



**MSM MALAYSIA HOLDINGS BERHAD**

(Incorporated in Malaysia)  
(Company No : 935722-K)

QUARTERLY REPORT

Condensed Consolidated Financial Statements  
For The Financial Period Ended 31 December 2016

**MSM MALAYSIA HOLDINGS BERHAD**

(Incorporated in Malaysia)

(Company No : 935722-K)

**QUARTERLY REPORT**

On consolidated results for the period ended 31 December 2016

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Amounts in RM thousand unless otherwise stated

|   | Quarter Ended<br>31 December |                | Year to Date Ended<br>31 December |                  |
|---|------------------------------|----------------|-----------------------------------|------------------|
|   | 2016                         | 2015           | 2016                              | 2015             |
| <b>Revenue</b>  | <b>838,308</b>               | <b>663,966</b> | <b>2,658,446</b>                  | <b>2,307,263</b> |
| Cost of sales   | (774,073)                    | (544,736)      | (2,327,896)                       | (1,818,173)      |
| <b>Gross profit</b>                                   | <b>64,234</b>                | <b>119,230</b> | <b>330,550</b>                    | <b>489,090</b>   |
| Other operating income                                | 6,503                        | (2,519)        | 9,459                             | 4,686            |
| Selling and distribution cost                         | (26,357)                     | (18,842)       | (101,365)                         | (71,914)         |
| Administrative expenses                               | (16,540)                     | (17,371)       | (80,081)                          | (70,734)         |
| Other (loss)/gains-net                                | (2,761)                      | 9,141          | 3,428                             | 25,769           |
| Other operating expenses                              | 402                          | 2,019          | (5,570)                           | (5,085)          |
| <b>Profit from operations</b>                         | <b>25,481</b>                | <b>91,658</b>  | <b>156,421</b>                    | <b>371,812</b>   |
| Finance costs   | (3,262)                      | (1,529)        | (13,417)                          | (7,546)          |
| Finance income  | 1,914                        | 1,635          | 5,511                             | 7,862            |
| <b>Profit before taxation</b>                         | <b>24,133</b>                | <b>91,764</b>  | <b>148,515</b>                    | <b>372,128</b>   |
| Taxation  | (7,739)                      | (25,503)       | (25,793)                          | (91,832)         |
| Zakat   | (2,000)                      | (5,000)        | (2,000)                           | (5,000)          |
| <b>Profit for the period/year</b>                     | <b>14,394</b>                | <b>61,261</b>  | <b>120,722</b>                    | <b>275,296</b>   |
| <b>Other comprehensive loss</b>                       |                              |                |                                   |                  |
| Currency translation differences                      | (2,906)                      | -              | (2,213)                           | -                |
| <b>Total comprehensive income for the period/year</b> | <b>11,488</b>                | <b>61,261</b>  | <b>118,509</b>                    | <b>275,296</b>   |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2016**

|   | Quarter Ended<br>31 December |               | Year to Date Ended<br>31 December |                |
|---|------------------------------|---------------|-----------------------------------|----------------|
|   | 2016                         | 2015          | 2016                              | 2015           |
| <b>Profit attributable to :</b>                       |                              |               |                                   |                |
| Shareholders of the Company                           | 14,394                       | 61,261        | 120,722                           | 275,296        |
| Non-controlling interest                              | -                            | -             | -                                 | -              |
| <b>Profit for the financial period/year</b>           | <b>14,394</b>                | <b>61,261</b> | <b>120,722</b>                    | <b>275,296</b> |
| <b>Total comprehensive income attributable to :</b>   |                              |               |                                   |                |
| Shareholders of the Company                           | 11,488                       | 61,261        | 118,509                           | 275,296        |
| Non-controlling interest                              | -                            | -             | -                                 | -              |
| <b>Total comprehensive income for the period/year</b> | <b>11,488</b>                | <b>61,261</b> | <b>118,509</b>                    | <b>275,296</b> |

|   |                |             |             |              |              |
|---|----------------|-------------|-------------|--------------|--------------|
| <b>Basic earnings per share attributable to equity holders of the Company (sen)</b> | <b>Note 22</b> | <b>2.05</b> | <b>8.71</b> | <b>17.17</b> | <b>39.16</b> |
|---|----------------|-------------|-------------|--------------|--------------|

The Unaudited Condensed Consolidated Income Statements and Unaudited Condensed Consolidated Statements of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Unaudited Condensed Consolidated Financial Information.

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**  
**On consolidated results for the period ended 31 December 2016 (continued)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**Amounts in RM thousand unless otherwise stated**

|  | Unaudited<br>As at 31 December<br>2016 | Audited<br>As at 31 December<br>2015 |
|--|--|--------------------------------------|
| <b>Assets</b>  |  |                                      |
| <b>Non-current assets</b>  |  |                                      |
| Property, plant and equipment  | 950,409                                | 702,007                              |
| Intangible asset   | 70,464                                 | 72,234                               |
| Goodwill   | 576,240                                | 576,240                              |
| Prepaid lease payment  | 601                                    | 687                                  |
| Receivables  | 4,642                                  | 16,533                               |
| <b>Total non-current assets</b>  | <b>1,602,356</b>                       | <b>1,367,701</b>                     |
| <b>Current assets</b>  |  |                                      |
| Inventories  | 884,697                                | 729,910                              |
| Trade receivables  | 262,444                                | 346,396                              |
| Other receivables, deposits and prepayments                                    | 47,846                                 | 153,898                              |
| Tax recoverable  | 29,520                                 | 277                                  |
| Derivative financial assets  | 29                                     | 313                                  |
| Amount due from related companies  | 14,326                                 | 1                                    |
| Cash and cash equivalents  | 376,031                                | 123,902                              |
| <b>Total current assets</b>  | <b>1,614,893</b>                       | <b>1,354,697</b>                     |
| Non-current assets held for sale   | 7                                      | 7                                    |
| <b>Total assets</b>  | <b>3,217,256</b>                       | <b>2,722,405</b>                     |
| <b>Equity</b>  |  |                                      |
| Share capital  | 351,490                                | 351,490                              |
| Share premium  | 366,765                                | 366,765                              |
| Reorganisation deficit   | (1,039,632)                            | (1,039,632)                          |
| Merger relief reserve  | 1,733,939                              | 1,733,939                            |
| Forex reserve  | (2,213)                                | -                                    |
| Retained earnings  | 576,461                                | 624,454                              |
| <b>Total equity attributable to equity holders of the Company</b>              | <b>1,986,810</b>                       | <b>2,037,016</b>                     |
| <b>Non-controlling interest</b>  | <b>-</b>                               | <b>-</b>                             |
| <b>Total equity</b>  | <b>1,986,810</b>                       | <b>2,037,016</b>                     |
| <b>Non-current liabilities</b>   |  |                                      |
| Deferred tax liabilities   | 73,744                                 | 75,378                               |
| Borrowings   | 178,903                                | -                                    |
| <b>Total non-current liabilities</b>   | <b>252,647</b>                         | <b>75,378</b>                        |
| <b>Current liabilities</b>   |  |                                      |
| Payables and accruals  | 457,685                                | 176,197                              |
| Amount due to other related companies  | 400                                    | 510                                  |
| Amount due to ultimate holding company   | 6,962                                  | 11,785                               |
| Loan due to a related company  | 156,452                                | 60,000                               |
| Borrowings   | 356,300                                | 359,537                              |
| Current tax liabilities  | -                                      | 1,982                                |
| <b>Total current liabilities</b>   | <b>977,799</b>                         | <b>610,011</b>                       |
| <b>Total liabilities</b>   | <b>1,230,446</b>                       | <b>685,389</b>                       |
| <b>Total equity and liabilities</b>  | <b>3,217,256</b>                       | <b>2,722,405</b>                     |
| <b>Net assets per share attributable to equity holders of the Company (RM)</b> | <b>2.83</b>                            | <b>2.90</b>                          |

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Unaudited Condensed Consolidated Financial Information.

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**Amounts in RM thousand unless otherwise stated**

| <b>Period ended</b>  | <b>Share capital</b> | <b>Share premium</b> | <b>Merger relief reserve</b> | <b>Reorganisation deficit</b> | <b>Forex reserves</b> | <b>Retained earnings</b> | <b>Equity attributable to equity holders of the Company</b> |
|--|----------------------|----------------------|------------------------------|-------------------------------|-----------------------|--------------------------|---|
| <b>31 December 2016</b>  |                      |                      |                              |                               |                       |                          |   |
| At 1 January 2016  | 351,490              | 366,765              | 1,733,939                    | (1,039,632)                   | -                     | 624,454                  | 2,037,016   |
| Profit for the period  | -                    | -                    | -                            | -                             | -                     | 120,722                  | 120,722   |
| Other comprehensive income /(loss)<br>- currency translation differences | -                    | -                    | -                            | -                             | (2,213)               | -                        | (2,213)   |
| Total comprehensive income   | -                    | -                    | -                            | -                             | (2,213)               | 120,722                  | 118,509   |
| Dividend paid  | -                    | -                    | -                            | -                             | -                     | (168,715)                | (168,715)   |
| At 31 December 2016  | <u>351,490</u>       | <u>366,765</u>       | <u>1,733,939</u>             | <u>(1,039,632)</u>            | <u>(2,213)</u>        | <u>576,461</u>           | <u>1,986,810</u>  |
| <b>Period ended</b>  | <b>Share capital</b> | <b>Share premium</b> | <b>Merger relief reserve</b> | <b>Reorganisation deficit</b> | <b>Forex reserves</b> | <b>Retained earnings</b> | <b>Equity attributable to equity holders of the Company</b> |
| <b>31 December 2015</b>  |                      |                      |                              |                               |                       |                          |   |
| At 1 January 2015  | 351,490              | 366,765              | 1,733,939                    | (1,039,632)                   | -                     | 531,933                  | 1,944,495   |
| Profit for the period  | -                    | -                    | -                            | -                             | -                     | 275,296                  | 275,296   |
| Dividend payable   | -                    | -                    | -                            | -                             | -                     | (182,775)                | (182,775)   |
| At 31 December 2015  | <u>351,490</u>       | <u>366,765</u>       | <u>1,733,939</u>             | <u>(1,039,632)</u>            | <u>-</u>              | <u>624,454</u>           | <u>2,037,016</u>  |

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Audited Financial Statement for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Unaudited Condensed Consolidated Financial Information.

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Amounts in RM thousand unless otherwise stated**

|   | Year to Date Ended |                  |
|---|--------------------|------------------|
|   | 31 December        |                  |
|   | 2016               | 2015             |
| <b>Cash Flows from Operating Activities</b>                         |                    |                  |
| Profit for the financial year                                       | 120,722            | 275,296          |
| Adjustment for Non-Cash Flow Items                                  | 70,168             | 137,331          |
| Operating Profit Before Changes in Working Capital                  | <u>190,890</u>     | <u>412,627</u>   |
| Changes in Working Capital  |                    |                  |
| Net changes in working capital                                      | 238,749            | (406,932)        |
| Tax paid  | (85,221)           | (91,724)         |
| Zakat paid  | (2,000)            | (5,000)          |
| <b>Net Cash Generated from/(used in) Operating Activities</b>       | <u>342,418</u>     | <u>(91,029)</u>  |
| <b>Cash Flows from Investing Activities</b>                         |                    |                  |
| Acquisition of property, plant and equipment                        | (199,142)          | (224,360)        |
| Acquisition of intangible assets                                    | (2,103)            | (2,140)          |
| Additions of biological assets                                      | (7,033)            | (7,803)          |
| Proceeds from disposal of property, plant and equipment             | 85                 | 829              |
| Proceeds from disposal of assets held for sale                      | -                  | 33               |
| Proceeds from disposal of intangible assets                         | 2,335              | -                |
| Interest received   | 14,619             | 1,655            |
| <b>Net Cash used in Investing Activities</b>                        | <u>(191,239)</u>   | <u>(231,786)</u> |
| <b>Cash Flows from Financing Activities</b>                         |                    |                  |
| Loan due to a related company                                       | 96,452             | -                |
| Drawdown of borrowings, net of issuance costs                       | 1,261,496          | 1,099,276        |
| Repayment of borrowings   | (1,074,866)        | (928,551)        |
| Interest paid   | (13,417)           | (11,232)         |
| Dividend paid   | (168,715)          | (182,775)        |
| <b>Net Cash Generated from/(used in) Financing Activities</b>       | <u>100,950</u>     | <u>(23,282)</u>  |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>         | 252,129            | (346,097)        |
| <b>Cash and Cash Equivalents at Beginning of the Financial Year</b> | 123,902            | 469,999          |
| <b>Cash and Cash Equivalents at End of the Financial Year</b>       | <u>376,031</u>     | <u>123,902</u>   |
| <b>Cash and Cash Equivalents comprise:</b>                          |                    |                  |
| Deposits with licensed banks  | 284,447            | 67,592           |
| Cash and bank balances  | 91,584             | 56,310           |
|   | <u>376,031</u>     | <u>123,902</u>   |

**The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the Unaudited Condensed Consolidated Financial Information.**

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

Amounts in RM thousand unless otherwise stated

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

The Unaudited Condensed Consolidated Financial Information should be read in conjunction with the Group's Audited Financial Statements for the year ended 31 December 2015. These explanatory notes attached to the Unaudited Condensed Consolidated Financial Information 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 year ended 31 December 2015.

**1 Basis of Preparation**

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Financial Information are consistent with those of the Group's Audited Financial Statements for the financial year ended 31 December 2015, together with the adoption of the new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations with effect from 1 January 2016 as discussed below.

**FRSs, Amendments to FRSs and Interpretations**

Amendments to FRS 101 'Presentation of Financial Statements' – Disclosure initiative

Amendments to FRS 138 'Intangible Assets' – Clarification of acceptable methods of depreciation and amortisation

Amendments to FRS 127 'Separate Financial Statements' – Equity accounting in separate financial statements

Amendments to FRS 10 'Consolidated Financial Statements' and FRS 128 'Investment in Associates and Joint Ventures' – Sale or contribution of assets between an investor and its associates/joint ventures

Amendments to FRS 10 'Consolidated Financial Statements', FRS 12 'Disclosure of Interests in Other Entities' and FRS 128 'Investment in Associates and Joint Ventures' – Investment entities: applying the consolidation exception

Annual Improvements to FRSs 2012 – 2014 (Amendments to FRS 5 'Non-current Assets Held for Sale and Discontinued Operations', FRS 7 'Financial Instruments: Disclosures', FRS 119 'Employee Benefits' and FRS 134 'Interim Financial Reporting')

The initial application of the above standards, amendments and interpretations did not have any material impact on the financial statements of the Group.

**(a) Change in accounting policy**

During the financial year, the Group changed its accounting policy for bearer plants to be in line with the accounting requirements of FRS 116 – Property, Plant and Equipment. A bearer plant is a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The bearer plants of the Group are oil palm trees, rubber trees and mango trees.

Prior to the change in the accounting policy, the Group adopted the capital maintenance model on its bearer plants (previously termed as biological assets) whereby the expenditure on new planting was capitalised as biological assets at cost and was not amortised. Replanting of same crops expenditure was charged to the profit or loss in the financial year in which the expenditure was incurred.

Under the revised accounting policy, bearer plants (both new planting and replanting) are accounted for in the same way as self-constructed items of property, plant and equipment. Expenditure on new planting and replanting of bearer plants are capitalised at cost and depreciated on a straight-line basis over the economic useful lives of 22 years for oil palm trees, 20 years for rubber trees and 25 years for mango trees from date of maturity or, the remaining period of the land lease, whichever is shorter. Bearer plants are classified as property, plant and equipment. The bearer plants are assessed for indicator of impairment, and if indication exists, an impairment test is performed in accordance with FRS 136 – Impairment of Assets.

Livestock and nursery which do not meet the definition of bearer plants continue to be presented as biological asset.

The revised accounting policy will result in the financial statements reflecting more fairly the Group's financial position and financial performance. The carrying amount of bearer plants will be more reflective of the cost incurred whilst the depreciation of the bearer plants over their useful lives will reflect the consumption of the bearer plants' future economic benefits.

The new accounting policy is also more aligned with the underlying principle in the revised standard, Agriculture: Bearer Plants (Amendments to MFRS 116 – Property, Plant and Equipment and MFRS 141 - Agriculture) issued under the Malaysian Financial Reporting Standards Framework.

**2 Auditors' Report on Preceding Annual Financial Statements**

The audited financial statements for the year ended 31 December 2015 were not subject to any audit qualification.

**3 Seasonal or Cyclical Factors**

Sales of refined sugar products in Malaysia typically increase slightly during the months leading up to major holidays and festivals in Malaysia, especially Hari Raya and Chinese New Year, due to increased consumer demand for refined sugar.

**4 Unusual Items Due to Their Nature, Size or Incidence**

There were no material unusual items affecting the Group's assets, liabilities, equity, net income or cash flows during the financial year under review.

**5 Changes in Estimated Amounts Reported In Prior Period Which Have Effect on the Current Period**

There were no material changes in the estimates of amounts reported in the prior interim periods of the current financial year or the previous financial years that have a material effect on the results for the current quarter under review.

**6 Changes in Debt and Equity Securities**

There were no changes in debt and equity securities during the period under review.

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**  
**Amounts in RM thousand unless otherwise stated**

**7 Dividends**

Final dividend for the year 31 December 2015 and interim dividend for the year ended 31 December 2016 were as follows:

|   | Dividend<br>per share | Amount of<br>dividend |
|---|-----------------------|-----------------------|
|   | Sen                   | RM'000                |
| Final tax exempt dividend for the year ended<br>31 December 2015 paid on 10 June 2016       | 14                    | 98,417                |
| Interim tax exempt dividend for the year ended<br>31 December 2016 paid on 30 December 2016 | 10                    | 70,298                |

**8 Segmental Reporting**

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Group Chief Executive Officer. The President and Group Chief Executive Officer considers the business primarily a product perspective. The reportable operating segments have been identified as follows:-

- (i) Sugar - Sugar refining, sales and marketing of refined sugar and trading of sugar  
(ii) Rubber and palm oil

| Cumulative quarter ended 31 December<br>2016   | Sugar     | Rubber and<br>palm oil | Reconciliation | Total     |
|--|-----------|------------------------|----------------|-----------|
|  | RM'000    | RM'000                 | RM'000         | RM'000    |
| Total segment revenue                          | 2,657,934 | 512                    | -              | 2,658,446 |
| Revenue from external customers                | 2,657,934 | 512                    | -              | 2,658,446 |
| Finance income                                 | 2,804     | -                      | 2,707          | 5,511     |
| Finance cost                                   | (10,767)  | (2)                    | (2,648)        | (13,417)  |
| Depreciation and amortisation                  | (35,382)  | (2,418)                | (2,335)        | (40,135)  |
| Profit/(loss) before taxation                  | 138,553   | (6,369)                | 16,331         | 148,515   |
| Taxation                                       | (23,920)  | -                      | (1,873)        | (25,793)  |
| Zakat  | (1,500)   | -                      | (500)          | (2,000)   |
| Profit after taxation for the financial period |           |                        |                | 120,722   |

| Total assets as at 31 December 2016               | Sugar     | Rubber and<br>palm oil | Reconciliation | Total     |
|---|-----------|------------------------|----------------|-----------|
|   | RM'000    | RM'000                 | RM'000         | RM'000    |
| <b>Total assets</b>                               | 3,117,863 | 141,039                | (41,647)       | 3,217,255 |
| <b>Total liabilities</b>                          | 1,719,063 | 91,081                 | (579,697)      | 1,230,447 |
| <b>Additions to property, plant and equipment</b> |           |                        |                |           |
| - Additions to biological assets                  | -         | 7,033                  | -              | 7,033     |
| - Additions to property, plant and equipment      | 196,569   | 303                    | 2,270          | 199,142   |
| Additions to intangible assets                    | 1,686     | -                      | 417            | 2,103     |

| Cumulative quarter ended 31 December<br>2015   | Sugar     | Rubber and<br>palm oil | Reconciliation | Total     |
|--|-----------|------------------------|----------------|-----------|
|  | RM'000    | RM'000                 | RM'000         | RM'000    |
| Total segment revenue                          | 2,307,042 | 221                    | -              | 2,307,263 |
| Revenue from external customers                | 2,307,042 | 221                    | -              | 2,307,263 |
| Finance income                                 | 1,555     | -                      | 6,307          | 7,862     |
| Finance cost                                   | (7,543)   | (3)                    | -              | (7,546)   |
| Depreciation and amortisation                  | (37,444)  | (2,368)                | (1,570)        | (41,382)  |
| Profit/(loss) before taxation                  | 399,878   | (3,651)                | (24,099)       | 372,128   |
| Taxation                                       | (88,734)  | -                      | (3,098)        | (91,832)  |
| Zakat  | (4,500)   | -                      | (500)          | (5,000)   |
| Profit after taxation for the financial period |           |                        |                | 275,296   |

| Total assets as at 31 December 2015               | Sugar     | Rubber and<br>palm oil | Reconciliation | Total     |
|---|-----------|------------------------|----------------|-----------|
|   | RM'000    | RM'000                 | RM'000         | RM'000    |
| <b>Total assets</b>                               | 2,387,875 | 140,147                | 194,383        | 2,722,405 |
| <b>Total liabilities</b>                          | 938,128   | 78,736                 | (331,475)      | 685,389   |
| <b>Additions to property, plant and equipment</b> |           |                        |                |           |
| - Additions to biological assets                  | -         | 7,803                  | -              | 7,803     |
| - Additions to property, plant and equipment      | 211,385   | 246                    | 12,729         | 224,360   |
| Additions to intangible assets                    | 1,647     | -                      | 493            | 2,140     |

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**9 Valuation of Property, Plant and Equipment**

There was no valuation of the property, plant and equipment in the current quarter under review.

**10 Material Events Subsequent to the End of the Financial Period**

There were no material events which occurred subsequent to the end of the period ended 31 December 2016.

**11 Changes in the Composition of the Group**

There were no changes in the composition of the Group for the current period under review.

**12 Changes in Contingent Liabilities or Contingent Assets**

The Group does not have any material contingent liabilities or contingent assets as at 31 December 2016.

**13 Capital Commitments Outstanding Not Provided for in the Unaudited Condensed Interim Financial Information**

|                                       | As at<br>31 December |                  |
|---------------------------------------|----------------------|------------------|
|                                       | 2016                 | 2015             |
| <b>Property, plant and equipment:</b> |                      |                  |
| - Contracted but not provided for     | 514,325              | 468,936          |
| - Approved but not contracted for     | 450,823              | 983,058          |
|                                       | <u>965,148</u>       | <u>1,451,994</u> |

|                                   | As at<br>31 December |               |
|-----------------------------------|----------------------|---------------|
|                                   | 2016                 | 2015          |
| <b>Biological assets:</b>         |                      |               |
| - Contracted but not provided for | 235                  | 656           |
| - Approved but not contracted for | 10,627               | 18,299        |
|                                   | <u>10,862</u>        | <u>18,955</u> |

**14 Material Related Party Transactions**

(a) Related party transactions are as follows:

|   | Year to Date Ended<br>31 December |                 |
|---|-----------------------------------|-----------------|
|   | 2016                              | 2015            |
| <b>(i) Transactions with ultimate holding company</b>             |                                   |                 |
| Management fees (Felda Global Ventures Holdings Berhad)           | 5,558                             | 5,800           |
| <b>(ii) Transactions with related companies</b>                   |                                   |                 |
| Sales of refined sugar (Felda Trading Sdn. Bhd.)                  | (25,803)                          | (21,792)        |
| Security services (Felda Security Services Sdn. Bhd.)             | 919                               | 596             |
| Information technology services (Felda Prodata System Sdn. Bhd.)  | 310                               | 326             |
| Engineering services (Felda Engineering Services Sdn Bhd)         | -                                 | 9               |
| Travel agent services (Felda Travel Sdn. Bhd.)                    | 210                               | 224             |
| Insurance services (Felda Trading Sdn. Bhd.)                      | 30                                | 131             |
| Plantation material (Felda Trading Sdn. Bhd.)                     | 277                               | 1               |
| Repair tractor (Felda Global Venture Plantation Malaysia Sdn Bhd) | -                                 | 2               |
| Advisory fees for analysis (Felda Agricultural Services Sdn Bhd)  | 1                                 | -               |
| Refreshment services (Felda D'Saji Sdn. Bhd.)                     | 73                                | 117             |
| Rental income (Felda Agricultural Services Sdn. Bhd.)             | (19)                              | (19)            |
| House rental (Felda Global Ventures R&D Sdn. Bhd.)                | (9)                               | (8)             |
| Office rental (FELDA)   | 1,131                             | 1,376           |
| Water and electricity charges (Felda Chuping Sdn. Bhd.)           | 3                                 | -               |
| Fertilizer (FPM Sdn. Bhd.)  | -                                 | 266             |
| Training (Felda Global Ventures Holdings Berhad)                  | -                                 | 32              |
|   | <u>(17,319)</u>                   | <u>(12,939)</u> |



**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**14 Material Related Party Transactions (continued)**

|  | Year to Date Ended |       |
|--|--------------------|-------|
|  | 31 December        |       |
|  | 2016               | 2015  |
| <b>(iii) Transactions between subsidiaries and government-related financial institutions</b> |                    |       |
| Interest expense for bankers acceptances   | 6,831              | 1,665 |
| Interest income from fixed deposits and cash balances  | (85)               | (345) |

(b) Balances relating to related party transactions are as follows:

|  | As at         |            |
|--|---------------|------------|
|  | 31 December   |            |
|  | 2016          | 2015       |
|  | RM'000        | RM'000     |
| <b>(i) Balances with ultimate holding company</b>                                      |               |            |
| Amount due to:   |               |            |
| Felda Global Ventures Holdings Berhad  | 6,962         | 11,785     |
| <b>(ii) Balances with related companies</b>  |               |            |
| Amount due to:   |               |            |
| Felda Security Services Sdn. Bhd.  | 51            | 241        |
| Felda Prodata System Sdn. Bhd.   | 259           | 155        |
| Felda Engineering Services Sdn. Bhd.   | -             | 10         |
| Felda Travel Sdn. Bhd.   | 25            | 85         |
| Felda Global Ventures R&D Sdn Bhd  | -             | 1          |
| Felda Holdings Bhd   | 14            | 14         |
| Felda Trading Sdn. Bhd.  | -             | -          |
| Felda Global Ventures Plantation   | -             | -          |
| Felda D'saji Sdn Bhd   | -             | -          |
| FGV Trading Sdn Bhd  | -             | -          |
| FPM Sdn. Bhd.  | -             | -          |
| FELDA  | 51            | -          |
|  | <b>400</b>    | <b>510</b> |
| <b>(iii) Balances with a related company</b>   |               |            |
| Amount due from:   |               |            |
| Felda Trading Sdn. Bhd.  | 14,325        | -          |
| Felda Global Ventures R&D Sdn. Bhd.  | 1             | -          |
| <b>(v) Balances with ultimate holding company</b>                                      |               |            |
| Amount due from:   |               |            |
| FELDA  | -             | 1          |
|  | <b>14,326</b> | <b>1</b>   |
| <b>(iv) Loan due to a related company</b>  |               |            |
| Amount due to:   |               |            |
| FGV Capital Sdn. Bhd.  | 156,452       | 60,000     |
| <b>(v) Balances between subsidiaries and government-related financial institutions</b> |               |            |
| Bankers acceptances  | 417,467       | 68,000     |
| Fixed deposits and cash balances   | 160,997       | 43,355     |

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**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**15 Review of Performance**

**(a) Quarter on Quarter**

The Group recorded a total revenue of RM 838.31 million quarter on quarter, which was RM 174.34 million or 26.26 % higher compared to the same period last year of RM 663.97 million on the back of improved selling price and higher volume of refined sugar sold for the Domestic market segment.

The profit after tax (PAT) for the three (3) months period ended 31 December 2016 was RM 14.39 million compared to previous corresponding period PAT of RM 61.26 million due to the higher raw material costs and weakening Ringgit.

**(b) Year on Year**

The Group revenue for the year ended 31 December 2016 was RM 2,658.45 million compared to RM 2,307.26 million revenue last year on the back improved selling price, higher volume of refined sugar sold and and higher trading revenue.

The profit after tax (PAT) for the year ended 31 December 2016 stood at RM 120.72 million compared to previous corresponding period PAT of RM 275.30 million as a results of higher raw material cost and weakening Ringgit.

**16 Material Changes in the Quarterly Results Compared to the Preceding Quarter (30 September 2016)**

The comparison of the Group revenue and profit before taxation for the current quarter and last quarter is as follows:

|                  | Quarter Ended       |                      | Variance |        |
|------------------|---------------------|----------------------|----------|--------|
|                  | 31 December<br>2016 | 30 September<br>2016 | RM       | %      |
| Revenue          | 838,308             | 633,122              | 205,185  | 32.4   |
| Profit after tax | 14,394              | 23,305               | (8,910)  | (38.2) |

The Group recorded a total revenue RM 838.31 million in the current quarter compared to the preceding quarter of RM 633.12 million on the back of higher demand of refined sugar from the domestic and industries market.

The profit after tax (PAT) for the three (3) months period ended 31 December 2016 was RM 14.39 million with preceding quarter PAT of RM 23.31 million due to higher production cost.

**17 Current Year Prospects**

Notwithstanding the volatility of commodity prices, the Group is expected to be able to perform in line with the industry.

**18 Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast.

**19 Profit from Operations**

Included in the operating profit are:

|  | Year to Date Ended<br>31 December |          |
|--|-----------------------------------|----------|
|  | 2016                              | 2015     |
| Reversal of impairment on property, plant and equipment    | -                                 | (2,956)  |
| Amortisation of intangible asset                           | 4,282                             | 3,315    |
| Amortisation of prepaid lease payment                      | 1,013                             | 88       |
| Depreciation of property plant and equipment               | 37,584                            | 37,979   |
| Property, plant and equipment written off                  | 586                               | 1,681    |
| (Gain) / loss on disposal of property, plant and equipment | (9)                               | 95       |
| Net foreign exchange gain                                  | (3,428)                           | (1,534)  |
| Commodity gain   | (37,968)                          | (24,235) |
| