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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2019

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
		31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Revenue		29,389	41,941	29,389	41,941
Cost of sales		(21,066)	(32,160)	(21,066)	(32,160)
Gross profit		8,323	9,781	8,323	9,781
Other operating income		243	203	243	203
Distribution costs		(1,951)	(1,897)	(1,951)	(1,897)
Administration expenses		(3,588)	(3,878)	(3,588)	(3,878)
Finance costs		(226)	(74)	(226)	(74)
Profit before tax		2,801	4,135	2,801	4,135
Tax expense	B5	(543)	(870)	(543)	(870)
Profit for the financial period		2,258	3,265	2,258	3,265
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		2,258	3,265	2,258	3,265
Profit attributable to:					
Owners of the parent		2,258	3,265	2,258	3,265
Non-controlling interest		-	-	-	-
		2,258	3,265	2,258	3,265
Total comprehensive income attributable to:					
Owners of the parent		2,258	3,265	2,258	3,265
Non-controlling interest		-	-	-	-
		2,258	3,265	2,258	3,265
Earnings per ordinary share attributable to owners of the parent:					
- Basic (sen)	B14	1.25	1.97	1.25	1.97
- Diluted (sen)	B14	1.25	1.97	1.25	1.97

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	As at 31/03/2019 RM'000	Audited As at 31/12/2018 RM'000
Non-current asset			
Property, plant and equipment		57,241	47,613
Current assets			
Inventories		30,538	28,143
Trade and other receivables		23,584	30,769
Current tax assets		6	6
Cash and bank balances		15,645	24,435
		69,773	83,353
Total assets		127,014	130,966
Equity attributable to owners of the parent			
Share capital		92,114	92,114
Reorganisation debit balance	B16	(59,489)	(59,489)
Retained earnings		72,001	71,569
Total equity		104,626	104,194
Non-current liabilities			
Borrowings	B9	11,935	12,501
Deferred tax liabilities		329	329
		12,264	12,830
Current Liabilities			
Trade and other payables		6,912	10,762
Borrowings	B9	2,072	2,054
Current tax liabilities		1,140	1,126
		10,124	13,942
Total liabilities		22,388	26,772
Total equity and liabilities		127,014	130,966
Net assets per share attributable to owners of the parent (RM)	B15	0.57	0.63

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2019

	<---------- Attributable to owners of the parent ---------->					
	<-------- Non-distributable ------->		Distributable			
	Share capital RM'000	Reorganisation debit balance RM'000	Retained earnings RM'000	Total attributable to owners of the parent RM'000	Non-controlling interest RM'000	Total equity RM'000
Balance as at 1 January 2019	92,114	(59,489)	71,569	104,194	-	104,194
Profit for the financial period	-	-	2,258	2,258	-	2,258
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	2,258	2,258	-	2,258
Transactions with owners:						
Dividends paid	-	-	(1,826)	(1,826)	-	(1,826)
Total transactions with owners	-	-	(1,826)	(1,826)	-	(1,826)
Balance as at 31 March 2019	92,114	(59,489)	72,001	104,626	-	104,626
Balance as at 1 January 2018	92,114	(59,489)	69,803	102,428	-	102,428
Profit for the financial period	-	-	3,265	3,265	-	3,265
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	3,265	3,265	-	3,265
Transactions with owners:						
Dividends paid	-	-	(4,150)	(4,150)	-	(4,150)
Total transactions with owners	-	-	(4,150)	(4,150)	-	(4,150)
Balance as at 31 March 2018	92,114	(59,489)	68,918	101,543	-	101,543

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2019

	Current year-to-date 31/03/2019 RM'000	Preceding year-to-date 31/03/2018 RM'000
Cash flows from operating activities		
Profit before tax	2,801	4,135
Adjustments for:		
Depreciation of property, plant and equipment	236	243
Inventories written off	187	8
Inventories written down	180	120
Impairment loss on receivables	120	120
Interest expense	226	74
Interest income	(84)	(4)
Unrealised loss on foreign currency exchange	61	204
Operating profit before working capital changes	3,727	4,900
Changes in working capital:		
Inventories	(2,764)	9,472
Trade and other receivables	7,066	(4,314)
Trade and other payables	(3,911)	(2,261)
Cash generated from operations	4,118	7,797
Tax paid	(528)	(498)
Net cash from operating activities	3,590	7,299
Cash flows from investing activities		
Purchase of property, plant and equipment	(9,864)	(1,966)
Interest received	84	4
Net cash used in investing activities	(9,780)	(1,962)
Cash flows from financing activities		
Net (repayment)/drawdown of borrowings	(548)	4,750
Interest paid	(226)	(74)
Dividend paid	(1,826)	(4,150)
Net cash (used in)/from financing activities	(2,600)	526
Net (decrease)/increase in cash and cash equivalents	(8,790)	5,863
Cash and cash equivalents at beginning of financial period	24,435	33,973
Cash and cash equivalents at end of financial period	15,645	39,836

