to discuss their short-term and long-term career goals, we have in place a performance appraisal system which is incorporated with goal setting. This involved the systematic use of agreed measurable targets based on the identified key results areas and key performance indicators when setting job goals at the commencement of each financial year.

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## Product and Services Responsibility

Customer satisfaction and feedback are integral in propelling Rhone Ma towards industry leadership. As such, we conduct annual surveys to obtain valuable feedback from customers on all our products and services. Customer feedback is crucial to our improvement efforts as it allows us to not only improve our products and services, but it also helps us address any possible issues or crises that may arise in a proactive and timely manner thus minimising any potential impacts on our Group.

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## Society

Our efforts to facilitate the adoption of industry best practices and to safeguard the quality of information relayed to the society at large remains a large part of our corporate social responsibility advocacy. That is why our employees continue to be active members of our industry through their involvement in trade associations such as the Malaysia Animal Health and Nutrition Industries Association (MAHNIA) as well as the Federation of Livestock Farmers' Association of Malaysia (FLFAM).

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## MOVING FORWARD

Sustainability continues to be central to our strategy as we progress towards being a more responsible corporate citizen. Our environmental, social and governance (ESG) impacts are driven by our three strategic pillars. These strategic priorities power our ability to sustain and thrive, creating and preserving value for the benefit of all.

Moving forward, we vow to continue identifying new areas of improvement to be assimilated with our business strategies across the Group. We hope that as our sustainability processes grow and mature, we will be able to deliver better environmental and societal commitments and lead the way in shaping a more sustainable future for future generations.



# 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 2021 ("the Code") and Corporate Governance Guide (4th Edition) 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 2022, a copy of which is available on the Company's website ([www.rhonema.com](http://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 2022, 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. It is designed to provide guidance and clarity for Directors and Management with regard to the role of the Board and its Committees, the requirement of the Directors in carrying out their stewardship role and in discharging their duties towards the Company as well as the Board's operating practices including matters reserved for the Board.

Moving forward, the Board, being in line with the recommended practice 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 of this Annual Report.

## EFFECTIVE AUDIT AND RISK MANAGEMENT

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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.

During the financial year under review, 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) Procurement;
- (ii) Compliance with the requirements under Section 17A of the Malaysian Anti-Corruption Commission Act 2009;
- (iii) Risk assessment of the ruminant based subsidiaries;
- (iv) Human resources;
- (v) Safety, health and environment;
- (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 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 environmental, social and governance factors. The Company has heightened its engagement efforts with stakeholders by engaging with analysts, fund managers and shareholders, both locally and overseas, upon request.

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

## PRELUDE

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

# STATEMENT ON CORPORATE GOVERNANCE

## BOARD LEADERSHIP AND EFFECTIVENESS

### I. Board Responsibilities

#### 1. Board of Directors

The Group acknowledges 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 in charge of 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. There is a clear division of functions between the Board and the Management to ensure that no single individual or group dominates the decision-making process.

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 environmental, social and governance ("ESG") 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
- (ii) Remuneration Committee
- (iii) Audit and Risk Management Committee

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 12 to 18 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 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.

The Board is also of the view that the Chairman of the Board should not be involved in any Board Committee in order to ensure check and balance as well as to ensure that objectivity will not be impaired/influenced by the Chairman of the Board sitting on Board Committees. The Chairman of the Board has not been a member of any Board Committee since listing and does not participate in any of the Board Committees by way of invitation.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 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 five (5) times during the financial year ended 31 December 2022. Details of attendance are as follows:

Directors	Attendance	%
Dato' Hamzah Bin Mohd Salleh	5/5	100%
Dr. Lim Ban Keong	5/5	100%
Foong Kam Weng	5/5	100%
Dr. Yip Lai Siong	5/5	100%
Martin Jeyaratnam A/L Thiagaraj	5/5	100%
Rahanawati Binti Ali Dawam	5/5	100%
Teoh Chee Yong	5/5	100%

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

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

## 5. Continuous Development of the Board

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

All Directors have completed the Mandatory Accreditation Programme. The Directors are mindful that they would continue to enhance



# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

their skills and knowledge to maximise 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	16 August 2022	Bursa Malaysia Main Market Listing Requirements - Understanding Its Requirements and Impacts
Dr. Lim Ban Keong	25 January 2022	Sun Tzu's Art of War - Winning Strategies in Management, Sales & Leadership
	17 March 2022	Business Model Generation Tools for Strategic Planning / Budgeting
	19 May 2022	Building Employee Engagement in the Millennial Era
	26 July 2022	KPI and the Balanced Scorecard
	16 August 2022	Bursa Malaysia Main Market Listing Requirements - Understanding Its Requirements and Impacts
	20 October 2022	How to Manage the Current Global Supply Chain
	7 December 2022	Leading Your Best Self
Foong Kam Weng	6 January 2022	Solution Training by Zoetis
	7 June 2022	Swine Technical Training
	16 August 2022	Bursa Malaysia Main Market Listing Requirements - Understanding Its Requirements and Impacts
	15 September 2022	Roquette Products Training
Dr. Yip Lai Siong	29 April 2022	Management of Broiler
	30 May 2022	ISO 15189:2012 - Awareness
	1 June 2022	ISO 15189:2012 - Internal Audit
	16 August 2022	Bursa Malaysia Main Market Listing Requirements - Understanding Its Requirements and Impacts
	22 September 2022	Recombinant Vaccines & Embrex Hatchery Solutions
	18 October 2022	ISO 15189:2012 - Risk Assessment
	31 October 2022	World's Poultry Science Association (Malaysia Branch) Scientific Seminar

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

Directors	Date	Programmes attended
Martin Jeyaratnam A/L Thiagaraj	2 March 2022	TCFD Climate Disclosure Training Programme - TCFD 101
	4 March 2022	TCFD Climate Disclosure Training Programme - TCFD 102
	7 April 2022	AOB Conversations with Audit Committees
	16 August 2022	Bursa Malaysia Main Market Listing Requirements - Understanding Its Requirements and Impacts
	6 December 2022	AOB Conversations with Audit Committees - Session 2
	7 December 2022	MIM Live Webinar - Accelerating Sustainability for Corporate Malaysia
Rahanawati Binti Ali Dawam	26 - 27 July 2022	SSM National Conference 2022 - Corporate Governance and Sustainability, Needed Now More Than Ever
	4 August 2022	Read, Interpret and Analyse Financial Statements for Company Directors and Company Secretaries (Advanced Level)
	16 August 2022	Bursa Malaysia Main Market Listing Requirements - Understanding Its Requirements and Impacts
	10 November 2022	DCR Clinic and Submission of Data & Compliance Report (DCR) 2022
Teoh Chee Yong	16 August 2022	Bursa Malaysia Main Market Listing Requirements - Understanding Its Requirements and Impacts

The Company Secretaries will also highlight the changes to 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 69 to 72 of this Annual Report.

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

### Nominating Committee

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

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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	Chairperson
Teoh Chee Yong	Member
Martin Jeyaratnam A/L Thiagaraj	Member

The Nominating Committee met once (1) during the financial year ended 31 December 2022 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) Annual assessment of the Board, the Board Committees and the individual Directors;
- (ii) Reviewed the performance and term of office of the Audit and Risk Management Committee and each of its members;
- (iii) Reviewed the composition of the Board of Directors;
- (iv) Reviewed and nominated to the Board the re-election and retirement by rotation of Directors;
- (v) Reviewed the Terms of Reference of the Nominating Committee and Directors' Assessment Policy;
- (vi) Assessed the training needs of the Directors;
- (vii) Reviewed the revised assessment and evaluation forms of the Board, Board Committees, External Auditors and Internal Auditors by including ESG factors in the said forms to assess the performance of the Board against the achievement of the sustainability targets; and
- (viii) Reviewed the Directors' Fit and Proper Policy and recommended to the Board for adoption.

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

## Remuneration Committee

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

The Remuneration Committee comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the 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 2022 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;

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

- (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](http://www.rhonema.com).

## 7. Board Charter

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

- 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

The Board Charter is reviewed annually by the Board to keep abreast with the new changes in legislations and best practices, and remains effective and relevant to the Board's objectives.

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

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
- Directors' Fit and Proper 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
- Anti-Bribery and Anti-Corruption Policy and Procedure

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 8. Code of Conduct and Code of Ethics

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

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

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

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](http://www.rhonema.com).

## 9. Whistle Blowing Policies and Procedures

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

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

The whistle blowing policies and procedures can be found on the Company's website at [www.rhonema.com](http://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 the 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.



# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

The Company Secretaries constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. They have also attended the relevant continuous professional development programmes as required by the CCM and MAICSA. 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;
- (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. Sustainability

The Company acknowledge the importance of sustainability relating to ESG including their risks and opportunities to/for the Group. The Company continuously and constantly monitors the targets and performances of the ESG; and if necessary, communicate to all the stakeholders of the Group.

## II. Board Composition

### I. Composition and Diversity

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

As at the date of this Statement, the Board consists of one (1) Independent Non-Executive Chairman, one (1) Senior Independent Non-Executive Director, 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 12 to 18 of this Annual Report.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 2. Independence of Independent Directors

The tenure of the Independent Directors has yet to exceed a cumulative term of nine (9) years. Nonetheless, if such Independent Directors exceeded a cumulative term of nine (9) years, the Board will assess, justify and seek annual shareholders' approval for retaining the director concerned to continue in office as an Independent Non-Executive Director.

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

## 3. Appointment of Board and Senior Management

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

The Directors' Fit and Proper Policy adopted by the Board during the financial year serves as a guide to the Nominating Committee and the Board in conducting the assessment on potential candidates to be appointed as Directors and/or existing Directors seeking re-election and to ensure that all Directors possess the right blend of qualification, expertise, track record, character, integrity and time commitment to effectively discharge their roles and responsibilities as Directors of the Company.

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.

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## 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 2022. 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 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 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 21 February 2023, 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 based on the assessment conducted on whether the director concerned has the (i) character and integrity; (ii) experience and competence; (iii) time and commitment in accordance with the Directors' Fit and Proper Policy. The Directors who will be retiring by rotation and subject to re-election at the forthcoming Annual General Meeting are Dr. Lim Ban Keong and Foong Kam Weng.

## III. Remuneration

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

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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 of the Company comprising remuneration received/receivable from the Company and the Group for the financial year 2022 can be obtained on Note 33 to 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](http://www.rhonema.com).

## EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. Audit and Risk Management Committee

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

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

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

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

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

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

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

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

For the financial year ended 31 December 2022, fees paid to the external auditors, Messrs BDO PLT and its affiliated firms by the Company and the Group are stated in the table below:

Nature of Services	Company RM	Group RM
Audit	51,000	234,200
Non-Audit		
- Tax filing	2,000	51,100
- Review of the Statement on Risk Management and Internal Control	5,000	5,000
- Review of other information	8,000	8,000
<b>Total</b>	<b>66,000</b>	<b>298,300</b>

In safeguarding and supporting the external auditors' independence and objectivity, the Board had established an External Auditors' Assessment Policy to spell out the selection process of new external auditors, basic principles on the prohibition of non-audits services and the approval process for the provision of non-audit services. An annual assessment on the external auditors was conducted during the financial year 2022 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 2023 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 of this Annual Report.



# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## II. Risk Management and Internal Control Framework

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

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

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

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

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

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

## INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. Communication with Stakeholders

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

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

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

including direct meetings and dialogues with stakeholders are constantly conducted to allow the Group to learn about stakeholders' needs.

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

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

## II. Conduct of General Meetings

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

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

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

# STATEMENT ON CORPORATE GOVERNANCE (CONTINUED)

## ADDITIONAL COMPLIANCE INFORMATION

### 1. Utilisation of Proceeds

During the financial year ended 31 December 2022, the Company undertook a private placement of 20,086,000 ordinary shares and raised proceeds amounting to RM13,457,620.

Details of utilisation as at 31 December 2022 is as follows:

Purpose	Estimated timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Balance unutilised RM'000
Establishment of a milk processing plant	Within 36 months	7,500	(2,704)	-	4,796
Marketing expenses	Within 36 months	2,500	-	-	2,500
Working capital	Within 12 months	3,008	-	42 <sup>(1)</sup>	3,050
Estimated expenses for the Private Placement	Within 1 month	450	(408)	(42) <sup>(1)</sup>	-
<b>Total</b>		<b>13,458</b>	<b>(3,112)</b>	<b>-</b>	<b>10,346</b>

Note:

- (1) The actual expenses incurred for the Private Placement were less than the estimated expenses by approximately RM0.04 million due mainly to lower than expected incidental charges incurred in conjunction with the Private Placement. The surplus of funds for the payment of expenses for the Private Placement were adjusted to the amount allocated for working capital.

### 2. Material Contracts

There were no material contracts entered into by the Group during the financial year ended 31 December 2022 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 2022 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 2022 are disclosed in the Note 33 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 and are benchmarked against risk governance best practices.

## 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.

## KEY RISK FACTORS

For the financial year under review, we have identified a number of key risks for the Group. These were presented to the Board where internal controls and risk mitigation strategies were highlighted. The table below shows some examples of the key risks deliberated.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

Key risks	Description	Strategic response
Foreign currency fluctuations	The majority of our purchases are transacted in foreign currencies. Any unfavourable fluctuations in foreign exchange rates may have an adverse impact on our financial performance and profitability.	We 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.
Credit risk and default in payment by our customers	Our customers have varying degrees of credit risk profiles which exposes us to the risk of non-payment by them. In the event of default in payment, our operating cash flows, financial condition and results of operations could be materially and adversely affected.	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.

## INTERNAL AUDIT FUNCTION

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

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

- (i) Procurement;
- (ii) Compliance with the requirements under Section 17A of the Malaysian Anti-Corruption Commission Act 2009;
- (iii) Risk assessment of the ruminant based subsidiaries;
- (iv) Human resources;
- (v) Safety, health and environment;
- (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;

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

- 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.

## 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 11 April 2023.



# 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 9.4 of Malaysian Code on Corporate Governance. The Chairman of the Audit and Risk Management Committee is not the chairman of the Board and this is in line with Practice 1.4 of the Malaysian Code on Corporate Governance. No alternate director is appointed as a member of the Committee.

The composition of the Committee is as follows:

Directors	Designation
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 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 may attend any Audit and Risk Management Committee meeting upon invitation of the Committee.

The Committee members may participate in a meeting by means of telephone conference, video conference or other communications

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

equipment of which all persons participating in the meeting can communicate with each other. Such participation in a meeting shall constitute presence in person at such meeting.

A total of five (5) meetings were held during the financial year ended 31 December 2022. The attendance of the Committee members is as follows:

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

## SUMMARY OF ACTIVITIES UNDERTAKEN BY THE COMMITTEE

During the year under review, the Chairman of the Audit and Risk Management Committee reports regularly to the Board on the activities carried out by the Committee in discharging its functions and duties as set out in its Charter.

