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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
		30/09/2019 RM'000	30/09/2018 RM'000	30/09/2019 RM'000	30/09/2018 RM'000
Revenue		29,408	33,346	88,169	104,605
Cost of sales		(20,234)	(23,797)	(61,860)	(77,129)
Gross profit		9,174	9,549	26,309	27,476
Other operating income		50	199	372	883
Distribution costs		(2,634)	(2,279)	(7,153)	(6,672)
Administration expenses		(3,722)	(3,659)	(10,766)	(10,968)
Finance costs		(231)	(270)	(673)	(425)
Profit before tax		2,637	3,540	8,089	10,294
Tax expense	B5	(619)	(1,232)	(1,693)	(2,515)
Profit for the financial period		2,018	2,308	6,396	7,779
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		2,018	2,308	6,396	7,779
Profit attributable to:					
Owners of the parent		2,018	2,308	6,396	7,779
Non-controlling interest		-	-	-	-
		2,018	2,308	6,396	7,779
Total comprehensive income attributable to:					
Owners of the parent		2,018	2,308	6,396	7,779
Non-controlling interest		-	-	-	-
		2,018	2,308	6,396	7,779
Earnings per ordinary share attributable to owners of the parent:					
- Basic (sen)	B15	1.11	1.39	3.51	4.69
- Diluted (sen)	B15	1.11	1.39	3.51	4.69

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.

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019

	Note	As at 30/09/2019 RM'000	Audited As at 31/12/2018 RM'000
Non-current asset			
Property, plant and equipment		62,014	47,613
Other investment	B9	38	-
		62,052	47,613
Current assets			
Inventories		33,549	28,143
Trade and other receivables		24,123	30,769
Current tax assets		148	6
Cash and bank balances		8,285	24,435
		66,105	83,353
Total assets		128,157	130,966
Equity attributable to owners of the parent			
Share capital		92,114	92,114
Reorganisation debit balance	B17	(59,489)	(59,489)
Retained earnings		72,487	71,569
Total equity		105,112	104,194
Non-current liabilities			
Borrowings	B10	12,361	12,501
Deferred tax liabilities		329	329
		12,690	12,830
Current Liabilities			
Trade and other payables		7,711	10,762
Borrowings	B10	2,025	2,054
Current tax liabilities		619	1,126
		10,355	13,942
Total liabilities		23,045	26,772
Total equity and liabilities		128,157	130,966
Net assets per share attributable to owners of the parent (RM)	B16	0.58	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 THIRD QUARTER ENDED 30 SEPTEMBER 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	-	-	6,396	6,396	-	6,396
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	6,396	6,396	-	6,396
Transactions with owners:						
Dividends paid	-	-	(5,478)	(5,478)	-	(5,478)
Total transactions with owners	-	-	(5,478)	(5,478)	-	(5,478)
Balance as at 30 September 2019	92,114	(59,489)	72,487	105,112	-	105,112
Balance as at 1 January 2018	92,114	(59,489)	69,803	102,428	-	102,428
Profit for the financial period	-	-	7,779	7,779	-	7,779
Other comprehensive income, net of tax	-	-	-	-	-	-
Total comprehensive income	-	-	7,779	7,779	-	7,779
Transactions with owners:						
Dividends paid	-	-	(8,300)	(8,300)	-	(8,300)
Total transactions with owners	-	-	(8,300)	(8,300)	-	(8,300)
Balance as at 30 September 2018	92,114	(59,489)	69,282	101,907	-	101,907

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 THIRD QUARTER ENDED 30 SEPTEMBER 2019

	Current year-to-date 30/09/2019 RM'000	Preceding year-to-date 30/09/2018 RM'000
Cash flows from operating activities		
Profit before tax	8,089	10,294
Adjustments for:		
Depreciation of property, plant and equipment	887	771
Inventories written off	309	358
Inventories written down	540	360
Impairment loss on receivables	155	360
Impairment loss on other investment	12	-
Interest expense	673	425
Interest income	(183)	(471)
Unrealised loss on foreign currency exchange	61	204
Operating profit before working capital changes	10,543	12,301
Changes in working capital:		
Inventories	(6,256)	286
Trade and other receivables	6,491	10,389
Trade and other payables	(3,112)	(10,997)
Cash generated from operations	7,666	11,979
Tax paid	(2,342)	(2,425)
Net cash from operating activities	5,324	9,554
Cash flows from investing activities		
Purchase of property, plant and equipment	(15,288)	(9,667)
Purchase of other investment	(50)	-
Interest received	183	471
Net cash used in investing activities	(15,155)	(9,196)
Cash flows from financing activities		
Net (repayment)/drawdown of borrowings	(168)	3,970
Interest paid	(673)	(425)
Dividend paid	(5,478)	(8,300)
Net cash used in financing activities	(6,319)	(4,755)
Net decrease in cash and cash equivalents	(16,150)	(4,397)
Cash and cash equivalents at beginning of financial period	24,435	33,973
Cash and cash equivalents at end of financial period	8,285	29,576

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

The Company had on 8 January 2019 completed a bonus issue of 16,600,000 new ordinary shares ("RMH Shares")("Bonus Shares") on the basis of 1 Bonus Share for every 10 existing RMH Shares held, thereby increasing the issued shares of the Company 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 and had been accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

A final dividend of 2.0 sen per ordinary share, amounting to RM3.65 million in respect of the financial year ended 31 December 2018 was approved by shareholders at the Company's Annual General Meeting on 18 June 2019. The dividend was paid on 15 July 2019 and had been 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 30/09/2019 RM'000	**Preceding year quarter 30/09/2018 RM'000**	**Current year-to-date 30/09/2019 RM'000**	**Preceding year-to-date 30/09/2018 RM'000**
Revenue				
Animal health products	21,960	22,908	66,371	76,878
Food ingredients	6,805	9,548	19,931	25,462
Others	643	890	1,867	2,265
	29,408	33,346	88,169	104,605
Profit before tax				
Animal health products	2,056	2,322	6,225	6,908
Food ingredients	544	825	1,624	2,358
Others	37	393	240	1,028
	2,637	3,540	8,089	10,294

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	16,650
- Machineries and equipment	8,212
	24,862

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 RM29.41 million for the current quarter, a decrease of approximately RM3.94 million compared to the revenue of approximately RM33.35 million in the preceding year's corresponding quarter. Revenue from animal health products decreased by approximately RM0.95 million from approximately RM22.91 million in the preceding year's corresponding quarter to approximately RM21.96 million in the current quarter. However, included in revenue from animal health products in the preceding year's corresponding quarter was revenue from the importation and sale of discontinued products of a previous supplier by Rhone Ma Malaysia Sdn. Bhd. to third parties nominated by the previous supplier at cost of approximately RM0.52 million. There was also a reduction in revenue from food ingredients of approximately RM2.74 million from approximately RM9.55 million in the preceding year's corresponding quarter to approximately RM6.81 million in the current quarter.

Consistent with the decrease in revenue, the Group's profit before tax for the current quarter of approximately RM2.64 million was approximately RM0.90 million lower compared to the profit before tax of approximately RM3.54 million reported for the preceding year's corresponding quarter.

For the financial year-to-date under review, the Group recorded revenue of approximately RM88.17 million, a decrease of approximately RM16.44 million compared to the revenue of approximately RM104.61 million in the corresponding period of the preceding year. The decrease was mainly due to the decrease in revenue from animal health products of approximately RM10.51 million and the reduction in revenue from food ingredients of approximately RM5.53 million during the current period. Notwithstanding, should revenue from the importation and sale of discontinued products of a previous supplier by Rhone Ma Malaysia Sdn. Bhd. to third parties nominated by the previous supplier at cost of approximately RM11.62 million in the corresponding period of the preceding year be excluded, revenue from animal health products for the financial year-to-date under review would have been approximately RM1.11 million higher than the revenue in the corresponding period of the preceding year. The decrease in revenue from food ingredients in the current period was a result of reduction in orders from certain customers.

The Group's profit before tax for the financial year-to-date under review of approximately RM8.09 million was approximately RM2.20 million lower compared to the profit before tax of approximately RM10.29 million reported for the preceding year's corresponding period. Lower gross profit of approximately RM1.17 million, higher finance costs of approximately RM0.25 million and a decrease in other income of approximately RM0.51 million contributed to the lower profit before tax.

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

The Group's revenue of approximately RM29.41 million for the current quarter remained relatively constant as compared to the revenue recorded for the preceding quarter of approximately RM29.37 million.

Consequently, the Group's profit before tax for the current quarter of approximately RM2.64 million was also consistent with the profit before tax of approximately RM2.65 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.

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 30/09/2019 RM'000	Preceding year quarter 30/09/2018 RM'000	Current year-to-date 30/09/2019 RM'000	Preceding year-to-date 30/09/2018 RM'000
Current tax				
Current year	527	702	1,601	1,985
Under provision in prior years	92	530	92	530
Current year	619	1,232	1,693	2,515

The effective tax rates of the Group for the current quarter and financial year-to-date of 23.47% and 20.93% respectively were 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 30/09/2019 RM'000	Preceding year quarter 30/09/2018 RM'000	Current year-to-date 30/09/2019 RM'000	Preceding year-to-date 30/09/2018 RM'000
Profit before tax is arrived at after charging / (crediting):				
Depreciation of property, plant and equipment	364	269	887	771
Inventories written off	132	299	309	358
Inventories written down	180	120	540	360
Impairment (written back)/ loss on receivables	(25)	120	155	360
Impairment loss on other investment	12	-	12	-
Interest expense	232	270	673	425
(Gain)/loss on foreign currency exchange	(44)	231	(65)	184
Interest income	(34)	(112)	(183)	(471)

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 30 September 2019 is as follows:

Details of the utilisation of proceeds	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation RM'000	Balance unutilised RM'000	Estimated timeframe for utilisation
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. Other investment

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Financial asset at fair value through profit or loss		
Quoted shares in Malaysia	50	-
Less: Impairment loss	(12)	-
	38	-

B10. Borrowings

The Group's borrowings are as follows:

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Non-current liabilities (secured)		
Term loans	12,361	12,489
Hire purchase creditors	-	12
	12,361	12,501
Current liabilities (secured)		
Term loans	1,996	1,945
Hire purchase creditors	29	109
	2,025	2,054
Total borrowings	14,386	14,555

All borrowings are denominated in Ringgit Malaysia.

B11. 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.

B12. Dividend

No dividend in respect of the financial year ending 31 December 2019 was declared or recommended for payment by the Company during the current quarter and financial year-to-date under review.

B13. Derivative financial instruments

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

B14. 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.

B15. 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 30/09/2019	**Preceding year quarter 30/09/2018**	**Current year-to-date 30/09/2019**	**Preceding year-to-date 30/09/2018**
Profit attributable to owners of the parent (RM'000)	2,018	2,308	6,396	7,779
Weighted average number of ordinary shares in issue ('000)	182,600	166,000	182,174	166,000
Basic earnings per share (sen)	1.11	1.39	3.51	4.69

(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.

B16. 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 30/09/2019	As at 31/12/2018
Total equity attributable to owners of the parent (RM'000)	105,112	104,194
Number of ordinary shares in issue ('000)	182,600	166,000
Net assets per share attributable to owners of the parent (RM)	0.58	0.63

B17. 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.