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2018 and the accompanying explanatory notes attached to these interim financial statements.

A. EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018 and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2018.

A2. Significant accounting policies

The significant accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited financial statements of the Group for the financial year ended 31 December 2018, except for the adoption of the following amendments to MFRSs during the financial period:

- MFRS 16 *Leases*
- IC Interpretation 23 *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 128 *Long-term Interests in Associates and Joint Ventures*
- Amendments to MFRS 9 *Prepayment Features with Negative Compensation*
- Amendments to MFRS 3 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
- Amendments to MFRS 11 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
- Amendments to MFRS 112 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
- Amendments to MFRS 123 *Annual Improvements to MFRS Standards 2015 - 2017 Cycle*
- Amendments to MFRS 119 *Plan Amendment, Curtailment or Settlement*

The adoption of the above amendments had no significant impact to the financial statements of the Group.

A3. Auditors' report

There was no qualification to the audited financial statements of the Company and its subsidiaries for the financial year ended 31 December 2018.

A4. Seasonal or cyclical factors

The business operations of the Group were not materially affected by any seasonal and cyclical factors during the current quarter and financial year-to-date under review.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date under review.

A6. Changes in estimates

There were no changes in estimates that have a material effect in the current quarter and financial year-to-date under review.

A7. Debt and equity securities

On 8 November 2018, Public Investment Bank Berhad ("PIVB") on behalf of the Board of Directors of the Company ("Board") announced that the Company is proposing to undertake a proposed bonus issue of up to 16,600,000 new ordinary shares in the Company ("RMH Shares") ("Bonus Shares") on the basis of 1 Bonus Share for every 10 existing RMH Shares held ("Proposed Bonus Issue").

On 14 November 2018, PIVB on behalf of the Board announced that Bursa Malaysia Securities Berhad had approved the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue.

Approval from the shareholders of the Company in relation to the Proposed Bonus Issue was obtained at an extraordinary general meeting held on 12 December 2018. On 19 December 2018, PIVB on behalf of the Board announced that the entitlement date for the Bonus Shares shall be 7 January 2019.

The Proposed Bonus Issue was completed on 8 January 2019, being the date on which 16,600,000 Bonus Shares were listed and quoted on the Main Market of Bursa Malaysia Securities Berhad.

Pursuant to Proposed Bonus Issue, the issued shares of the Company increased from 166,000,000 ordinary shares to 182,600,000 ordinary shares.

Save for the above, there were no other issuance, cancellation, repurchase, resale or repayment of debt and equity securities for the current quarter and financial year-to-date under review.

A8. Dividend

On 15 January 2019, the Board of Directors declared a first interim single tier dividend of 1.0 sen per ordinary share amounting to RM1.83 million in respect of the financial year ended 31 December 2018. The dividend was paid on 13 February 2019 to shareholders registered at the close of business on 31 January 2019 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

A9. Segmental information

The Group's operating segments are animal health products, food ingredients and others. These operating segments are required to be organised and managed separately according to the nature of products and services as well as specific expertise which require different business and marketing strategies. The segmental results are as follows:

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
	31/03/2019 RM'000	31/03/2018 RM'000	31/03/2019 RM'000	31/03/2018 RM'000
Revenue				
Animal health products	22,223	33,582	22,223	33,582
Food ingredients	6,595	7,713	6,595	7,713
Others	571	646	571	646
	29,389	41,941	29,389	41,941

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2019 RM'000	Preceding year quarter 31/03/2018 RM'000	Current year-to-date 31/03/2019 RM'000	Preceding year-to-date 31/03/2018 RM'000
Profit before tax				
Animal health products	2,329	3,192	2,329	3,192
Food ingredients	425	856	425	856
Others	47	87	47	87
	2,801	4,135	2,801	4,135

A10. Property, plant and equipment

(i) Acquisitions and disposals

There were no material acquisitions and disposals during the current quarter and financial year-to-date under review.