The summary of activities carried out by the Committee 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;

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

- (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 by the external auditors' affiliates to the Group and approved the proposed engagement for such non-audit services.

## Internal Auditors

- (i) Reviewed and approved the Group's audit plan for adequacy of scope and comprehensive coverage of the Group's activities;
- (ii) Reviewed the internal audit reports which outlined the recommendations towards correcting areas of weaknesses and ensure that there were management action plans established for the implementation of the internal auditors' recommendation;
- (iii) Reviewed the effectiveness of the internal auditors through an evaluation exercise;
- (iv) Reviewed the internal audit proposals received from several audit firms for recommendation to the Board for change of internal auditors; and
- (v) 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;
- (iii) Reviewed and recommended corrective measures to mitigate risks; and
- (iv) Monitored and communicated risk assessment results to the Board.

## 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; and
- (ii) Reviewed the 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.

## Other Activities

- (i) Reviewed and recommended to the Board for approval of the Terms of Reference and the relevant policies to ensure they are 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 2022;
- (iii) Reviewed if there are any complaints and/or cases received in relation to the whistle blowing policy; and

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

- (iv) Reviewed the solvency status of the Company and recommended to the Board for approval the proposed final dividend for the financial year ended 31 December 2021.

## 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 RM54,000 for the financial year ended 31 December 2022.

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 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 2022 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 2022, 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 2022 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

### 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 2022.

### PRINCIPAL ACTIVITIES

The Company is principally an investment holding company and involved in the provision of management services. The principal activities of the subsidiaries are summarised as follows:

- (a) marketing, trading, distribution and manufacturing of biotechnology and animal health products and the provision of veterinary advisory services;
- (b) undertaking research and development activities related to animal health, food safety and agriculture and trading in animal health products;
- (c) distribution and supply of food ingredients;
- (d) provision of diagnostic laboratory analyses and consultation services to the veterinary, agriculture and food industries;
- (e) investment holding;
- (f) provision of tests and diagnostics services for human healthcare, conduct research and development in biotechnology and distribution of human healthcare and related products;
- (g) wholesale and distribution of pharmaceutical and veterinary products including animal feeds and provision of training; and
- (h) raising, breeding and production of semi-domesticated animals, business of dairy farming and provision of training.

Other information relating to the respective subsidiaries are disclosed in Note 12 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

### RESULTS

	<b>Group RM</b>	<b>Company RM</b>
Profit for the financial year	<u>14,636,894</u>	<u>4,760,368</u>
Attributable to:		
Owners of the parent	12,738,365	4,760,368
Non-controlling interests	<u>1,898,529</u>	<u>-</u>
	<u>14,636,894</u>	<u>4,760,368</u>

## DIRECTORS' REPORT (CONTINUED)

### DIVIDENDS

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

	<b>Company RM</b>
In respect of the financial year ended 31 December 2021:	
Final single-tier dividend of 1.00 sen per ordinary share, declared on 12 April 2022 and paid on 15 July 2022	<u>2,212,260</u>
In respect of the financial year ended 31 December 2022:	
Interim single-tier dividend of 1.00 sen per ordinary share, declared on 15 December 2022 and paid on 16 January 2023	<u>2,212,260</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 2022, 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 2023.

### RESERVES AND PROVISIONS

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

### ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from 200,860,000 to 221,226,000 by way of issuance of 20,366,000 new ordinary shares pursuant to the following:

- (a) Private placement of 20,086,000 new ordinary shares of RM0.67 each for cash totalling RM13,457,620; and
- (b) 280,000 Warrants 2021/2026 exercised at RM0.70 each for cash totalling RM196,000.

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

### WARRANTS 2021/2026

On 5 February 2021, the Company issued 80,343,987 free warrants of the Company ("Warrant(s)") on the basis of two (2) free warrants for every five (5) existing ordinary shares held in the Company.

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 2026 ("Exercise Period"), subject to the adjustments as set out in the Deed Poll.

During the financial year, 280,000 new ordinary shares of RM0.70 each were issued pursuant to the exercise of Warrants 2021/2026 for the equivalent numbers by the registered holders.

## DIRECTORS' REPORT (CONTINUED)

### WARRANTS 2021/2026 (continued)

The Warrants were listed on Bursa Malaysia Securities Berhad on 10 February 2021 and the 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 2026 ("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 their issue and allotment thereof.

### 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)  
 Qasem Walid Alhasan  
 Melissa Aini Mai (resigned on 9 September 2022)

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2022 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	----- Number of ordinary shares -----			
	Balance as at 1.1.2022	Acquired	Sold/ Transfer	Balance as at 31.12.2022
<b>The Company</b>				
<u>Direct interests:</u>				
Lim Ban Keong	10,186,998	78,500	-	10,265,498
Martin Jeyaratnam A/L Thiagaraj	110,000	-	-	110,000
Rahanawati Binti Ali Dawam	55,000	-	-	55,000
Foong Kam Weng	8,134,400	280,000	-	8,414,400
Yip Lai Siong	6,175,800	-	-	6,175,800
<u>Indirect interests:</u>				
Lim Ban Keong <sup>a</sup>	75,632,043	-	-	75,632,043
Foong Kam Weng <sup>a</sup>	75,632,043	-	-	75,632,043

	----- Number of Warrants 2021/2026 -----			
	Balance as at 1.1.2022	Acquired	Sold/ Exercised	Balance as at 31.12.2022
<b>The Company</b>				
<u>Direct interests:</u>				
Lim Ban Keong	16,453,318	-	-	16,453,318
Martin Jeyaratnam A/L Thiagaraj	44,000	-	-	44,000
Rahanawati Binti Ali Dawam	22,000	-	-	22,000
Foong Kam Weng	11,899,867	-	(3,280,000)	8,619,867
Yip Lai Siong	8,351,411	-	-	8,351,411

	----- Number of ordinary shares -----			
	Balance as at 1.1.2022	Acquired	Sold	Balance as at 31.12.2022
<b>Ultimate holding company</b>				
<b>Blue Advantage Sdn. Bhd.</b>				
<u>Direct interests:</u>				
Lim Ban Keong	4,221	-	(114)	4,107
Foong Kam Weng	2,858	-	-	2,858
Yip Lai Siong	1,944	-	-	1,944

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS (continued)

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares and warrants of the Company and of its related corporations during the financial year ended 31 December 2022 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows (continued):

	----- Number of ordinary shares -----			
	Balance as at 1.1.2022	Acquired	Sold	Balance as at 31.12.2022
<b>Subsidiaries</b>				
<b>A2 Fresh Holdings Sdn. Bhd.</b>				
<u>Indirect interests:</u>				
Lim Ban Keong <sup>b</sup>	6,281,133	-	-	6,281,133
Foong Kam Weng <sup>b</sup>	6,281,133	-	-	6,281,133
<b>One Lazuli Sdn. Bhd.</b>				
<u>Indirect interests:</u>				
Lim Ban Keong <sup>c</sup>	1,225,000	-	-	1,225,000
Foong Kam Weng <sup>c</sup>	1,225,000	-	-	1,225,000
<b>Nor Lazuli Nutrition Sdn. Bhd.</b>				
<u>Indirect interests:</u>				
Lim Ban Keong <sup>c</sup>	588,000	-	-	588,000
Foong Kam Weng <sup>c</sup>	588,000	-	-	588,000
<b>Nor Livestock Farm Sdn. Bhd.</b>				
<u>Indirect interests:</u>				
Lim Ban Keong <sup>c</sup>	2,610,818	-	-	2,610,818
Foong Kam Weng <sup>c</sup>	2,610,818	-	-	2,610,818

- a 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.
- b Deemed interest by virtue of Section 8(4) of the Companies Act 2016 in Malaysia held through Blue Advantage Sdn. Bhd. and Rhone Ma Holdings Berhad.
- c Deemed interest by virtue of Section 8(4) of the Companies Act 2016 in Malaysia held through Blue Advantage Sdn. Bhd., Rhone Ma Holdings Berhad and A2 Fresh Holdings Sdn. Bhd.

By virtue of their interests in the ordinary shares of the Company, Lim Ban Keong and Foong Kam Weng 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, warrants or options over ordinary shares in the Company or its related corporations during the financial year.



## DIRECTORS' REPORT (CONTINUED)

### 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) 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 33 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' REMUNERATION

Directors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	Group RM	Company RM
Executive Directors' remuneration:		
Salaries and other emoluments	2,439,210	-
Defined contribution plan	300,486	-
	2,739,696	-
Estimated monetary value of benefits-in-kind	138,711	-
	<u>2,878,407</u>	<u>-</u>
Non-executive Directors' remuneration		
Fees	290,000	250,000
Other emoluments	104,200	19,200
	<u>394,200</u>	<u>269,200</u>
Total Directors' remuneration	<u>3,272,607</u>	<u>269,200</u>
Total Directors' remuneration		
Total Directors' remuneration excluding benefits-in-kind	3,133,896	269,200
Estimated monetary value of benefits-in-kind	<u>138,711</u>	<u>-</u>
Total Directors' remuneration including benefits-in-kind	<u>3,272,607</u>	<u>269,200</u>

### 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 2022 was RM20,887.

## DIRECTORS' REPORT (CONTINUED)

### INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS AND AUDITORS (continued)

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:
  - (i) inventories written off, resulting in a decrease in the Group's profit for the financial year by RM1,195,093; and
  - (ii) inventories written back, resulting in an increase in the Group's profit for the financial year by RM1,337,341.

#### (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.
- (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.

## DIRECTORS' REPORT (CONTINUED)

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

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

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

### SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

#### Private Placement

On 8 February 2022, the Company had proposed to undertake a private placement of up to 28,120,300 new ordinary shares in the Company ("Placement Shares(s)"), representing up to 10% of the enlarged number of issued shares of the Company ("Proposed Private Placement").

The Company further announced on 14 February 2022 that Bursa Securities had, via its letter dated 14 February 2022, approved the listing and quotation of up to 28,120,300 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the conditions set out in the Bursa Securities' letter.

On 11 March 2022, the Company announced that the private placement of up to 28,120,300 new shares in the Company representing up to 10% of the enlarged number of issued shares of the Company ("Private Placement") has been fixed at RM0.67 per Placement Share and will comprise up to 20,086,000 Placement Shares.

On 14 March 2022, the Company announced that the Private Placement has been completed following the listing of and quotation for 20,086,000 Placement Shares on the Main Market of Bursa Securities with effect from 9.00 a.m. on 14 March 2022.

#### HOLDING COMPANY

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

## DIRECTORS' REPORT (CONTINUED)

### AUDITORS

The auditors, BDO PLT (201906000013 (LLP0018825-LCA) & AF 0206), have expressed their willingness to continue in office.

The auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2022 were as follows:

	Group RM	Company RM
Statutory audit	234,200	51,000
Other services	<u>13,000</u>	<u>13,000</u>
	<u><u>247,200</u></u>	<u><u>64,000</u></u>

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

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

Kuala Lumpur  
 11 April 2023

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

## STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 94 to 178 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 2022 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  
 11 April 2023

## 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 94 to 178 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  
 11 April 2023

.....  
**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 2022 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 94 to 178.

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 2022, 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. Recoverability of trade receivables

As at 31 December 2022, the net carrying amount of trade receivables of the Group was RM32,259,931 as disclosed in Note 15 to the financial statements.

The Group has impaired trade receivables of RM693,317 as at 31 December 2022.

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

#### *Audit response*

Our audit procedures included the following:

- (a) assessed the adequacy of credit impaired assessment performed by management on trade receivables exceeding their credit terms and long overdue balances;
- (b) tested the accuracy of trade receivables' ageing;
- (c) recomputed the probability of default using historical data and forward-looking information adjustment applied by the Group;
- (d) 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;
- (e) inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses; and
- (f) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHONE MA HOLDINGS BERHAD

(INCORPORATED IN MALAYSIA) (CONTINUED)

## Key Audit Matters (continued)

### Key Audit Matters of the Group (continued)

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

As at 31 December 2022, the Group held RM60,831,091 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 response*

Our audit procedures included the following:

- (a) discussed with management and obtained an understanding of the process implemented by management over the determination of the lower of cost and net realisable value of inventories;
- (b) tested the accuracy of expiry dates of inventories by sighting to the expiration date stated on the physical inventories;
- (c) tested the first-in, first-out costing of inventories; and
- (d) 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)

#### 3. 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 to RM3,941,075 as at 31 December 2022.

Goodwill is tested for impairment by the Group annually, or more frequently if events or changes in circumstances indicate that the goodwill might 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.

#### *Audit response*

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;
- (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 cost of investments in subsidiaries

As disclosed in Note 12 to the financial statements, the carrying amounts of cost of investments in subsidiaries amounted to RM96,765,031 as at 31 December 2022. Included in this carrying amount are costs of investments in certain subsidiaries amounting to RM95,485,029 as at 31 December 2022 which have indication of impairment.

Management used forecasted future cash flows based on 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 cost 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.

#### *Audit response*

Our audit procedures included the following:

- (a) compared cash flows projections against recent performance and assessed the reasonableness of the key assumptions used by management in the cash flows projections by comparing to actual historical operating profit margins and growth rates;
- (b) compared prior period projections to actual outcomes to assess the reliability of management's forecasting process;
- (c) assessed 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; 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.

## 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**  
201906000013 (LLP0018825-LCA) & AF 0206  
Chartered Accountants

**Shahira Binti Shahar**  
03646/03/2024 J  
Chartered Accountant

Kuala Lumpur  
11 April 2023

## STATEMENTS OF FINANCIAL POSITION

### AS AT 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	7	77,600,880	78,522,603	-	-
Right-of-use assets	8	10,838,664	11,141,497	-	-
Biological assets	9	3,600,260	3,366,928	-	-
Investment property	10	5,524,798	5,567,438	-	-
Intangible asset	11	3,941,075	3,941,075	-	-
Investments in subsidiaries	12	-	-	96,765,031	96,765,031
Other investment	13	70,043	23,888	-	-
Trade and other receivables	15	-	-	6,600,000	1,504,459
		101,575,720	102,563,429	103,365,031	98,269,490
Current assets					
Inventories	14	60,831,091	33,245,518	-	-
Trade and other receivables	15	37,929,762	38,578,275	16,016,788	4,514,101
Cash and bank balances	16	16,081,430	16,035,749	22,966	470,264
Short term funds	17	2,562,322	4,584,544	2,562,322	4,584,544
Current tax assets		454,458	799,205	205,840	101,935
		117,859,063	93,243,291	18,807,916	9,670,844
TOTAL ASSETS		219,434,783	195,806,720	122,172,947	107,940,334
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	18	117,271,655	103,618,035	117,271,655	103,618,035
Reserves	19	36,063,670	27,746,753	2,580,072	2,244,224
		153,335,325	131,364,788	119,851,727	105,862,259
Non-controlling interests		9,686,722	7,788,193	-	-
TOTAL EQUITY		163,022,047	139,152,981	119,851,727	105,862,259

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
LIABILITIES					
Non-current liabilities					
Borrowings	20	20,661,781	25,698,291	-	-
Lease liabilities	8	260,062	177,001	-	-
Deferred tax liabilities	21	1,704,362	1,917,744	-	-
Deferred income	22	85,878	400,305	-	-
		22,712,083	28,193,341	-	-
Current liabilities					
Trade and other payables	23	24,564,625	19,835,314	2,321,220	2,078,075
Borrowings	20	8,053,833	7,087,416	-	-
Lease liabilities	8	259,795	314,211	-	-
Deferred income	22	14,428	14,428	-	-
Current tax liabilities		807,972	1,209,029	-	-
		33,700,653	28,460,398	2,321,220	2,078,075
TOTAL LIABILITIES		56,412,736	56,653,739	2,321,220	2,078,075
TOTAL EQUITY AND LIABILITIES					
		219,434,783	195,806,720	122,172,947	107,940,334

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 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Revenue	24	198,151,787	169,431,450	5,700,000	5,050,000
Cost of sales		(144,294,754)	(118,253,860)	-	-
Gross profit		53,857,033	51,177,590	5,700,000	5,050,000
Other operating income		1,854,870	1,798,545	352,117	138,637
Distribution costs		(11,147,525)	(9,548,961)	-	-
Administrative expenses		(23,886,571)	(24,281,700)	(1,254,026)	(913,275)
Finance costs	25	(1,323,147)	(1,278,034)	-	-
Net impairment losses on trade receivables		(306,984)	(262,097)	-	-
Profit before tax	26	19,047,676	17,605,343	4,798,091	4,275,362
Tax expense	27	(4,410,782)	(5,086,377)	(37,723)	(175,187)
Profit for the financial year		14,636,894	12,518,966	4,760,368	4,100,175
<b>Other comprehensive income, net of tax</b>					
<u>Items that may be reclassified subsequently to profit or loss</u>					
Gain on foreign currency translations		3,072	-	-	-
Total comprehensive income		14,639,966	12,518,966	4,760,368	4,100,175

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	2022 sen	2021 sen	2022 sen	2021 sen
Profit for the financial year attributable to:					
Owners of the parent		12,738,365	11,268,278	4,760,368	4,100,175
Non-controlling interests		1,898,529	1,250,688	-	-
		<u>14,636,894</u>	<u>12,518,966</u>	<u>4,760,368</u>	<u>4,100,175</u>
Total comprehensive income attributable to:					
Owners of the parent		12,741,437	11,268,278	4,760,368	4,100,175
Non-controlling interests		1,898,529	1,250,688	-	-
		<u>14,639,966</u>	<u>12,518,966</u>	<u>4,760,368</u>	<u>4,100,175</u>
Earnings per ordinary share attributable to equity holders of the parent:					
- Basic	28	5.86	5.61		
- Diluted	28	<u>4.28</u>	<u>4.01</u>		
Dividend per ordinary share in respect of the financial year:					
<b>2021</b>					
- Interim single-tier dividend (paid)	29	-	1.0	-	1.0
- Final single-tier dividend (paid)	29	<u>-</u>	<u>1.0</u>	<u>-</u>	<u>1.0</u>
<b>2022</b>					
- Interim single-tier dividend (paid)	29	1.0	-	1.0	-
- Final single-tier dividend (proposed)	29	<u>1.0</u>	<u>-</u>	<u>1.0</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 2022

Group	Note	[-----Non-distributable-----]			Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM
		Share capital RM	Reorganisation debit balance RM	Retained earnings RM			
Balance as at 1 January 2021		103,618,035	(59,488,997)	79,984,672	124,113,710	6,537,505	130,651,215
Profit for the financial year		-	-	11,268,278	11,268,278	1,250,688	12,518,966
Other comprehensive income, net of tax		-	-	-	-	-	-
Total comprehensive income		-	-	11,268,278	11,268,278	1,250,688	12,518,966
<b>Transaction with owners</b>							
Dividends paid	29	-	-	(4,017,200)	(4,017,200)	-	(4,017,200)
Total transaction with owners		-	-	(4,017,200)	(4,017,200)	-	(4,017,200)
Balance as at 31 December 2021		103,618,035	(59,488,997)	87,235,750	131,364,788	7,788,193	139,152,981



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Group	Note	[-----Non-distributable-----] [-----Distributable-----]				
		Share capital RM	Reorganisation debit balance RM	Foreign currency translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM
Balance as at 1 January 2022		103,618,035	(59,488,997)	-	87,235,750	131,364,788
Profit for the financial year		-	-	-	12,738,365	12,738,365
Foreign currency translations	19	-	-	3,072	-	3,072
Total comprehensive income		-	-	3,072	12,738,365	12,741,437
<b>Transactions with owners</b>						
Issuance of shares pursuant to:						
- Private placement	18	13,457,620	-	-	-	13,457,620
- Exercise of warrants	18	196,000	-	-	-	196,000
Dividends paid	29	-	-	-	(4,424,520)	(4,424,520)
Total transactions with owners		13,653,620	-	-	(4,424,520)	9,229,100
Balance as at 31 December 2022		117,271,655	(59,488,997)	3,072	95,549,595	153,335,325
						9,686,722
						163,022,047

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

## STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Note	Non-distributable Share capital RM	Distributable Retained earnings RM	Total equity RM
Balance as at 1 January 2021		103,618,035	2,161,249	105,779,284
Profit for the financial year		-	4,100,175	4,100,175
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	4,100,175	4,100,175
<b>Transactions with owners</b>				
Dividends paid	29	-	(4,017,200)	(4,017,200)
Total transactions with owners		-	(4,017,200)	(4,017,200)
Balance as at 31 December 2021/ 1 January 2022		103,618,035	2,244,224	105,862,259
Profit for the financial year		-	4,760,368	4,760,368
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	4,760,368	4,760,368
<b>Transactions with owners</b>				
Issuance of shares pursuant to:				
- Private placement	18	13,457,620	-	13,457,620
- Exercise of warrants	18	196,000	-	196,000
Dividends paid	29	-	(4,424,520)	(4,424,520)
Total transactions with owners		13,653,620	(4,424,520)	9,229,100
Balance as at 31 December 2022		117,271,655	2,580,072	119,851,727

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

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		19,047,676	17,605,343	4,798,091	4,275,362
Adjustments for:					
Amortisation of deferred income	22	(314,427)	(2,405)	-	-
Bad debts written off	26	504	2,004	-	-
Changes in fair value of biological assets	9	(409,544)	(559,759)	-	-
Depreciation of property, plant and equipment	7	3,184,010	2,994,929	-	-
Depreciation of investment property	10	42,640	42,640	-	-
Depreciation of right-of-use assets	8	527,541	569,513	-	-
Dividend income	24	-	-	(5,700,000)	(4,300,000)
Fair value changes on other investment	26	3,765	7,280	-	-
Fair value changes on short term fund	26	(164,545)	13,550	(164,545)	13,550
Impairment losses on trade receivables	15(f)	372,249	267,641	-	-
Interest expense	25	1,323,147	1,278,034	-	-
Interest income	26	(116,051)	(86,531)	(174,339)	(50,040)
Income distribution from short term funds	26	(13,233)	(88,597)	(13,233)	(88,597)
Inventories written off	14	1,195,093	808,385	-	-
Inventories written (back)/down	14	(1,337,341)	590,349	-	-
Gain on disposal of property, plant and equipment	26	(111,482)	(261,221)	-	-
Gain on disposal of right-of-use asset	26	-	(114,594)	-	-
Loss on disposal of biological assets	26	35,908	160,884	-	-
Property, plant and equipment written off	26	8,400	102,227	-	-
Reversal of impairment loss on trade receivables	15(f)	(65,265)	(5,544)	-	-
Net unrealised gain on foreign currency exchange	26	(177,389)	(413,431)	-	-
Operating profit/(loss) before changes in working capital		23,031,656	22,910,697	(1,254,026)	(149,725)

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group 2022 RM	2021 RM	Company 2022 RM	2021 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES (continued)</b>					
Changes in working capital:					
Inventories		(27,443,325)	(4,012,973)	-	-
Trade and other receivables		341,025	(5,671,837)	(57,716)	(10,750)
Trade and other payables		4,661,501	2,172,924	39,485	1,998,073
Cash generated from/(used in) operations		590,857	15,398,811	(1,272,257)	1,837,598
Tax paid		(4,680,474)	(4,213,504)	(141,628)	(339,816)
Net cash (used in)/from operating activities		(4,089,617)	11,185,307	(1,413,885)	1,497,782
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Dividend received		-	-	4,300,000	2,800,000
Interest received		116,051	86,531	133,827	45,581
Net cash outflows on acquisition of subsidiaries	12	-	-	-	(1)
Net withdrawal of short term fund		2,200,000	-	2,200,000	-
Placement of deposits with licensed banks (maturity more than three (3) months)		(3,263)	(17,451)	-	-
Proceeds from disposal of:					
- property, plant and equipment		222,016	1,058,451	-	-
- right-of-use asset		-	1,026,011	-	-
- biological assets		140,304	83,711	-	-
Purchase of property, plant and equipment	7	(2,261,305)	(9,307,260)	-	-
Purchase of biological assets		-	(835,176)	-	-
Purchase of other investment		(49,920)	-	-	-
Receipt of government grant		-	417,138	-	-
Net cash from/(used in) investing activities		363,883	(7,488,045)	6,633,827	2,845,580

## STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Net advances to subsidiaries		-	-	(15,100,000)	(1,171,089)
Dividends paid	29	(4,220,860)	(4,017,200)	(4,220,860)	(4,017,200)
Drawdown of bankers' acceptance		3,000,000	-	-	-
Interest paid		(1,308,327)	(1,248,958)	-	-
Proceeds from issuance of shares pursuant to private placement	18	13,457,620	-	13,457,620	-
Proceeds from issuance of shares pursuant to exercise of warrants	18	196,000	-	196,000	-
Repayment of:					
- lease liabilities		(330,799)	(366,464)	-	-
- term loans		(6,082,468)	(4,520,512)	-	-
Net cash from/(used in) financing activities		<u>4,711,166</u>	<u>(10,153,134)</u>	<u>(5,667,240)</u>	<u>(5,188,289)</u>
Net increase/(decrease) in cash and cash equivalents		985,432	(6,455,872)	(447,298)	(844,927)
Effect of exchange rate changes on cash and cash equivalents		44,611	-	-	-
Cash and cash equivalents at beginning of financial year		<u>13,120,150</u>	<u>19,576,022</u>	<u>470,264</u>	<u>1,315,191</u>
Cash and cash equivalents at end of financial year	16(c)	<u><u>14,150,193</u></u>	<u><u>13,120,150</u></u>	<u><u>22,966</u></u>	<u><u>470,264</u></u>

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

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 8) RM	Group Bankers' acceptance (Note 20) RM	Term loans (Note 20) RM
As at 1 January 2021	828,600	-	34,797,998
Cash flows:			
- Repayments	(366,464)	-	(4,520,512)
Non-cash flows:			
- Unwinding of interest	29,076	-	-
As at 31 December 2021	<u>491,212</u>	<u>-</u>	<u>30,277,486</u>
As at 1 January 2022	491,212	-	30,277,486
Cash flows:			
- Drawdown	-	3,000,000	-
- Repayments	(330,799)	-	(6,082,468)
Non-cash flows:			
- Reassessment and modification of lease	344,624	-	-
- Unwinding of interest	14,820	-	-
As at 31 December 2022	<u>519,857</u>	<u>3,000,000</u>	<u>24,195,018</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022

### 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 2022 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 11 April 2023.

### 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.

### 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 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.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (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 2022 (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 2022 (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 2022 (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	5% - 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 2022 (CONTINUED)

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

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

Capital work-in-progress represent renovations and GMP plant and equipment (2021: barn, renovations, farm equipment and machinery, and buildings) 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 2022 (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 68 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.

The feeding costs, incurred for raising of heifers and calves are capitalised, until such time when they reach maturity.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (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.

If the Group determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably determinable when construction is complete, the Group shall measure that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). Once the Group is able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, the Group shall measure that property at its fair value.

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.

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).



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 4. SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 4.8 Investment properties (continued)

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

Investment properties are derecognised when either they have been disposed 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.

Transfers made to or from investment property are only made when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

#### 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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (CONTINUED)

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

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

Impairment for other receivables and amounts owing by subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. 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. In making this assessment, the Group considers both quantitative and qualitative information that are reasonable and supportable, including historical experience and forward-looking information, which are available without undue cost or effort. 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 and amounts owing by subsidiaries are adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit loss for other receivables and amounts owing by subsidiaries.

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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

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

##### 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.

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.

##### 4.26 Government grants

Government grants are recognised in the financial statements when there is reasonable assurance that:

- (a) the Company will comply with the conditions attached to the grant; and
- (b) the grants will be received.

Government grants relating to costs are deferred and recognised as income in profit or loss on a straight line basis over the periods necessary to match them with the related costs that they are intended to compensate.

Government grants related to assets are presented in the statement of financial position as deferred revenue and recognised in profit or loss on a systematic basis over the useful life of the asset.

Government grants related to a biological asset measured at its fair value less costs to sell that is conditional are recognised in profit or loss when, and only when, the conditions attaching to the government grants are met.



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

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

#### 5.1 New MFRSs adopted during the financial year

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

Title	Effective Date
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contracts - Cost of Fulfilling a Contract</i>	1 January 2022

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.

#### 5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

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

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9-Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 16 <i>Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
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.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

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 of the Group and of the Company are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

(a) Recoverability of trade receivables

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

(b) Carrying amount of inventories at 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.

(c) Impairment assessment of the carrying amount of goodwill

Goodwill is tested for impairment by the Group annually, or more frequently if events or changes in circumstances indicate that the goodwill might 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.

(d) Impairment assessment of the carrying amounts of cost of investments in subsidiaries

Management used forecasted future cash flows based on 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 7. PROPERTY, PLANT AND EQUIPMENT

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	Barn RM	Farm equipment and machinery RM	Total RM
<b>At 31 December 2022</b>													
<b>At cost</b>													
At 1 January 2022	8,512,003	54,849,113	11,675,320	816,019	2,031,676	5,750,133	2,454,067	460,266	4,903,142	2,494,827	2,295,495	1,276,961	97,519,022
Additions	-	798,745	91,799	153,138	586,512	5,914	269,312	79,149	221,325	22,198	-	33,213	2,261,305
Disposals	-	-	(1,161)	-	(592,284)	-	-	-	-	-	-	-	(593,445)
Written off	-	-	(39,000)	-	-	-	(36,061)	-	-	-	-	(16,800)	(91,861)
Reclassification	-	29,368	-	-	-	-	-	-	20,642	(183,287)	5,440	127,837	-
Transfer from right-of-use assets (Note 8)	-	-	-	-	158,984	-	-	-	-	-	-	-	158,984
<b>At 31 December 2022</b>	8,512,003	55,677,226	11,726,958	969,157	2,184,888	5,756,047	2,687,318	539,415	5,145,109	2,333,738	2,300,935	1,421,211	99,254,005

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (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	Barn RM	Farm equipment and machinery RM	Total RM
<b>At 31 December 2022</b>													
<b>Accumulated depreciation</b>													
At 1 January 2022	-	2,240,903	3,569,814	530,089	1,500,447	4,240,679	1,687,730	388,473	4,332,768	-	152,425	353,091	18,996,419
Depreciation charge for the financial year	-	1,160,362	583,468	68,710	246,452	325,612	212,887	60,615	184,092	-	119,824	221,988	3,184,010
Disposals	-	-	(116)	-	(482,795)	-	-	-	-	-	-	-	(482,911)
Written off	-	-	(39,000)	-	-	-	(34,950)	-	-	-	-	(9,511)	(83,461)
Transfer from right-of-use assets (Note 8)	-	-	-	-	39,068	-	-	-	-	-	-	-	39,068
<b>At 31 December 2022</b>	-	3,401,265	4,114,166	598,799	1,303,172	4,566,291	1,865,667	449,088	4,516,860	-	272,249	565,568	21,653,125
<b>Net carrying amount</b>													
At 31 December 2022	8,512,003	52,275,961	7,612,792	370,358	881,716	1,189,756	821,651	90,327	628,249	2,333,738	2,028,686	855,643	77,600,880

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (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	Barn RM	Farm equipment and machinery RM	Total RM
<b>At 31 December 2021</b>													
<b>At cost</b>													
At 1 January 2021	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
Additions	-	3,379,822	1,630,070	33,497	201,000	62,500	304,616	-	467,139	2,494,827	418,211	315,578	9,307,260
Disposals	-	(809,411)	(49,350)	-	(512,741)	-	-	-	-	-	-	(8,461)	(1,379,963)
Written off	-	-	-	-	-	(40,000)	(284,371)	-	(61,207)	-	-	-	(385,578)
Reclassification	-	-	6,890,468	-	240,460	-	-	-	46,883	(7,759,470)	493,506	88,153	-
Transfer from right-of-use assets (Note 8)	-	-	-	-	119,985	-	-	-	-	-	-	-	119,985
<b>At 31 December 2021</b>	8,512,003	54,849,113	11,675,320	816,019	2,031,676	5,750,133	2,454,067	460,266	4,903,142	2,494,827	2,295,495	1,276,961	97,519,022

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (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	Barn RM	Farm equipment and machinery RM	Total RM
At 31 December 2021	-	1,150,825	3,036,559	466,956	1,664,485	3,955,073	1,718,282	307,730	4,217,578	-	51,977	160,410	16,729,875
Accumulated depreciation													
At 1 January 2021	-	1,154,831	574,404	63,133	175,094	325,606	188,317	80,743	139,672	-	100,448	192,681	2,994,929
Depreciation charge for the financial year	-	(64,753)	(41,149)	-	(476,831)	-	-	-	-	-	-	-	(582,733)
Disposals	-	-	-	-	-	(40,000)	(218,869)	-	(24,482)	-	-	-	(283,351)
Written off	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer from right-of-use assets (Note 8)	-	-	-	-	137,699	-	-	-	-	-	-	-	137,699
At 31 December 2021	-	2,240,903	3,569,814	530,089	1,500,447	4,240,679	1,687,730	388,473	4,332,768	-	152,425	353,091	18,996,419
Net carrying amount													
At 31 December 2021	8,512,003	52,608,210	8,105,506	285,930	531,229	1,509,454	766,337	71,793	570,374	2,494,827	2,143,070	923,870	78,522,603

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

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

- (a) 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 RM51,530,285 respectively (2021: RM8,512,003 and RM51,834,860 respectively) have been charged to banks for credit facilities granted to the Group as disclosed in Note 20 and Note 32 to the financial statements.

### 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
<b>At 31 December 2022</b>				
<b>At cost</b>				
At 1 January 2022	12,336,782	719,128	299,826	13,355,736
Reassessment and modification of lease	-	344,624	-	344,624
Transfer to property, plant and equipment (Note 7)	-	-	(158,984)	(158,984)
At 31 December 2022	12,336,782	1,063,752	140,842	13,541,376
<b>Accumulated depreciation</b>				
At 1 January 2022	1,721,321	439,160	53,758	2,214,239
Depreciation charge for the financial year	223,126	216,415	88,000	527,541
Transfer to property, plant and equipment (Note 7)	-	-	(39,068)	(39,068)
At 31 December 2022	1,944,447	655,575	102,690	2,702,712
<b>Net carrying amount</b>				
At 31 December 2022	10,392,335	408,177	38,152	10,838,664
<b>At 31 December 2021</b>				
<b>At cost</b>				
At 1 January 2021	13,286,982	1,027,177	419,811	14,733,970
Transfer to property, plant and equipment (Note 7)	-	-	(119,985)	(119,985)
Disposal	(950,200)	-	-	(950,200)
Termination	-	(308,049)	-	(308,049)
At 31 December 2021	12,336,782	719,128	299,826	13,355,736



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 8. LEASES (continued)

#### The Group as lessee (continued)

#### Right-of-use assets (continued)

Group	Long term leasehold land RM	Warehouse and office premises RM	Motor vehicles RM	Total RM
<b>At 31 December 2021</b>				
<b>Accumulated depreciation</b>				
At 1 January 2021	1,536,978	528,460	63,819	2,129,257
Depreciation charge for the financial year	223,126	218,749	127,638	569,513
Transfer to property, plant and equipment (Note 7)	-	-	(137,699)	(137,699)
Disposal	(38,783)	-	-	(38,783)
Termination	-	(308,049)	-	(308,049)
At 31 December 2021	1,721,321	439,160	53,758	2,214,239
<b>Net carrying amount</b>				
At 31 December 2021	10,615,461	279,968	246,068	11,141,497

- (a) The long term leasehold land of the Group have remaining tenure of 50 to 58 years.
- (b) The Group leases warehouses, office premises and motor vehicles with lease periods of two (2) years to five (5) years.
- (c) The Group has lease of other warehouses with lease term of less than twelve (12) months. The Group applied the “short-term lease” exemption for these leases.
- (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 RM8,754,246 (2021: RM8,934,821) that have been charged to banks for credit facilities granted to the Group as disclosed in Note 20 and Note 32 to the financial statements.
- (e) The following are the amounts recognised in profit or loss:

	Group	
	2022 RM	2021 RM
Included in other operating income:		
Gain on disposal of right-of-use assets	-	(114,594)
Included in administration expenses:		
Expense relating to short-term leases	5,566	62,316
Depreciation charge of right-of-use assets	527,541	569,513
Included in finance costs:		
Interest expense on lease liabilities	14,820	29,076
	547,927	546,311

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 8. LEASES (continued)

#### The Group as lessee (continued)

#### Lease liabilities

Group	Long term leasehold land RM	Warehouse and office premises RM	Motor vehicles RM	Total RM
<b>At 31 December 2022</b>				
At 1 January 2022	67,616	301,936	121,660	491,212
Reassessment and modification of lease	-	344,624	-	344,624
Lease payments	(19,200)	(241,800)	(69,799)	(330,799)
Interest expense	2,692	7,437	4,691	14,820
At 31 December 2022	51,108	412,197	56,552	519,857
<b>At 31 December 2021</b>				
At 1 January 2021	83,384	526,981	218,235	828,600
Lease payments	(19,200)	(243,000)	(104,264)	(366,464)
Interest expense	3,432	17,955	7,689	29,076
At 31 December 2021	67,616	301,936	121,660	491,212

	Group	
Represented by:	2022 RM	2021 RM
<b>Non-current liabilities</b>		
- Lease liabilities owing to financial institutions	49,959	71,391
- Lease liabilities owing to non-financial institutions	210,103	105,610
	260,062	177,001
<b>Current liabilities</b>		
- Lease liabilities owing to financial institutions	21,432	65,108
- Lease liabilities owing to non-financial institutions	238,363	249,103
	259,795	314,211
Total lease liabilities	519,857	491,212

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 8. LEASES (continued)

##### The Group as lessee (continued)

##### Lease liabilities (continued)

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

	Group	
	2022 RM	2021 RM
At 1 January	491,212	828,600
Reassessment and modification of lease	344,624	-
Lease payments	(330,799)	(366,464)
Interest expense	14,820	29,076
At 31 December	<u>519,857</u>	<u>491,212</u>

(b) The following are total cash outflows/(inflows) for lease as a lessee:

	Group	
	2022 RM	2021 RM
Included in net cash from operating activities:		
Payment relating to short-term leases	5,566	62,316
Included in net cash from investing activities:		
Proceed from disposal of right-of-use asset	-	(1,026,011)
Included in net cash from financing activities:		
Payment of lease liabilities	<u>330,799</u>	<u>366,464</u>
	<u>336,365</u>	<u>(597,231)</u>

(c) Information on the financial risk of lease liabilities is disclosed in Note 36 to the financial statements.

#### 9. BIOLOGICAL ASSETS

	Group	
	2022 RM	2021 RM
<b>At fair value</b>		
At 1 January	3,366,928	2,216,588
Additions	-	835,176
Disposals	(176,212)	(244,595)
Changes in fair value of biological assets	<u>409,544</u>	<u>559,759</u>
At 31 December	<u>3,600,260</u>	<u>3,366,928</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 9. BIOLOGICAL ASSETS (continued)

- (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 2022.

- (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

#### 10. INVESTMENT PROPERTY

Group	Freehold land RM	Building RM	Total RM
<b>At 31 December 2022</b>			
<b>At cost</b>			
At 1 January 2022/31 December 2022	3,648,640	2,131,998	5,780,638
<b>Accumulated depreciation</b>			
At 1 January 2022	-	213,200	213,200
Depreciation charge for the financial year	-	42,640	42,640
At 31 December 2022	-	255,840	255,840
<b>Net carrying amount</b>			
At 31 December 2022	3,648,640	1,876,158	5,524,798
<b>Fair value</b>			
At 31 December 2022			7,257,000
<b>At 31 December 2021</b>			
<b>At cost</b>			
At 1 January 2021/31 December 2021	3,648,640	2,131,998	5,780,638

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 10. INVESTMENT PROPERTY (continued)

Group	Freehold land RM	Building RM	Total RM
<b>At 31 December 2021</b>			
<b>Accumulated depreciation</b>			
At 1 January 2021	-	170,560	170,560
Depreciation charge for the financial year	-	42,640	42,640
At 31 December 2021	-	213,200	213,200
<b>Net carrying amount</b>			
At 31 December 2021	3,648,640	1,918,798	5,567,438
<b>Fair value</b>			
At 31 December 2021			7,067,000

- (a) As at the end of the reporting period, the investment property of the Group with a total carrying amount of RM5,524,798 (2021: RM5,567,438) has been pledged as security for banking facilities granted to the Group as disclosed in Note 20 and Note 32 to the financial statements.
- (b) In the previous financial year, rental income of the Group derived from the investment property amounted to RM132,300.
- (c) The amounts of direct expenses recognised in profit or loss during the financial year are as follows:

	Group	
	2022 RM	2021 RM
<b><u>Quit rent and assessment</u></b>		
Income generating unit	-	14,735
Non-income generating unit	14,735	-
	14,735	14,735

- (d) The fair value of the investment property for disclosure purposes, which is at Level 3 fair value is estimated at approximately RM7,257,000 (2021: RM7,067,000) 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 2022.

### 11. INTANGIBLE ASSET

	Group	
	2022 RM	2021 RM
<b>Goodwill</b>		
At 1 January/31 December	3,941,075	3,941,075

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 11. INTANGIBLE ASSET (continued)

- (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 CGUs are as follows:

	Group	
	2022 RM	2021 RM
<b>Segment - Animal health products and equipment</b>		
CGU 1	2,875,234	2,875,234
CGU 2	<u>1,065,841</u>	<u>1,065,841</u>
	<u><u>3,941,075</u></u>	<u><u>3,941,075</u></u>

- (b) For the purpose of impairment assessment, the recoverable amount of goodwill is determined based on the “value-in-use” of CGUs. The value-in-use of 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, are as follows:

#### 2022

	Key assumptions	
	CGU 1	CGU 2
Revenue growth rate	-5% - 8%	4% - 5%
Gross profit margin	30%	9.1%
Pre-tax discount rate	6.2%	6.2%
Terminal value	Zero growth rate	Zero growth rate

#### 2021

In the previous financial year, the key assumptions used in the value-in-use calculations, which were, among others, dependent on forecasted economic conditions, were as follows:

- (i) The anticipated average annual revenue growth rates used in the cash flow projections of the CGUs ranged from 4% to 8% per annum.
- (ii) Profit margins were projected based on historical profit margin achieved and management’s expectations for the future.
- (iii) Pre-tax discount rate of 5.5% was applied over the projection periods in determining the recoverable amount of the CGUs. The discount rate used was pre-tax plus a reasonable risk premium and reflected the overall weighted average cost of capital of the respective CGU.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 11. INTANGIBLE ASSET (continued)

##### (b) (continued)

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	
	2022 RM	2021 RM
Unquoted equity shares, at cost	<u>96,765,031</u>	<u>96,765,031</u>

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

All 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.

##### (b) Details of the subsidiaries are as follows:

Name of Company	Country of incorporation	Effective interest in equity		Principal activities
		2022 %	2021 %	
Rhone Ma Malaysia Sdn. Bhd.	Malaysia	100%	100%	Marketing, trading, distribution and manufacturing of animal health products and the provision of veterinary advisory services
APSN Lifescience Sdn. Bhd. ("APSN")	Malaysia	100%	100%	Engaged in undertaking research and development activities related to animal health, food safety and agriculture and trading in animal health products
Link Ingredients Sdn. Bhd.	Malaysia	100%	100%	Engaged in distribution and supply of food ingredients
Vet Food Agro Diagnostics (M) Sdn. Bhd.	Malaysia	100%	100%	Provision of diagnostic laboratory analyses and consultation services to the veterinary, agriculture and food industries



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 12. INVESTMENTS IN SUBSIDIARIES (continued)

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

Name of Company	Country of incorporation	Effective interest in equity		Principal activities
		2022 %	2021 %	
A2 Fresh Holdings Sdn. Bhd. ("A2F")	Malaysia	49%	49%	Investment holding company
<b>Subsidiaries of APSN</b>				
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
<b>Subsidiaries of A2F ("A2F Group")</b>				
One Lazuli Sdn. Bhd.	Malaysia	100%	100%	Engaged in wholesale and distribution of pharmaceutical and veterinary products including animal feeds and provision of training
Nor Lazuli Nutrition Sdn. Bhd.	Malaysia	100%	100%	Engaged in wholesale, distribution and retail sale of livestock feeds and provision of training
Nor Livestock Farm Sdn. Bhd.	Malaysia	100%	100%	Engaged in raising, breeding and production of semi-domesticated animals, business of dairy farming and provision of training

(c) The Group considers that it controls A2F, 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.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 12. INVESTMENTS IN SUBSIDIARIES (continued)

- (d) 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.

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.

- (e) Internal group restructuring exercise

In the previous financial year, an internal group restructuring exercise had been carried out by the Group as follows:

- (i) The Company had acquired one (1) ordinary share representing 50% equity interest in A2F from NLF, for a total consideration of RM1.
- (ii) A2F, a subsidiary of the Company had acquired 2,500,000 ordinary shares representing 100% equity interest in OLSB from the Company and the remaining existing shareholders of OLSB, for a total consideration of RM10,461,284 by way of the issuance of 6,403,022 new ordinary share of A2F.
- (iii) A2F, a subsidiary of the Company had acquired 1,200,000 ordinary shares representing 100% equity interest in NLN from the Company and the remaining existing shareholders of NLN, for a total consideration of RM3,571,429 by way of the issuance of 1,561,498 new ordinary share of A2F.
- (iv) A2F, a subsidiary of the Company had acquired 5,328,200 ordinary shares representing 100% equity interest in NLF from the Company and the remaining existing shareholders of NLF, for a total consideration of RM4,428,571 by way of the issuance of 4,854,117 new ordinary share of A2F.
- (v) Upon completion of the acquisitions of OLSB, NLN and NLF by A2F in steps (ii), (iii) and (iv) above, A2F became a 49%-owned subsidiary of the Company. Pursuant to that, OLSB, NLN and NLF became wholly-owned subsidiaries of A2F.

There are no material financial effects to the Group and the Company arising from the internal group restructuring exercise.

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

	2022 RM	2021 RM
NCI percentage of ownership interest and voting interest	51%	51%
Carrying amount of NCI	<u>9,686,722</u>	<u>7,788,193</u>
Profit allocated to NCI	<u>1,898,529</u>	<u>1,250,688</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 12. INVESTMENTS IN SUBSIDIARIES (continued)

- (g) 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:

	A2F Group 2022 RM	A2F Group 2021 RM
<b>Assets and liabilities</b>		
Non-current assets	27,156,032	26,661,367
Current assets	15,359,678	12,569,399
Non-current liabilities	(584,235)	(777,328)
Current liabilities	(4,476,616)	(4,721,185)
Net assets	<u>37,454,859</u>	<u>33,732,253</u>
<b>Results</b>		
Revenue	37,038,390	30,225,240
Profit for the financial year	3,722,606	2,452,330
Total comprehensive income	<u>3,722,606</u>	<u>2,452,330</u>
Net cash from operating activities	3,001,070	2,187,934
Net cash used in investing activities	(705,241)	(19,799,207)
Net cash (used in)/from financing activities	<u>(798,808)</u>	<u>18,068,657</u>
Net increase in cash and cash equivalents	<u>1,497,021</u>	<u>457,384</u>

### 13. OTHER INVESTMENT

	Group 2022 RM	2021 RM
<b>Financial assets at fair value through profit or loss</b>		
Quoted shares in Malaysia	<u>70,043</u>	<u>23,888</u>

Information on the fair value hierarchy is disclosed in Note 35 to the financial statements.

### 14. INVENTORIES

	Group 2022 RM	2021 RM
<b>At cost</b>		
Trading goods	44,206,435	20,008,697
Finished goods	6,909,977	5,861,625
Raw materials	9,120,824	6,316,274
Packaging materials	<u>593,855</u>	<u>558,136</u>
	60,831,091	32,744,732
<b>At net realisable value</b>		
Trading goods	<u>-</u>	<u>500,786</u>
	<u>60,831,091</u>	<u>33,245,518</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 14. INVENTORIES (continued)

- (a) Cost of inventories of the Group recognised as cost of sales during the financial year amounted to RM135,202,336 (2021: RM113,226,646).
- (b) During the financial year, the Group has written off inventories amounting to RM1,195,093 (2021: RM808,385) and written back inventories amounting to RM1,337,341 as the Group was able to sell these inventories above their carrying amounts. In the previous financial year, the Group had written down inventories amounting to RM590,349.

### 15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Non-current asset</b>				
<b>Other receivables</b>				
Amounts owing by subsidiaries	-	-	6,600,000	1,504,459
<b>Current assets</b>				
<b>Trade receivables</b>				
Third parties	32,953,248	32,468,648	-	-
Less: Impairment losses	(693,317)	(386,333)	-	-
	32,259,931	32,082,315	-	-
<b>Other receivables</b>				
Amounts owing by subsidiaries	-	-	15,884,016	4,501,091
Deposits	881,054	712,269	92,260	2,260
Other receivables	144,423	118,586	40,512	10,750
	1,025,477	830,855	16,016,788	4,514,101
<b>Total receivables</b>	33,285,408	32,913,170	22,616,788	6,018,560
<b>Prepayments</b>	4,644,354	5,665,105	-	-
	<u>37,929,762</u>	<u>38,578,275</u>	<u>22,616,788</u>	<u>6,018,560</u>

- (a) Trade receivables are non-interest bearing and the normal credit terms granted by the Group ranged from 30 to 90 days (2021: 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) The non-current amounts owing by subsidiaries represent advances of fund to subsidiaries, which are unsecured, subject to interest at rate of 4.5% (2021: 3.5%) per annum, and repayable after twelve (12) months in cash and cash equivalents.
- (c) Included in current amounts owing by subsidiaries is an amount of RM5,700,000 (2021: RM4,300,000) representing dividend income receivable from a subsidiary, which is unsecured, interest free and repayable within the next twelve (12) months in cash and cash equivalents.

The remaining current amounts owing by subsidiaries represent advances of fund to subsidiaries, which are unsecured, interest free, except for an amount of RM4,000,000 (2021: Nil), which is subject to interest at rate of 4.5%, and repayable within the next twelve (12) months in cash and cash equivalents.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 15. TRADE AND OTHER RECEIVABLES (continued)

- (d) Included in prepayments of the Group are advance payments to suppliers for purchases of trading goods amounting to RM4,410,329 (2021: RM5,336,358).
- (e) Total receivables are denominated in RM.
- (f) 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
<b>At 1 January 2022</b>	128,734	257,599	386,333
Charge for the financial year	349,317	22,932	372,249
Reversal of impairment loss	-	(65,265)	(65,265)
<b>At 31 December 2022</b>	<u>478,051</u>	<u>215,266</u>	<u>693,317</u>
<b>At 1 January 2021</b>	100,000	24,236	124,236
Charge for the financial year	28,734	238,907	267,641
Reversal of impairment loss	-	(5,544)	(5,544)
<b>At 31 December 2021</b>	<u>128,734</u>	<u>257,599</u>	<u>386,333</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 as the key macroeconomic factors in determining the lifetime expected credit loss for trade receivables.

- (g) 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	
	2022 RM	2021 RM
Maximum exposure	32,953,248	32,468,648
Collateral obtained	-	-
Impairment losses	<u>(693,317)</u>	<u>(386,333)</u>
Net exposure to credit risk	<u>32,259,931</u>	<u>32,082,315</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 15. TRADE AND OTHER RECEIVABLES (continued)

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

Group 2022	Gross carrying amount RM	Total allowance RM	Balance as at 31.12.2022 RM
Current	18,179,328	(19,122)	18,160,206
Past due:			
1 to 30 days	8,538,471	(73,369)	8,465,102
31 to 60 days	2,842,031	(91,800)	2,750,231
61 to 90 days	2,078,104	(141,120)	1,936,984
91 to 120 days	576,962	(152,640)	424,322
More than 120 days	738,352	(215,266)	523,086
	<u>14,773,920</u>	<u>(674,195)</u>	<u>14,099,725</u>
	<u>32,953,248</u>	<u>(693,317)</u>	<u>32,259,931</u>
<b>2021</b>			
Current	17,500,040	(5,149)	17,494,891
Past due:			
1 to 30 days	6,423,303	(15,448)	6,407,855
31 to 60 days	4,664,874	(25,747)	4,639,127
61 to 90 days	2,560,228	(49,302)	2,510,926
91 to 120 days	595,262	(33,088)	562,174
More than 120 days	724,941	(257,599)	467,342
	<u>14,968,608</u>	<u>(381,184)</u>	<u>14,587,424</u>
	<u>32,468,648</u>	<u>(386,333)</u>	<u>32,082,315</u>

- (i) A receivable is considered as in default when such debtor does 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 defines 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 as the key macroeconomic factors in determining the lifetime expected credit loss for other receivables and amounts owing by subsidiaries.

- (j) No expected credit loss is recognised arising from other receivables and amounts owing by subsidiaries as it is negligible.
- (k) Information on the financial risk of trade and other receivables is disclosed in Note 36 to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 16. CASH AND BANK BALANCES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	15,636,834	15,595,029	22,966	470,264
Deposits with licensed banks	444,596	440,720	-	-
	<u>16,081,430</u>	<u>16,035,749</u>	<u>22,966</u>	<u>470,264</u>

- (a) Deposits placed with financial institutions of the Group have maturity periods ranging from three (3) months to twelve (12) months (2021: 10 days to 327 days).
- (b) The currency exposure profile of cash and bank balances are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	15,118,336	15,580,573	22,966	470,264
United States Dollar	769,863	130,903	-	-
Euro	36,676	269,867	-	-
Australian Dollar	11,827	54,406	-	-
Singaporean Dollar	144,728	-	-	-
	<u>16,081,430</u>	<u>16,035,749</u>	<u>22,966</u>	<u>470,264</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	
	2022 RM	2021 RM	2022 RM	2021 RM
Cash and bank balances	16,081,430	16,035,749	22,966	470,264
Less:				
Deposits with licensed banks with original maturity of more than three (3) months	(410,641)	(407,378)	-	-
Bank overdrafts (Note 20)	<u>(1,520,596)</u>	<u>(2,508,221)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents included in the statements of cash flows	<u>14,150,193</u>	<u>13,120,150</u>	<u>22,966</u>	<u>470,264</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 36 to the financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 17. SHORT TERM FUNDS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Fair value through profit or loss</b>				
Short term funds	<u>2,562,322</u>	<u>4,584,544</u>	<u>2,562,322</u>	<u>4,584,544</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 approximate their carrying amounts largely due to the short term maturities of these instruments.
- (c) Information on financial risks of short term funds is disclosed in Note 36 to the financial statements.

#### 18. SHARE CAPITAL

	Group and Company			
	2022		2021	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid</b>				
As at 1 January	200,860,000	103,618,035	200,860,000	103,618,035
Ordinary shares issued pursuant to private placement	20,086,000	13,457,620	-	-
Issuance of ordinary shares	<u>280,000</u>	<u>196,000</u>	<u>-</u>	<u>-</u>
As at 31 December	<u>221,226,000</u>	<u>117,271,655</u>	<u>200,860,000</u>	<u>103,618,035</u>

- (a) During the financial year, the issued and paid-up share capital of the Company was increased from 200,860,000 to 221,226,000 by way of issuance of 20,366,000 new ordinary shares pursuant to the following:
- (i) Private placement of 20,086,000 new ordinary shares of RM0.67 each for cash totalling RM13,457,620; and
- (ii) 280,000 Warrants 2021/2026 exercised at RM0.70 each for cash totalling RM196,000.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 18. SHARE CAPITAL (continued)

- (c) On 5 February 2021, the Company issued 80,343,987 free warrants of the Company ("Warrant(s)") on the basis of two (2) free warrants for every five (5) existing ordinary shares held in the Company.

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 2026 ("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 their issue and allotment thereof.

The number of Warrants 2021/2026 unexercised at the end of the reporting period comprises 80,063,987 warrants. The Warrants 2021/2026 will expire on 4 February 2026.

The Warrants were listed on Bursa Malaysia Securities Berhad on 10 February 2021.

#### 19. RESERVES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Non-distributable</b>				
Reorganisation debit balance	(59,488,997)	(59,488,997)	-	-
<b>Distributable</b>				
Retained earnings	95,549,595	87,235,750	2,580,072	2,244,224
Foreign currency translation reserve	3,072	-	-	-
	<u>36,063,670</u>	<u>27,746,753</u>	<u>2,580,072</u>	<u>2,244,224</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.

##### Foreign currency translation reserve

Exchange translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group. It is also used to record the exchange differences arising from monetary items which form part of the net investment in foreign operations of the Group, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 20. BORROWINGS

	Group	
	2022 RM	2021 RM
<b>Current liabilities</b>		
Term loans (secured)	3,533,237	4,579,195
Bank overdrafts (secured)	1,520,596	2,508,221
Bankers acceptance (secured)	3,000,000	-
	8,053,833	7,087,416
<b>Non-current liabilities</b>		
Term loans (secured)	20,661,781	25,698,291
	<u>28,715,614</u>	<u>32,785,707</u>
<b>Total borrowings</b>		
Bank overdrafts (secured) (Note 16)	1,520,596	2,508,221
Bankers acceptance (secured)	3,000,000	-
Term loans (secured)	24,195,018	30,277,486
	<u>28,715,614</u>	<u>32,785,707</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
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 <sup>th</sup> months from the date of first drawdown, whichever is earlier

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 20. BORROWINGS (continued)

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

Loan	Interest rate	Year of drawdown	Repayment term
Term loan 6	Effective Profit Rate -2.57% at daily rests plus 1 month Kuala Lumpur Interbank Offered Rate (KLIBOR)	August 2019	60 monthly instalments of 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. The loan had been fully settled during the year
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, overdrafts and bankers acceptance of the Group are secured by:

- (i) legal charge over freehold land and certain buildings of the Group as disclosed in Note 7 and Note 10 to the financial statements respectively;
  - (ii) legal charge over certain long term leasehold land of the Group as disclosed in Note 8 to the financial statements; and
  - (iii) corporate guarantees by the Company as disclosed in Note 32 to the financial statements.
- (d) Information on financial risks of borrowings and their remaining maturity is disclosed in Note 36 to the financial statements.

#### 21. DEFERRED TAX

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

	Group	
	2022 RM	2021 RM
Balance as at 1 January	1,917,744	435,042
Recognised in profit or loss (Note 27):		
- current year	248,369	1,425,555
- prior years	(461,751)	57,147
Balance as at 31 December	<u>1,704,362</u>	<u>1,917,744</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 21. DEFERRED TAX (continued)

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

	Group	
	2022 RM	2021 RM
<b>Deferred tax liabilities</b>		
<b>Property, plant and equipment</b>		
At 1 January	1,917,744	435,042
Recognised in profit or loss (Note 27)	(213,382)	1,482,702
At 31 December	<u>1,704,362</u>	<u>1,917,744</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	
	2022 RM	2021 RM
Unused tax losses:		
- Expires by 31 December 2028	65,954	432,420
- Expires by 31 December 2029	158,982	158,982
- Expires by 31 December 2030	161,574	161,574
- Expires by 31 December 2031	-	732,102
- Expires by 31 December 2032	149,981	-
Unutilised capital allowances	135,509	86,725
Other deductible temporary differences	37,431	1,272
	<u>709,431</u>	<u>1,573,075</u>

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

The amount and availability of these items to be carried forward up to the periods as disclosed above are subject to the agreement of the respective local tax authorities. Unutilised tax losses of the holding company and subsidiaries incorporated in Malaysia can be carried forward up to ten (10) consecutive years of assessment immediately following the year of assessment under the tax legislation of Inland Revenue Board.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 22. DEFERRED INCOME

	Group	
	2022 RM	2021 RM
<b>Government grant</b>		
<b>At cost</b>		
At 1 January	417,138	-
Received during the year	-	417,138
At 31 December	417,138	417,138
<b>Accumulated amortisation</b>		
At 1 January	2,405	-
Amortisation charge	314,427	2,405
At 31 December	316,832	2,405
<b>Carrying amount</b>	100,306	414,733
Deferred income is disclosed under:		
Non-current liabilities	85,878	400,305
Current liabilities	14,428	14,428
	100,306	414,733

In the previous financial year, a subsidiary of the Group, NLF obtained government grant from the Department of Veterinary Services (“DVS”) which were conditional upon fulfilment of certain obligations as required by DVS.

### 23. TRADE AND OTHER PAYABLES

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Trade payables</b>				
Third parties	14,705,742	11,515,420	-	-
<b>Other payables</b>				
Amount due to a related company	-	-	-	1
Other payables	5,100,562	4,331,592	2,270,220	2,013,074
Deposit	111,629	252,289	-	-
Accruals	4,646,692	3,736,013	51,000	65,000
	9,858,883	8,319,894	2,321,220	2,078,075
	24,564,625	19,835,314	2,321,220	2,078,075

- (a) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 90 days (2021: 30 to 60 days) from the date of invoice.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 23. TRADE AND OTHER PAYABLES (continued)

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

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Ringgit Malaysia	13,028,728	11,556,342	2,321,220	2,078,075
United States Dollar	1,890,831	1,394,852	-	-
Euro	9,641,599	6,780,762	-	-
Australian Dollar	-	103,358	-	-
Singaporean Dollar	3,467	-	-	-
	<u>24,564,625</u>	<u>19,835,314</u>	<u>2,321,220</u>	<u>2,078,075</u>

(c) Information on financial risks of trade and other payables is disclosed in Note 36 to the financial statements.

### 24. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Revenue from contracts with customers</b>				
Sales of goods	194,834,096	166,490,381	-	-
Services rendered	3,317,691	2,941,069	-	-
Management fee	-	-	-	750,000
	<u>198,151,787</u>	<u>169,431,450</u>	<u>-</u>	<u>750,000</u>
<b>Others</b>				
- Dividend income	-	-	5,700,000	4,300,000
	<u>198,151,787</u>	<u>169,431,450</u>	<u>5,700,000</u>	<u>5,050,000</u>
<b>Timing of revenue recognition</b>				
Transferred at a point in time	<u>198,151,787</u>	<u>169,431,450</u>	<u>-</u>	<u>750,000</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.

### 25. FINANCE COSTS

	Group	
	2022 RM	2021 RM
Interest expenses on:		
Term loans	1,104,523	1,182,830
Bank overdraft	203,804	66,128
Lease liabilities	14,820	29,076
	<u>1,323,147</u>	<u>1,278,034</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 26. PROFIT BEFORE TAX

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

	<b>Group</b>		<b>Company</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Auditors' remuneration				
- statutory	234,200	222,200	51,000	50,000
- others	13,000	13,000	13,000	13,000
Bad debts written off	504	2,004	-	-
Fair value changes on:				
- other investment	3,765	7,280	-	-
- short term fund	164,545	13,550	164,545	13,550
Changes in fair value of biological assets	(409,544)	(559,759)	-	-
Inventories written off	1,195,093	808,385	-	-
Loss on disposal of biological assets	35,908	160,884	-	-
Property, plant and equipment written off	8,400	102,227	-	-
Rental of storage	5,566	62,316	-	-
Net (gain)/loss on foreign currency exchange:				
- realised	(915,431)	931,066	-	-
- unrealised	(177,389)	(413,431)	-	-
Amortisation of deferred income	(314,427)	(2,405)	-	-
Bad debts recovered	(3,418)	(6,100)	-	-
Dividend income from subsidiaries	-	-	(5,700,000)	(4,300,000)
Gain on disposal of property, plant and equipment	(111,482)	(261,221)	-	-
Gain on disposal of right-of-use asset	-	(114,594)	-	-
Interest income	(116,051)	(86,531)	(174,339)	(50,040)
Income distribution from short term funds	(13,233)	(88,597)	(13,233)	(88,597)
Inventories written (back)/down	(1,337,341)	590,349	-	-
Rental income of investment property, net of rental concession provided	-	(132,300)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 27. TAX EXPENSE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Current tax expense based on profit for the financial year:				
- current year provision	4,448,500	3,669,934	37,379	172,460
- under/(over)-provision in prior years	175,664	(66,259)	344	2,727
	4,624,164	3,603,675	37,723	175,187
Deferred tax (Note 21):				
- origination of temporary differences	248,369	1,425,555	-	-
- (over)/under-provision in prior years	(461,751)	57,147	-	-
	(213,382)	1,482,702	-	-
	4,410,782	5,086,377	37,723	175,187

- (a) The Malaysian income tax is calculated at the statutory tax rate of 24% (2021: 24%) of the estimated taxable profits for the fiscal year.
- (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	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	19,047,676	17,605,343	4,798,091	4,275,362
Tax at Malaysian statutory tax rate of 24% (2021: 24%)	4,571,442	4,225,283	1,151,542	1,026,087
Tax effects in respect of:				
Non-allowable expenses	1,181,319	3,000,418	258,333	200,478
Non-taxable income	(848,617)	(2,386,565)	(1,372,496)	(1,054,105)
Deferred tax assets not recognised	-	256,353	-	-
Utilisation of previously unrecognised deferred tax assets	(207,275)	-	-	-
	4,696,869	5,095,489	37,379	172,460
Under/(Over)-provision of tax expense in prior years	175,664	(66,259)	344	2,727
(Over)/Under-provision of deferred tax in prior years	(461,751)	57,147	-	-
	4,410,782	5,086,377	37,723	175,187

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 28. 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.

	2022	Group 2021
Profit attributable to equity holders of the parent (RM)	<u>12,738,365</u>	<u>11,268,278</u>
Weighted average number of ordinary shares in issue	<u>217,411,841</u>	<u>200,860,000</u>
Basic earnings per ordinary share (sen)	<u>5.86</u>	<u>5.61</u>

#### (b) Diluted

Diluted earnings per ordinary share for the financial years 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.

	2022	Group 2021
Profit attributable to equity holders of the parent (RM)	<u>12,738,365</u>	<u>11,268,278</u>
Weighted average number of ordinary shares in issue	217,411,841	200,860,000
Effects of dilution due to warrants	<u>80,063,987</u>	<u>80,343,987</u>
Adjusted weighted average number of ordinary shares applicable to diluted earnings per share	<u>297,475,828</u>	<u>281,203,987</u>
Diluted earnings per ordinary share (sen)	<u>4.28</u>	<u>4.01</u>

### 29. DIVIDENDS

	Group and Company			
	2022		2021	
	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 2022:				
Interim single-tier dividend, declared on 15 December 2022 and paid on 16 January 2023	1.00	2,212,260	-	-

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 29. DIVIDENDS (continued)

	Group and Company			
	2022		2021	
	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 2021:				
Final single-tier dividend, declared on 12 April 2022 and paid on 15 July 2022	1.00	2,212,260	-	-
Interim single-tier dividend, declared on 24 December 2021 and paid on 25 January 2022	-	-	1.00	2,008,600
In respect of the financial year ended 31 December 2020:				
Interim single-tier dividend, declared on 4 June 2021 and paid on 15 July 2021	-	-	1.00	2,008,600
	<u>2.00</u>	<u>4,424,520</u>	<u>2.00</u>	<u>4,017,200</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 2022, 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 2023.

### 30. EMPLOYEE BENEFITS

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Wages, salaries and bonuses	17,199,452	15,334,604	-	-
Contributions to defined contribution plan	2,173,854	2,033,191	-	-
Social security contributions	<u>138,658</u>	<u>120,726</u>	<u>-</u>	<u>-</u>
	<u>19,511,964</u>	<u>17,488,521</u>	<u>-</u>	<u>-</u>

Included in the employee benefits of the Group are Executive Directors' remuneration of the Group amounting to RM2,739,696 (2021: RM2,748,521).

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 31. CAPITAL COMMITMENTS

	Group	
	2022 RM	2021 RM
Capital expenditure in respect of purchase of property, plant and equipment: Contracted but not provided for	<u>5,736,168</u>	<u>3,807,305</u>

#### 32. CONTINGENT LIABILITIES

	Company	
	2022 RM	2021 RM
Corporate guarantees given to financial institutions for banking facilities granted to subsidiaries		
Secured:		
- Limit of guarantee	65,829,304	65,829,304
- Amount utilised	28,715,614	32,785,707
Unsecured:		
- Limit of guarantee	5,300,000	5,300,000
- Amount utilised	<u>-</u>	<u>-</u>

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.

#### 33. 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 whom 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 2022 (CONTINUED)

### 33. 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Paid/payable to a related party:				
Rental expenses	240,600	210,600	-	-
Received/receivable from subsidiaries:				
Management fee	-	-	-	750,000
Dividend income	-	-	5,700,000	4,300,000

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Executive Directors' remuneration:				
Salaries and other emoluments	2,439,210	2,429,282	-	-
Defined contribution plan	300,486	319,239	-	-
	2,739,696	2,748,521	-	-
Estimated monetary value of benefits-in-kind	138,711	92,034	-	-
	2,878,407	2,840,555	-	-
Non-executive Directors' remuneration:				
Fees	290,000	280,000	250,000	250,000
Other emoluments	104,200	105,000	19,200	20,000
	394,200	385,000	269,200	270,000
Total Directors' remuneration	3,272,607	3,225,555	269,200	270,000

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 33. RELATED PARTY DISCLOSURES (continued)

#### (c) Compensation of key management personnel (continued)

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

	<b>Group</b>		<b>Company</b>	
	<b>2022 RM</b>	<b>2021 RM</b>	<b>2022 RM</b>	<b>2021 RM</b>
Total Directors' remuneration excluding benefits-in-kind	3,133,896	3,133,521	269,200	270,000
Estimated monetary value of benefits-in-kind	138,711	92,034	-	-
Total Directors' remuneration including benefits-in-kind	<u>3,272,607</u>	<u>3,225,555</u>	<u>269,200</u>	<u>270,000</u>

<b>Group 2022</b>	<b>Fees RM</b>	<b>Salary RM</b>	<b>Bonus RM</b>	<b>Other emoluments RM</b>	<b>Benefits in-kind RM</b>	<b>Total RM</b>
Dato' Hamzah Bin Mohd Salleh	90,000	-	-	4,800	-	94,800
Lim Ban Keong	-	403,152	171,192	102,788	13,325	690,457
Foong Kam Weng	-	298,272	169,712	74,658	54,000	596,642
Yip Lai Siong	-	271,992	165,332	67,075	22,763	527,162
Martin Jeyaratnam A/L Thiagaraj	60,000	-	-	4,800	-	64,800
Rahanawati Binti Ali Dawam	80,000	-	-	4,800	-	84,800
Teoh Chee Yong	60,000	-	-	4,800	-	64,800
Directors of subsidiaries	-	777,000	146,000	177,523	48,623	1,149,146
	<u>290,000</u>	<u>1,750,416</u>	<u>652,236</u>	<u>441,244</u>	<u>138,711</u>	<u>3,272,607</u>

#### **Group 2021**

Dato' Hamzah Bin Mohd Salleh	85,000	-	-	5,600	-	90,600
Lim Ban Keong	-	391,152	320,192	110,791	13,325	835,460
Foong Kam Weng	-	286,272	318,112	94,754	27,409	726,547
Yip Lai Siong	-	259,992	154,007	63,542	9,900	487,441
Martin Jeyaratnam A/L Thiagaraj	60,000	-	-	4,800	-	64,800
Rahanawati Binti Ali Dawam	75,000	-	-	4,800	-	79,800
Teoh Chee Yong	60,000	-	-	4,800	-	64,800
Directors of subsidiaries	-	546,000	102,200	186,507	41,400	876,107
	<u>280,000</u>	<u>1,483,416</u>	<u>894,511</u>	<u>475,594</u>	<u>92,034</u>	<u>3,225,555</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 33. RELATED PARTY DISCLOSURES (continued)

#### (c) Compensation of key management personnel (continued)

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

Company	2022		2021	
	Directors' fees RM	Allowance RM	Directors' fees RM	Allowance RM
Dato' Hamzah Bin Mohd Salleh	70,000	4,800	70,000	5,600
Martin Jeyaratnam A/L Thiagaraj	60,000	4,800	60,000	4,800
Rahanawati Binti Ali Dawam	60,000	4,800	60,000	4,800
Teoh Chee Yong	60,000	4,800	60,000	4,800
	<u>250,000</u>	<u>19,200</u>	<u>250,000</u>	<u>20,000</u>

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

	Group	
	2022 RM	2021 RM
Wages, salaries and bonuses	2,733,192	2,749,167
Contributions to defined contribution plan	430,239	419,153
Other emoluments	13,263	12,169
	<u>3,176,694</u>	<u>3,180,489</u>
Estimated monetary value of benefits-in-kind	<u>185,024</u>	<u>123,834</u>
Total key management personnel's remuneration	<u>3,361,718</u>	<u>3,304,323</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 34. 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 2022 (CONTINUED)

