

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

	Note	Individual quarter		Cumulative quarter	
		Current year quarter	Preceding year quarter	Current year-to-date	Preceding year-to-date
		30/09/2017 RM'000	30/09/2016 RM'000	30/09/2017 RM'000	30/09/2016 RM'000
Revenue		37,189	28,835	101,286	87,911
Cost of sales		(26,874)	(20,506)	(72,241)	(60,853)
Gross profit		10,315	8,329	29,045	27,058
Other income		394	601	1,074	1,153
Distribution costs		(2,451)	(1,769)	(6,599)	(5,849)
Administration expenses		(3,780)	(2,473)	(10,350)	(7,969)
Finance costs		(85)	(46)	(243)	(189)
Profit before tax		4,393	4,642	12,927	14,204
Tax expense	B5	(885)	(865)	(2,592)	(2,981)
Profit for the period		3,508	3,777	10,335	11,223
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		3,508	3,777	10,335	11,223
Profit attributable to:					
Owners of the parent		3,508	3,643	10,335	11,006
Non-controlling interests		-	134	-	217
		3,508	3,777	10,335	11,223
Total comprehensive income attributable to:					
Owners of the parent		3,508	3,643	10,335	11,006
Non-controlling interests		-	134	-	217
		3,508	3,777	10,335	11,223
Earnings per ordinary share attributable to owners of the parent:					
- Basic (sen)	B12	2.11	2.94	6.23	8.88
- Diluted (sen)	B12	N/A	N/A	N/A	N/A

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 2016 and the accompanying explanatory notes attached to these interim financial statements.

N/A Not applicable.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Note	As at 30/09/2017 RM'000	Audited As at 31/12/2016 RM'000
Non-current asset			
Property, plant and equipment		28,116	23,109
Current assets			
Inventories		23,768	23,758
Trade and other receivables		33,260	28,243
Current tax assets		-	23
Cash and bank balances		35,669	45,073
		92,697	97,097
Total assets		120,813	120,206
Equity attributable to owners of the parent			
Share capital		92,114	83,000
Share premium account		-	9,114
Reorganisation debit balance	B14	(59,489)	(59,489)
Retained earnings	B15	66,233	62,538
Total equity		98,858	95,163
Non-current liabilities			
Borrowings	B9	2,402	3,693
Deferred tax liabilities		276	276
		2,678	3,969
Current Liabilities			
Trade and other payables		16,605	17,931
Borrowings	B9	1,622	1,550
Current tax liabilities		1,050	1,593
		19,277	21,074
Total liabilities		21,955	25,043
Total equity and liabilities		120,813	120,206
Net assets per share attributable to owners of the parent (RM)	B13	0.60	0.57

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 2016 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 2017

	<----- Attributable to owners of the parent ----->						
	<----- Non-distributable ----->			Distributable	Total attributable to owners of the parent	Non-controlling interests	Total equity
	Share capital RM'000	Share premium account RM'000	Reorganisation debit balance RM'000	Retained earnings RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2017	83,000	9,114	(59,489)	62,538	95,163	-	95,163
Profit for the financial period	-	-	-	10,335	10,335	-	10,335
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	10,335	10,335	-	10,335
Transactions with owners:							
Adjustment for effects of Companies Act 2016 ⁽¹⁾	9,114	(9,114)	-	-	-	-	-
Dividend paid	-	-	-	(6,640)	(6,640)	-	(6,640)
Total transactions with owners	9,114	(9,114)	-	(6,640)	(6,640)	-	(6,640)
Balance as at 30 September 2017	92,114	-	(59,489)	66,233	98,858	-	98,858
Balance as at 1 January 2016	2,450	-	-	53,154	55,604	1,324	56,928
Profit for the financial period	-	-	-	11,006	11,006	217	11,223
Other comprehensive income, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	11,006	11,006	217	11,223
Transactions with owners:							
Issuance of new ordinary shares	61,939	-	-	-	61,939	-	61,939
Acquisition of subsidiaries	(2,450)	-	(59,489)	-	(61,939)	-	(61,939)
Acquisition of additional interests in a subsidiary	-	-	-	-	-	(1,541)	(1,541)
Total transactions with owners	59,489	-	(59,489)	-	#	(1,541)	(1,541)
Balance as at 30 September 2016	61,939		(59,489)	64,160	66,610	-	66,610

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

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 2016 and the accompanying explanatory notes attached to these interim financial statements.

Notes:

- (1) Pursuant to Section 74 of the Companies Act 2016, the Company's shares no longer have a par or nominal value with effect from 31 January 2017. There is no impact on the number of shares in issue or the relative entitlement of any of the members as a result of this transition. In accordance with the transitional provisions set out in Section 618 of the Companies Act 2016, any amount standing to the credit of the share premium account becomes part of the Company's share capital. Companies have twenty-four (24) months upon the commencement of Companies Act 2016 to utilise the credit. During the financial period, the Company did not utilise any of the credit of the share premium account which have now become part of the Company's share capital.

Represents RM1.00.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

	Current year- to-date 30/09/2017 RM'000	Preceding year-to-date 30/09/2016 RM'000
Cash flows from operating activities		
Profit before tax	12,927	14,204
Adjustments for:		
Depreciation of property, plant and equipment	1,049	918
Inventories written down	405	270
Inventories written off	267	118
Interest expense	243	189
Interest income	(533)	(104)
Gain on bargain purchase of subsidiaries	-	(703)
Operating profit before working capital changes	14,358	14,892
Changes in working capital:		
Increase in inventories	(682)	(1,428)
Increase in trade and other receivables	(5,017)	(957)
(Decrease)/increase in trade and other payables	(1,325)	609
Cash generated from operations	7,334	13,116
Tax paid	(3,113)	(2,478)
Net cash from operating activities	4,221	10,638
Cash flows from investing activities		
Acquisition of additional interests in a subsidiary	-	(1,324)
Acquisition of subsidiaries	-	(1,063)
Purchase of property, plant and equipment	(6,056)	(112)
Interest received	533	104
Net cash used in investing activities	(5,523)	(2,395)
Cash flows from financing activities		
Repayment of borrowings	(1,219)	(1,652)
Interest paid	(243)	(189)
Dividend paid	(6,640)	-
Proceeds from issuance of shares	-	#
Net cash used in financing activities	(8,102)	(1,841)
Net (decrease)/increase in cash and cash equivalents	(9,404)	6,402
Cash and cash equivalents at beginning of financial period	45,073	13,602
Cash and cash equivalents at end of financial period	35,669	20,004

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 2016 and the accompanying explanatory notes attached to these interim financial statements.

Represents RM1.00.

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 2016 and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

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 2016.

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 2016.

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

There was no 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 21 February 2017, the Board of Directors declared a first interim single tier dividend of 2 sen per ordinary share, amounting to RM3.32 million in respect of the financial year ended 31 December 2016. The dividend was paid on 21 March 2017 and had been accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

A final single-tier dividend of 2 sen per ordinary share, amounting to RM3.32 million in respect of the financial year ended 31 December 2016 was approved by shareholders at the Company’s Annual General Meeting on 20 June 2017. The dividend was paid on 13 July 2017

and had been accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

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 30/09/2017 RM'000	Preceding year quarter 30/09/2016 RM'000	Current year- to-date 30/09/2017 RM'000	Preceding year-to-date 30/09/2016 RM'000
Revenue				
Animal health products	25,994	21,633	73,250	68,731
Food ingredients	10,513	7,202	26,221	19,180
Others	682	-	1,815	-
	<u>37,189</u>	<u>28,835</u>	<u>101,286</u>	<u>87,911</u>
Profit before tax				
Animal health products	3,321	4,399	11,014	13,782
Food ingredients	710	342	1,323	715
Others	362	(99)	590	(293)
	<u>4,393</u>	<u>4,642</u>	<u>12,927</u>	<u>14,204</u>

A10. Property, plant and equipment**(i) Acquisitions and disposals**

Rhone Ma Malaysia Sdn Bhd, a wholly-owned subsidiary of the Company had on 1 August 2017 entered into a sale and purchase agreement with Klanggroup Development Sdn Bhd for the acquisition of a semi-detached factory comprising one (1) mezzanine (store) and two (2)-storey office, located in Mukim Kapar, Daerah Klang, Selangor Darul Ehsan for an aggregate cash consideration of RM5,588,000.

The acquisition is in line with the Group's future plans which include the expansion of the existing range of food ingredients as it allows the Group to cater to the increasing storage needs of food ingredients. In addition, the Group may house the manufacturing facility for food ingredients in the property, should the Group decides to venture into the manufacturing of food ingredients in the future.

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

(ii) Impairment losses

There were no 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

Asia-Pacific Special Nutrients Sdn Bhd, a wholly-owned subsidiary of the Company had on 20 January 2017 incorporated a wholly-owned subsidiary known as APSN Biotech Sdn Bhd which intended principal activities comprise trading in biotechnology and animal health products and provision of related services.

There were no other 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 warehouse in Kapar, Klang, Selangor Darul Ehsan	8,920
- Acquisition of shop houses in Kuching, Sarawak	1,951
- Machineries and equipment	5,426
	<u>16,297</u>

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 SECURITIES MALAYSIA BERHAD

B1. Review of performance

The Group recorded revenue of approximately RM37.19 million for the current quarter, an increase of approximately RM8.35 million compared to the revenue of approximately RM28.84 million in the preceding year's corresponding quarter. The increase was mainly due to the increase in revenue from animal health products and food ingredients of approximately RM4.36 million and RM3.31 million respectively.

Despite the increase in revenue, the Group's profit before tax for the current quarter of approximately RM4.39 million was approximately RM0.25 million lower compared to the profit before tax of approximately RM4.64 million reported for the preceding year's corresponding quarter. This was mainly due to the increase in salaries and other staff related expenses of approximately RM0.46 million, as well as the increase in inventories written down of approximately RM0.25 million during the current quarter. The recognition of negative goodwill of approximately RM0.71 million on the acquisition of interests in certain subsidiary companies during the Company's listing exercise in 2016 also contributed to the higher profit before tax in the preceding year's corresponding quarter.

For the financial year-to-date under review, the Group recorded revenue of approximately RM101.29 million, an increase of approximately RM13.38 million compared to the revenue of approximately RM87.91 million recorded in the corresponding period of the preceding year. The increase was mainly due to the increase in revenue from animal health products and food ingredients of approximately RM4.52 million and RM7.04 million respectively.

Despite the increase in revenue, the Group's profit before tax for the financial year-to-date under review of approximately RM12.93 million was approximately RM1.27 million lower compared to the profit before tax of approximately RM14.20 million reported for the corresponding period of the preceding year. This was mainly due to the increase in salaries and other staff related expenses of approximately RM1.57 million, as well as additional professional fees incurred such as outsourced internal audit function and public relations consultants of approximately RM0.45 million. The recognition of negative goodwill of approximately RM0.71 million on the acquisition of interests in certain subsidiary companies during the Company's listing exercise in 2016 also contributed to the higher profit before tax in the preceding year's corresponding period.

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

The Group's revenue of approximately RM37.19 million for the current quarter was approximately RM4.06 million or 12.25% higher as compared to the revenue reported for the preceding quarter of approximately RM33.13 million. The increase was primarily due to the increase in revenue from animal health products and food ingredients of approximately RM2.18 million and RM1.74 million respectively compared to the revenue generated for the previous quarter.

Despite the increase in revenue, the Group's profit before tax for the current quarter of approximately RM4.39 million was only slightly higher compared to the profit before tax of approximately RM4.31 million reported for the preceding quarter. This was mainly due to the increase in promotional expenses and dealers incentives of approximately RM0.31 million and inventories written down of approximately RM0.41 million during the current quarter.

B3. Prospects

The Group's future plans and strategies will focus on the expansion of our manufacturing activities by constructing and operating a new GMP-compliant plant in Nilai, Negeri

Sembilan Darul Khusus which will increase our production capacity by approximately four (4) times of the existing maximum production capacity. As at to-date, we have obtained the planning approval and are awaiting approval for the commencement of earthworks from the relevant authority. The construction of the plant is estimated to be completed by the fourth quarter of 2018.

Further, the Group will focus on the expansion of our product range which includes in-house developed products and products from third party international animal health products manufacturers. The Group also intend to expand our market presence in the existing regional markets as part of our future plans.

We have commenced work on our new warehouse situated in Kapar, Selangor Darul Ehsan in July 2017. The new warehouse, which will be used as our main distribution centre to cater to our increasing storage needs for both animal health products and food ingredients, is estimated to be completed by the third quarter of 2018.

The continued expansion of our capacity and operations through our future plans would provide a platform to grow and sustain our business amidst the favourable outlook of the animal health and nutrition market and food ingredients market in Malaysia. Barring any unforeseen circumstances, the Board of Directors is optimistic about the Group's performance for 2017.

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
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Current tax				
Current year	954	1,118	2,843	3,234
Over provision in prior year	(69)	(253)	(251)	(253)
	<u>885</u>	<u>865</u>	<u>2,592</u>	<u>2,981</u>

The effective tax rates of the Group for the current quarter and financial year-to-date of 20.15% and 20.05% 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 under the Income Tax (Exemption) (No. 17) Order 2007 on 23 July 2007 and was granted 100% tax exemption on qualifying activities for a period of ten (10) years from its first year of statutory income in the year of assessment 2010.

B6. Notes to the Condensed Consolidated Statement of Comprehensive Income

	Individual quarter		Cumulative quarter	
	Current year	Preceding	Current	Preceding
	quarter	year-to-date	year-to-date	year-to-date
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging / (crediting):				
Depreciation of property, plant and equipment	356	311	1,049	918
Inventories written down	405	90	405	270
Inventories written off	181	33	267	118
Interest expense	85	46	243	189
Loss/(gain) on foreign currency translations	343	193	431	(283)
Interest income	(279)	(39)	(533)	(104)

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 is 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 2017 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	3,274	-	21,226	Within 24 months
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	10,366	-	21,226	

Note:

- (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.

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 30 September 2017 are as follows:

	As at 30/09/2017 RM'000	As at 31/12/2016 RM'000
Non-current liabilities (secured)		
Term loans	2,274	3,426
Hire purchase creditors	128	267
	<u>2,402</u>	<u>3,693</u>
Current liabilities (secured)		
Term loans	1,440	1,387
Hire purchase creditors	182	163
	<u>1,622</u>	<u>1,550</u>
Total borrowings	<u><u>4,024</u></u>	<u><u>5,243</u></u>

All borrowings are denominated in Ringgit Malaysia.

B10. Material litigation

There is no litigation which has a material effect on the financial position of the Group and the Board is 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

No dividend in respect of the financial year ending 31 December 2017 was declared or recommended for payment by the Company during the quarter under review.

B12. 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	Preceding year quarter	Current year-to-date	Preceding year-to-date
	30/09/2017	30/09/2016	30/09/2017	30/09/2016
Profit attributable to owners of the parent (RM'000)	3,508	3,643	10,335	11,006
Weighted average number of ordinary shares in issue ('000)	166,000	123,878	166,000	123,878
Basic earnings per share (sen)	2.11	2.94	6.23	8.88

(b) Diluted earnings per share

There are no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the quarter under review.

B13. 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 30/09/2017	As at 31/12/2016
Total equity attributable to owners of the parent (RM'000)	98,858	95,163
Number of ordinary shares in issue ('000)	166,000	166,000
Net assets per share attributable to owners of the parent (RM)	0.60	0.57

B14. Reorganisation debit balance

The reorganisation debit balance arose from the acquisition of Rhone Ma Malaysia Sdn Bhd ("RMM") on 28 September 2016 based on the difference between the amount recorded as the cost of acquisition, which comprised the share capital issued by the Company of RM61,938,999, and the nominal value of share capital acquired under reverse acquisition accounting by analogy.

RMM had been identified as the accounting acquirer under the concept of reverse acquisition accounting by analogy pursuant to MFRS 3 since the substance of the business combination is that RMM acquired the Company in a reverse acquisition.

B15. Realised and unrealised profits or losses

	As at 30/09/2017 RM'000	As at 31/12/2016 RM'000
Total retained earnings of the Group		
Realised	66,509	62,982
Unrealised	(276)	(444)
	<u>66,233</u>	<u>62,538</u>