(ii) Impairment losses

There were no material impairment losses during the current quarter and financial year-to-date under review.

(iii) Valuation

The Group has not carried out any valuation on its property, plant and equipment during the current quarter and financial year-to-date under review.

A11. Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter that have not been reflected in this interim financial report.

A12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date under review.

A13. Contingent liabilities and contingent assets

There were no contingent liabilities or contingent assets as at the date of this report.

A14. Capital commitments

The capital commitments of the Group as at the end of the quarter under review were as follows:

	RM'000
Approved and contracted for:	
- Construction of GMP-compliant plant in Nilai, Negeri Sembilan	21,699
- Acquisition of shop houses in Kuching, Sarawak	108
- Machineries and equipment	8,212
	30,019

A15. Significant related party transactions

There were no significant related party transactions during the current quarter and financial year-to-date under review.

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

The Group recorded revenue of approximately RM29.39 million for the current quarter, a decrease of approximately RM12.55 million compared to the revenue of approximately RM41.94 million in the preceding year's corresponding quarter. The decrease was mainly due to the decrease in revenue from animal health products of approximately RM11.36 million of which approximately RM9.02 million was due to the importation as well as transfer of discontinued products by Rhone Ma Malaysia Sdn Bhd to third parties nominated by a previous supplier at cost during the preceding year's corresponding quarter. Revenue from food ingredients for the current quarter of RM6.60 million was also RM1.11 million lower than the RM7.71 million recorded in the preceding year's corresponding quarter as a result of reduction in orders from certain customers.

The Group's profit before tax for the current quarter of approximately RM2.80 million was approximately RM1.34 million lower compared to the profit before tax of approximately RM4.14 million reported for the preceding year's corresponding quarter. Despite recording a decrease in gross profit of approximately RM1.46 million, the decrease was mitigated by the reduction in operating expenses of approximately RM0.08 million and the increase in other income of approximately RM0.04 million.

Although RMM had discontinued the distribution of swine, veterinary public health and ruminant products of a previous supplier from 1 January 2018 and poultry products of the same supplier from 31 March 2018, contributions from the new Ceva and Zoetis products enabled the Group to mitigate the impact of the loss of revenue from the discontinuation of the previous supplier's products.

B2. Material changes in the quarterly results compared to the immediate preceding quarter

The Group's revenue of approximately RM29.39 million for the current quarter was approximately RM1.24 million lower compared to the revenue reported for the preceding quarter of approximately RM30.63 million. Revenue from animal health products increased by approximately RM1.08 million whereas revenue from food ingredients decreased by approximately RM2.05 million compared to the preceding quarter as a result of reduction in orders from certain customers.

Consistent with the decrease in revenue, the Group's profit before tax for the current quarter of approximately RM2.80 million was approximately RM0.52 million lower than the profit before tax of approximately RM3.32 million reported for the preceding quarter.

B3. Prospects

The continued expansion of our capacity and operations through our plans would provide a platform to grow and sustain our business amidst the favourable outlook of the animal health products market and food ingredients market in Malaysia. The animal health products market has emerged as a market of prime importance in the past few years. The increased focus on animal health and nutrition which is largely attributable to the outbreak of new animal diseases in recent years as well as changes in factory farming practices for bulk production, resulted in an increase in requirement for good quality animal feed additives, vaccines, pharmaceuticals and hygiene management products. This has allowed the animal health products market to expand. In addition to this, we are also expectant of growing our food ingredients business alongside the processed food industry as the consumption of processed food continues to expand with the trend likely to persist in the foreseeable future.

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

The Board believes that with our forward looking strategy of continuing to improve on our operating efficiency and effectiveness and investing in our people's development and training whilst operating responsibly, we are well placed to meet the challenges ahead and perform within expectations.

B4. Profit forecast

The Group has not issued any profit forecast in any form of public documentation and announcement.

B5. Tax expense

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Current tax				
Current year	543	870	543	870

The effective tax rates of the Group for the current quarter and financial year-to-date of 19.39% was lower than the statutory tax rate of 24.00%. This was due principally to one of the Company's subsidiaries, Asia-Pacific Special Nutrients Sdn Bhd, being awarded the BioNexus status incentive and has been granted 100% income tax exemption on the statutory income for a period of ten (10) years from the first year the company derives taxable statutory income under the Income Tax (Exemption) (No.17) Order 2007 effective 23 July 2007. The first year whereby the abovementioned subsidiary commences to derive taxable statutory income was in the year 2011, thus the ten (10) years period commenced from the year 2011 until the year 2020.

B6. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Individual quarter		Cumulative quarter	
	Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
	31/03/2019	31/03/2018	31/03/2019	31/03/2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging / (crediting):				
Depreciation of property, plant and equipment	236	243	236	243
Inventories written off	187	8	187	8
Inventories written down	180	120	180	120
Impairment loss on receivables	120	120	120	120
Interest expense	226	74	226	74
Loss/(gain) on foreign currency translations	18	(22)	18	(22)
Interest income	(84)	(4)	(84)	(4)

Save for the above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

B7. Status of corporate proposals

There was no corporate proposal announced but not completed as at the date of this report.

B8. Utilisation of proceeds

The status of utilisation of proceeds of approximately RM31.59 million from the Company's Initial Public Offering of 42,122,000 new ordinary shares at RM0.75 each as at 31 March 2019 is as follows:

Details of the utilisation of proceeds	Proposed utilisation	Actual utilisation	Deviation	Balance unutilised	Estimated timeframe for utilisation
	RM'000	RM'000	RM'000	RM'000	
Capital expenditure	24,500	21,208	-	3,292	Within 36 months [(2)]
Working capital	2,092	1,535	(557) [(1)]	-	Within 24 months
Estimated listing expenses	5,000	5,557	557 [(1)]	-	Within 3 months
Total	31,592	28,300	-	3,292	

Notes:

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

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

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 29 November 2016.

B9. Borrowings

The Group's borrowings as at 31 March 2019 are as follows:

	As at 31/03/2019 RM'000	As at 31/12/2018 RM'000
Non-current liabilities (secured)		
Term loans	11,935	12,489
Hire purchase creditors	-	12
	11,935	12,501
Current liabilities (secured)		
Term loans	1,996	1,945
Hire purchase creditors	76	109
	2,072	2,054
Total borrowings	14,007	14,555

All borrowings are denominated in Ringgit Malaysia.

B10. Material litigation

There was no litigation which has a material effect on the financial position of the Group and the Board was not aware of any proceedings pending or of any fact likely to give rise to any proceedings as at the date of this report.

B11. Dividend

The Directors proposed a final single tier dividend of 2.0 sen per ordinary share, amounting to RM3.65 million in respect of the financial year ended 31 December 2018, subject to the approval of members at the forthcoming Annual General Meeting. This dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

B12. Derivative financial instruments

The Group does not have any derivative financial instruments as at the end of the current quarter.

B13. Gains/losses arising from fair value changes of financial liabilities

There were no material gains or losses arising from fair value changes of financial liabilities during the current quarter and financial year-to-date under review.

B14. Earnings per share

(a) Basic earnings per share

Basic earnings per share is computed based on the profit attributable to owners of the parent divided by the weighted average number of ordinary shares in issue for the period under review.

	Individual quarter		Cumulative quarter	
	Current year quarter 31/03/2019	Preceding year quarter 31/03/2018	Current year-to-date 31/03/2019	Preceding year-to-date 31/03/2018
Profit attributable to owners of the parent (RM'000)	2,258	3,265	2,258	3,265
Weighted average number of ordinary shares in issue ('000)	181,309	166,000	181,309	166,000
Basic earnings per share (sen)	1.25	1.97	1.25	1.97

(b) Diluted earnings per share

The diluted earnings per share is equal to the basic earnings per share as there were no outstanding dilutive potential ordinary shares at the end of each reporting period.

B15. Net assets per share

Net assets per share attributable to owners of the parent is arrived at by dividing the total equity attributable to owners of the parent at the end of the financial period by the number of ordinary shares in issue at the end of the financial period.

	As at 31/03/2019	As at 31/12/2018
Total equity attributable to owners of the parent (RM'000)	104,626	104,194
Number of ordinary shares in issue ('000)	182,600	166,000
Net assets per share attributable to owners of the parent (RM)	0.57	0.63

B16. Reorganisation debit balance

The reorganisation debit balance arose from the acquisition of RMM on 28 September 2016 based on the difference between the share capital issued by the Company and the share capital issued by RMM amounting to approximately RM59.49 million.