### 34. OPERATING SEGMENTS (continued)

#### (a) Business segments (continued)

2022	Animal health products and equipment RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
<b>Revenue</b>					
External sales	151,429,292	35,343,281	11,379,214	-	198,151,787
Inter-segment sales	18,340,557	259,873	6,829,977	(25,430,407)	-
Total	169,769,849	35,603,154	18,209,191	(25,430,407)	198,151,787
<b>Results</b>					
Segment results	17,492,469	2,453,022	5,387,148	(5,091,100)	20,241,539
Interest expense	(1,391,869)	(32,955)	(70,043)	171,720	(1,323,147)
Interest income	88,563	14,592	197,849	(171,720)	129,284
Profit before tax					19,047,676
Tax expense	(3,808,377)	(592,397)	(10,008)	-	(4,410,782)
Profit for the year					14,636,894
<b>Other information</b>					
Segment assets	192,084,237	25,909,035	39,869,165	(38,427,654)	219,434,783
Segment liabilities	79,736,899	11,309,533	8,360,486	(42,994,182)	56,412,736
Capital expenditure:					
- Property, plant and equipment	2,075,512	2,300	183,493	-	2,261,305
Depreciation	3,184,373	269,574	883,211	(582,967)	3,754,191
Other material non-cash items:					
- Changes in fair value of biological assets	-	-	(409,544)	-	(409,544)
- Gain on disposal of property, plant and equipment	(111,482)	-	-	-	(111,482)
- Impairment losses on trade receivables	372,249	-	-	-	372,249
- Inventories written (back)/down	(1,183,551)	(3,500)	(150,290)	-	(1,337,341)
- Inventories written off	1,030,522	40,739	123,832	-	1,195,093
- Loss on disposal of biological assets	-	-	35,908	-	35,908
- Property, plant and equipment written off	1,111	-	7,289	-	8,400
- Reversal of impairment loss on trade receivables	(65,265)	-	-	-	(65,265)

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 34. OPERATING SEGMENTS (continued)

#### (a) Business segments (continued)

2021	Animal health products and equipment RM	Food ingredients RM	Others RM	Elimination RM	Consolidation RM
<b>Revenue</b>					
External sales	133,788,000	27,241,553	8,401,897	-	169,431,450
Inter-segment sales	9,860,114	68,696	9,233,511	(19,162,321)	-
Total	<u>143,648,114</u>	<u>27,310,249</u>	<u>17,635,408</u>	<u>(19,162,321)</u>	<u>169,431,450</u>
<b>Results</b>					
Segment results	15,629,640	3,243,237	(111,338)	(53,290)	18,708,249
Interest expense	(1,279,732)	(33,786)	(78,323)	113,807	(1,278,034)
Interest income	78,818	11,287	145,540	(60,517)	175,128
Profit before tax					17,605,343
Tax expense	(3,826,254)	(782,413)	(477,710)	-	<u>(5,086,377)</u>
Profit for the year					<u>12,518,966</u>
<b>Other information</b>					
Segment assets	161,133,654	13,665,591	38,859,405	(17,851,930)	195,806,720
Segment liabilities	65,251,479	908,351	12,303,467	(21,809,558)	56,653,739
Capital expenditure:					
- Property, plant and equipment	8,346,824	-	960,436	-	9,307,260
- Right-of-use assets	-	260,995	308,930	(569,925)	-
Depreciation	2,938,939	271,815	1,229,718	(833,390)	3,607,082
Other material non-cash items:					
- Changes in fair value of biological assets	-	-	(559,759)	-	(559,759)
- Gain on disposal of property, plant and equipment	(261,221)	-	-	-	(261,221)
- Gain on disposal of right-of-use asset	(114,594)	-	-	-	(114,594)
- Impairment losses on trade receivables	255,641	12,000	-	-	267,641
- Inventories written down/(back)	475,459	(35,400)	150,290	-	590,349
- Inventories written off	779,980	25,866	2,539	-	808,385
- Loss on disposal of biological assets	-	-	160,884	-	160,884
- Property, plant and equipment written off	102,227	-	-	-	102,227
- Reversal of impairment loss on trade receivables	(5,544)	-	-	-	(5,544)

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 34. OPERATING SEGMENTS (continued)

##### (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:

	2022 RM	2021 RM
Customer A	<u>22,699,531</u>	<u>19,480,027</u>

#### 35. 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 2022 and 31 December 2021.

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	
	2022 RM	2021 RM	2022 RM	2021 RM
Borrowings	28,715,614	32,785,707	-	-
Lease liabilities	519,857	491,212	-	-
Trade and other payables	<u>24,564,625</u>	<u>19,835,314</u>	<u>2,321,220</u>	<u>2,078,075</u>
	53,800,096	53,112,233	2,321,220	2,078,075
Less: Cash and bank balances	(16,081,430)	(16,035,749)	(22,966)	(470,264)
Less: Short term funds	<u>(2,562,322)</u>	<u>(4,584,544)</u>	<u>(2,562,322)</u>	<u>(4,584,544)</u>
Net debt/(Net cash)	<u>35,156,344</u>	<u>32,491,940</u>	<u>(264,068)</u>	<u>(2,976,733)</u>
Total capital	<u>153,335,325</u>	<u>131,364,788</u>	<u>119,851,727</u>	<u>105,862,259</u>
Gearing ratio	<u>23%</u>	<u>25%</u>	<u>- *</u>	<u>- *</u>

\* Gearing ratio is not presented as the Company was in a net cash position.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 35. FINANCIAL INSTRUMENTS (continued)

#### (a) Capital management (continued)

Pursuant to Practice Note No. 17/2005 of the Bursa Malaysia Securities Berhad, the Group is required to maintain a consolidated shareholders' equity of not less than the twenty-five (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 2022.

#### (b) Financial instruments

Categories of financial instruments

2022	Fair value through profit or loss RM	Amortised cost RM	Total RM
<b>Group</b>			
<b>Financial assets</b>			
Other investment	70,043	-	70,043
Trade and other receivables, net of prepayments	-	33,285,408	33,285,408
Cash and bank balances	-	16,081,430	16,081,430
Short term funds	2,562,322	-	2,562,322
	<u>2,632,365</u>	<u>49,366,838</u>	<u>51,999,203</u>
		<b>Amortised cost RM</b>	<b>Total RM</b>
<b>Financial liabilities</b>			
Borrowings		28,715,614	28,715,614
Trade and other payables		24,564,625	24,564,625
		<u>53,280,239</u>	<u>53,280,239</u>
<b>2021</b>	<b>Fair value through profit or loss RM</b>	<b>Amortised cost RM</b>	<b>Total RM</b>
<b>Group</b>			
<b>Financial assets</b>			
Other investment	23,888	-	23,888
Trade and other receivables, net of prepayments	-	32,913,170	32,913,170
Cash and bank balances	-	16,035,749	16,035,749
Short term funds	4,584,544	-	4,584,544
	<u>4,608,432</u>	<u>48,948,919</u>	<u>53,557,351</u>

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 35. FINANCIAL INSTRUMENTS (continued)

#### (b) Financial instruments (continued)

Categories of financial instruments (continued)

2021		Amortised cost RM	Total RM
Group			
<b>Financial liabilities</b>			
Borrowings		32,785,707	32,785,707
Trade and other payables		19,835,314	19,835,314
		<u>52,621,021</u>	<u>52,621,021</u>
<b>2022</b>	<b>Fair value through profit or loss RM</b>	<b>Amortised cost RM</b>	<b>Total RM</b>
<b>Company</b>			
<b>Financial assets</b>			
Other receivables, net of prepayments	-	22,616,788	22,616,788
Cash and bank balances	-	22,966	22,966
Short term funds	2,562,322	-	2,562,322
	<u>2,562,322</u>	<u>22,639,754</u>	<u>25,202,076</u>
		<b>Amortised cost RM</b>	<b>Total RM</b>
<b>Financial liabilities</b>			
Other payables		2,321,220	2,321,220
<b>2021</b>	<b>Fair value through profit or loss RM</b>	<b>Amortised cost RM</b>	<b>Total RM</b>
<b>Company</b>			
<b>Financial assets</b>			
Other receivables, net of prepayments	-	6,018,560	6,018,560
Cash and bank balances	-	470,264	470,264
Short term funds	4,584,544	-	4,584,544
	<u>4,584,544</u>	<u>6,488,824</u>	<u>11,073,368</u>
		<b>Amortised cost RM</b>	<b>Total RM</b>
<b>Financial liabilities</b>			
Other payables		2,078,075	2,078,075

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 35. 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 at the end of the reporting period.

- (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.

- (iv) Non-current amount due from a subsidiary

The fair value of non-current amount due from a subsidiary is estimated by discounting expected future cash flows at market incremental borrowing rate for similar types of lending at the end of the reporting period.

The carrying amount of the non-current amount due from a subsidiary is a reasonable approximation of its fair value.

##### (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 2022 (CONTINUED)

### NOTES TO THE FINANCIAL STATEMENTS

#### 31 DECEMBER 2022 (CONTINUED)

#### 35. 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		
<b>2022</b>								
<b>Financial assets</b>								
<b>Fair value through profit or loss</b>								
- Short term funds	2,562,322	-	-	-	-	-	2,562,322	2,562,322
- Other investment	70,043	-	-	-	-	-	70,043	70,043
	<u>2,632,365</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,632,365</u>	<u>2,632,365</u>
<b>2021</b>								
<b>Financial assets</b>								
<b>Fair value through profit or loss</b>								
- Short term funds	4,584,544	-	-	-	-	-	4,584,544	4,584,544
- Other investment	23,888	-	-	-	-	-	23,888	23,888
	<u>4,608,432</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,608,432</u>	<u>4,608,432</u>



# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### NOTES TO THE FINANCIAL STATEMENTS

#### 31 DECEMBER 2022 (CONTINUED)

#### 35. 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 RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2022</b>								
<b>Financial assets</b>								
<b>Fair value through profit or loss</b>								
- Short term funds	2,562,322	-	-	2,562,322	-	-	2,562,322	2,562,322
<b>2021</b>								
<b>Financial assets</b>								
<b>Fair value through profit or loss</b>								
- Short term funds	4,584,544	-	-	4,584,544	-	-	4,584,544	4,584,544

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 36. 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 25% (2021: 30%) of the total Group's trade receivables as at reporting date were due from three (3) (2021: three (3)) major customers.

The Company has no significant concentration of credit risk except for the amounts owing by subsidiaries constituting approximately 99% (2021: 100%) of the total receivables of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 36. 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	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>31 December 2022</b>				
<b>Financial liabilities</b>				
Trade and other payables	24,564,625	-	-	24,564,625
Term loans	4,694,887	16,294,182	7,796,023	28,785,092
Bank overdrafts	1,520,596	-	-	1,520,596
Bankers acceptance	3,000,000	-	-	3,000,000
Lease liabilities	280,022	274,119	-	554,141
Total undiscounted financial liabilities	34,060,130	16,568,301	7,796,023	58,424,454
<b>31 December 2021</b>				
<b>Financial liabilities</b>				
Trade and other payables	19,835,314	-	-	19,835,314
Term loans	6,016,831	18,604,133	11,923,688	36,544,652
Bank overdrafts	2,508,221	-	-	2,508,221
Lease liabilities	331,399	194,141	-	525,540
Total undiscounted financial liabilities	28,691,765	18,798,274	11,923,688	59,413,727

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

#### (ii) Liquidity and cash flow risk (continued)

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

Company	On demand or within one year RM	One to five years RM	Over five years RM	Total RM
<b>31 December 2022</b>				
<b>Financial liabilities</b>				
Other payables	2,321,220	-	-	2,321,220
Total undiscounted financial liabilities	2,321,220	-	-	2,321,220
<b>31 December 2021</b>				
<b>Financial liabilities</b>				
Other payables	2,078,075	-	-	2,078,075
Total undiscounted financial liabilities	2,078,075	-	-	2,078,075

#### (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, interest-bearing amount owing by a subsidiary 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 2022 (CONTINUED)

### 36. 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 2022									
Fixed rates									
Deposits with licensed banks	16	1.70 - 2.10	444,596	-	-	-	-	-	444,596
Lease liabilities	8	2.56 - 4.60	(259,795)	(215,807)	(37,160)	(7,095)	-	-	(519,857)
Floating rates									
Bank overdrafts	20	7.84	(1,520,596)	-	-	-	-	-	(1,520,596)
Bankers acceptance	20	8.01	(3,000,000)	-	-	-	-	-	(3,000,000)
Term loans	20	5.13	(3,533,237)	(3,512,068)	(3,437,068)	(3,178,901)	(3,252,263)	(7,281,481)	(24,195,018)
As at 31 December 2021									
Fixed rates									
Deposits with licensed banks	16	1.70 - 2.10	440,720	-	-	-	-	-	440,720
Lease liabilities	8	2.29 - 4.60	(314,211)	(93,218)	(39,528)	(37,160)	(7,095)	-	(491,212)
Floating rates									
Bank overdrafts	20	4.66	(2,508,221)	-	-	-	-	-	(2,508,221)
Term loans	20	5.09	(4,579,195)	(3,858,811)	(3,836,781)	(3,969,433)	(3,161,940)	(10,871,326)	(30,277,486)

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 36. 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 (continued):

Company	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 2022									
Floating rates									
Amounts owing by subsidiaries	15	4.50	-	-	-	-	-	10,600,000	10,600,000
As at 31 December 2021									
Fixed rates									
Amount owing by a subsidiary	15	3.50	-	-	-	-	-	1,504,459	1,504,459

# NOTES TO THE FINANCIAL STATEMENTS

## 31 DECEMBER 2022 (CONTINUED)

### 36. 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		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
<b>Profit after tax</b>				
- increase by 0.5%	(109,405)	(124,778)	40,280	57,169
- decrease by 0.5%	<u>109,405</u>	<u>124,778</u>	<u>(40,280)</u>	<u>(57,169)</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 Group entities. 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 RM963,094 (2021: RM455,176) (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	
	2022 RM	2021 RM
<b>Profit after tax</b>		
USD/RM		
- strengthen by 10%	85,194	96,060
- weaken by 10%	<u>(85,194)</u>	<u>(96,060)</u>
EUR/RM		
- strengthen by 10%	729,974	494,828
- weaken by 10%	<u>(729,974)</u>	<u>(494,828)</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 31 DECEMBER 2022 (CONTINUED)

#### 37. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

##### **Private Placement**

On 8 February 2022, the Company had proposed to undertake a private placement of up to 28,120,300 new ordinary shares in the Company ("Placement Shares(s)"), representing up to 10% of the enlarged number of issued shares of the Company ("Proposed Private Placement").

The Company further announced on 14 February 2022 that Bursa Securities had, via its letter dated 14 February 2022, approved the listing and quotation of up to 28,120,300 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities, subject to the conditions set out in the Bursa Securities' letter.

On 11 March 2022, the Company announced that the private placement of up to 28,120,300 new shares in the Company representing up to 10% of the enlarged number of issued shares of the Company ("Private Placement") has been fixed at RM0.67 per Placement Share and will comprise up to 20,086,000 Placement Shares.

On 14 March 2022, the Company announced that the Private Placement has been completed following the listing of and quotation for 20,086,000 Placement Shares on the Main Market of Bursa Securities with effect from 9.00 a.m. on 14 March 2022.



# 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 31/12/2022 (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	48	4,961,447	9/3/2020
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	48	5,188,220	20/7/2020
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	3	41,396,247	29/3/2021

# 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 31/12/2022 (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	4	17,250,620	12/6/2020
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	6	5,524,798	* 1/8/2017
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	4	1,005,675	* 16/8/2017

# 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 31/12/2022 (RM)	Date of last revaluation (* Date of acquisition)
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	4	1,053,656	* 16/8/2017

There was no revaluation on the land and properties owned by the Group for the financial year ended 31 December 2022.

# ANALYSIS OF SHAREHOLDINGS AS AT 31 MARCH 2023

Total number of issued shares	: 221,226,000
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	54	4.23	1,445	0.00
100 to 1,000	121	9.48	57,710	0.03
1,001 to 10,000	547	42.87	2,865,020	1.30
10,001 to 100,000	448	35.11	13,898,557	6.28
100,001 to less than 5% of issued shares	105	8.23	129,138,625	58.37
5% and above of issued shares	1	0.08	75,264,643	34.02
<b>Total</b>	<b>1,276</b>	<b>100.00</b>	<b>221,226,000</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

Names of Substantial Shareholders	No. of Shares Held			
	Direct Interest	%	Indirect Interest	%
Blue Advantage Sdn Bhd	75,632,043	34.19	-	-
Dr. Lim Ban Keong	10,265,498	4.64	75,632,043 <sup>(1)</sup>	34.19
Foong Kam Weng	8,414,400	3.80	75,632,043 <sup>(1)</sup>	34.19

Note:

(1) Deemed interested by virtue of his 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	10,265,498	4.64	75,632,043 <sup>(1)</sup>	34.19
Foong Kam Weng	8,414,400	3.80	75,632,043 <sup>(1)</sup>	34.19
Dr. Yip Lai Siong	6,175,800	2.79	-	-
Martin Jeyaratnam A/L Thiagaraj	110,000	0.05	-	-
Rahanawati Binti Ali Dawam	55,000	0.03	-	-
Teoh Chee Yong	-	-	-	-

Note:

(1) Deemed interested by virtue of his substantial shareholdings in Blue Advantage Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

# ANALYSIS OF SHAREHOLDINGS

## AS AT 31 MARCH 2023 (CONTINUED)

### TOP THIRTY (30) SHAREHOLDERS

No.	Names	No. of Shares	%
1.	Blue Advantage Sdn Bhd	75,264,643	34.02
2.	Imaspro Corporation Berhad	10,992,857	4.97
3.	Chew Chong Hock	9,835,650	4.45
4.	Ker Boon Tong	9,538,650	4.31
5.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock	8,577,100	3.88
6.	Foong Kam Weng	8,414,400	3.80
7.	Tan Leong Ann	8,285,260	3.75
8.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	7,200,430	3.26
9.	Raymond Choo Pow Yoon	6,685,790	3.02
10.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	6,177,568	2.79
11.	Yip Lai Siong	6,175,800	2.79
12.	Lim Kian Lee	2,741,400	1.24
13.	Chai Lam Seng	2,472,126	1.12
14.	Chan Chew Yen	2,370,500	1.07
15.	Ng Loon Em & Sons Poultry Farm (M) Sdn Bhd	2,259,576	1.02
16.	Lim Ban Keong	2,087,930	0.94
17.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	2,000,000	0.90
18.	Teo Kwee Hock	1,891,390	0.86
19.	Solid Pairs Sdn Bhd	1,842,720	0.83
20.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for TNTT Realty Sdn Bhd	1,250,000	0.57
21.	Yeong Min Fatt	1,111,000	0.50
22.	Tan Hoo Kim @ Tan Hoe Kim	1,077,576	0.49
23.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Loy Huat (7000875)	1,000,000	0.45
24.	AmBank (M) Berhad Pledged Securities Account for Ong Yoong Nyock (SMART)	1,000,000	0.45
25.	LTK Omega Plus Sdn Bhd	1,000,000	0.45
26.	Ng Swee Ying @ Ng Sooi Ying	1,000,000	0.45
27.	Lim Hang Chern	895,060	0.41
28.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohammed Azlan Bin Hashim	807,700	0.37
29.	San Wei Hwa	780,000	0.35
30.	Wong Chin Tat	712,640	0.32

# ANALYSIS OF WARRANT HOLDINGS AS AT 31 MARCH 2023

Total number of issued Warrants A	: 80,063,987
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	139	15.01	5,173	0.01
100 to 1,000	140	15.12	76,368	0.09
1,001 to 10,000	394	42.55	1,676,028	2.09
10,001 to 100,000	197	21.27	6,353,518	7.94
100,001 to less than 5% of issued warrants	51	5.51	24,365,288	30.43
5% and above of issued warrants	5	0.54	47,587,612	59.44
<b>Total</b>	<b>926</b>	<b>100.00</b>	<b>80,063,987</b>	<b>100.00</b>

## DIRECTORS' WARRANT HOLDINGS

Name of Directors	No. of Warrants Held			
	Direct Interest	%	Indirect Interest	%
Dato' Hamzah Bin Mohd Salleh	-	-	-	-
Dr. Lim Ban Keong	16,453,318	20.55	-	-
Foong Kam Weng	8,619,867	10.77	-	-
Dr. Yip Lai Siong	8,351,411	10.43	-	-
Martin Jeyaratnam A/L Thiagaraj	44,000	0.06	-	-
Rahanawati Binti Ali Dawam	22,000	0.03	-	-
Teoh Chee Yong	-	-	-	-

# ANALYSIS OF WARRANT HOLDINGS

## AS AT 31 MARCH 2023 (CONTINUED)

### TOP THIRTY (30) WARRANT HOLDERS

No.	Names	No. of Warrants	%
1.	Lim Ban Keong	13,670,334	17.07
2.	Foong Kam Weng	8,619,867	10.77
3.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Boon Ping (7004677)	8,500,000	10.62
4.	Lim Kian Lee	8,446,000	10.55
5.	Yip Lai Siong	8,351,411	10.43
6.	Chew Chong Hock	3,930,300	4.91
7.	Imaspro Corporation Berhad	2,857,142	3.57
8.	Lim Ban Keong	1,635,172	2.04
9.	Too Chin Kiong	1,200,000	1.50
10.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Ban Keong	1,147,812	1.43
11.	Chai Lam Seng	936,450	1.17
12.	Ng Loon Em & Sons Poultry Farm (M) Sdn Bhd	903,830	1.13
13.	Lim Hang Chern	875,640	1.09
14.	Kenanga Nominees (Tempatan) Sdn Bhd Rakuten Trade Sdn Bhd for Au Chen Yuen	856,800	1.07
15.	Solid Pairs Sdn Bhd	737,088	0.92
16.	Tee Lin Say	670,300	0.84
17.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	596,012	0.74
18.	CGS-CIMB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Nyong Chye Seng (S Petaling-CL)	550,000	0.69
19.	Yeong Min Fatt	444,400	0.56
20.	LTK Omega Plus Sdn Bhd	372,000	0.47
21.	Benjamin Wynn Lim Boon Han	332,600	0.42
22.	Teo Kwee Hock	321,136	0.40
23.	Mok Shaw Jang	292,012	0.37
24.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Shafee Bin Sirat	285,840	0.36
25.	Teh Bee Gaik	278,700	0.35
26.	Yio Kim Sim	270,300	0.34
27.	Lim Shih Jie	262,100	0.33
28.	Wong Chin Tat	253,736	0.32
29.	Tan Sin How	240,100	0.30
30.	Chan Chooi Foong	232,280	0.29

# NOTICE OF THE NINTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Ninth 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, 13 June 2023 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 2022 ("FY2022") 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 FY2022.
3. To approve the payment of Directors' fees to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2023 ("FY2023"):
  - 3.1 Director's fee of RM90,000 to Dato' Hamzah Bin Mohd Salleh
  - 3.2 Director's fee of RM60,000 to Teoh Chee Yong
  - 3.3 Director's fee of RM60,000 to Martin Jeyaratnam A/L Thiagaraj
  - 3.4 Director's fee of RM80,000 to Rahanawati Binti Ali Dawam
4. To approve the payment of Directors' benefits payable to the Non-Executive Directors of the Company amounting to RM19,200 until the next AGM of the Company.
5. To re-elect the following Directors retiring pursuant to Clause 95 of the Constitution of the Company:
  - 5.1 Dr. Lim Ban Keong
  - 5.2 Foong Kam Weng
6. 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**

**Ordinary Resolution 7**

**Ordinary Resolution 8**

**Ordinary Resolution 9**



# NOTICE OF THE NINTH ANNUAL GENERAL MEETING (CONTINUED)

## AS SPECIAL BUSINESS

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

7. **AUTHORITY TO ALLOT AND ISSUE SHARES BY DIRECTORS PURSUANT TO SECTION 76 OF THE COMPANIES ACT 2016 ("THE ACT")**

"THAT pursuant to Section 76 of the Act, 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.

THAT in connection with the above, pursuant to Section 85 of the Act and Clause 59 of the Constitution of the Company, the shareholders do hereby waive the statutory pre-emptive rights of the offered shares in proportion of their holdings at such price and at such terms to be offered arising from any issuance of new shares above by the Company.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that which may be declared, made or paid before the date of allotment of such new shares."

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

## Ordinary Resolution 10

# NOTICE OF THE NINTH ANNUAL GENERAL MEETING (CONTINUED)

## 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 FY2022, if approved by the shareholders at the Ninth AGM, will be paid on 17 July 2023 to Depositors whose names appear in the Record of Depositors at the close of business on 30 June 2023.

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 30 June 2023 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

27 April 2023

## 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 NINTH ANNUAL GENERAL MEETING (CONTINUED)

6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 7 June 2023 (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 FY2022 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 Act 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 Resolutions 2 to 5

##### Payment of Directors' fees for the FY2023

Payment of Directors' fees and benefits under Section 230(1) of the Act provides amongst others, that the Directors' fees and any benefits payable to the Directors of the Company and its subsidiaries shall be approved at a general meeting.

During a review in 2023, the Remuneration Committee recommended and the Board has approved, subject to shareholders' approval at this AGM, that Directors' fees remained unchanged.

#### Ordinary Resolution 6

##### Directors' benefits payable to the Non-Executive Directors of the Company

There is no revision to the proposed Directors' benefits payable to the Non-Executive Directors per annum until the next AGM of the Company. In determining the estimated total amount of the Directors' benefits, the Board has considered the number of scheduled and special meetings for the Board and Board Committees as well as the number of Non-Executive Directors involved in the meetings.

#### Ordinary Resolutions 7 and 8

##### Re-election of Directors

The profiles of the Directors who are standing for re-election are set out in the Directors' profile of the Annual Report 2022.

Based on the recommendation of the Nominating Committee, the Board is satisfied with the performance and contributions of the following Directors and supports the re-election based on the following justifications:

a. **Ordinary Resolution 7 - Re-election of Dr. Lim Ban Keong as Executive Director**

Dr. Lim Ban Keong shows exemplary leadership in building the business and creating value for the Group. He has contributed significantly to the Group by providing valuable inputs and steered the Group forward in the past years with notable achievements during his tenure as an Executive Director of the Company.

b. **Ordinary Resolution 8 - Re-election of Foong Kam Weng as Executive Director**

Foong Kam Weng is familiar with the Group's business operations and is responsible for the sales and business development activities of the Group. He has also exercised his due care and carried out his professional duties proficiently during his tenure as an Executive Director of the Company.

# NOTICE OF THE NINTH ANNUAL GENERAL MEETING (CONTINUED)

## Ordinary Resolution 10

### Authority to allot and issue shares by Directors pursuant to Section 76 of the Act

The Ordinary Resolution 10 is to obtain a general mandate for issuance of shares by the Company under Section 76 of the Act.

The Ordinary Resolution 10, if passed, serves as a measure to meet the Company's immediate working capital needs in the short term without relying on conventional debt financing (which will result in higher finance costs to be incurred) for the purpose of funding investment project(s), working capital and/or acquisitions. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM.

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Clause 59 of the Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares in the Company under the General Mandate.

As at the date of this Notice, there were no new shares issued pursuant to the mandate granted to the Directors of the Company at the Eighth AGM held on 14 June 2022 and which will lapse at the conclusion of the Ninth AGM. If there should be a decision to issue new shares after the general mandate is obtained, the Company will make an announcement in respect thereof.

### 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



<b>CDS ACCOUNT NO. OF AUTHORISED NOMINEE</b>	
<b>NUMBER OF SHARES HELD</b>	

## RHONE MA HOLDINGS BERHAD

[Registration No. 201401040077 (1116225-A)]  
(Incorporated in Malaysia)

I/We, \_\_\_\_\_ NRIC/Registration 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 Ninth 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, 13 June 2023 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
<b>Ordinary Business</b>			
Ordinary Resolution 1	To approve the Final Single-Tier Dividend of 1.0 sen per ordinary share		
Ordinary Resolution 2	To approve the payment of Director's fee of RM90,000 to Dato' Hamzah Bin Mohd Salleh for the financial year ending 31 December 2023 ("FY2023")		
Ordinary Resolution 3	To approve the payment of Director's fee of RM60,000 to Teoh Chee Yong for the FY2023		
Ordinary Resolution 4	To approve the payment of Director's fee of RM60,000 to Martin Jeyaratnam A/L Thiagaraj for the FY2023		
Ordinary Resolution 5	To approve the payment of Director's fee of RM80,000 to Rahanawati Binti Ali Dawam for the FY2023		
Ordinary Resolution 6	To approve the payment of Directors' benefits payable to the Non-Executive Directors of the Company		
Ordinary Resolution 7	To re-elect Dr. Lim Ban Keong		
Ordinary Resolution 8	To re-elect Foong Kam Weng		
Ordinary Resolution 9	To re-appoint Messrs BDO PLT as Auditors of the Company		
<b>Special Business</b>			
Ordinary Resolution 10	To authorise the Directors to allot and issue shares pursuant to Section 76 of the Companies Act 2016		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

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 7 June 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and /or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 27 April 2023.

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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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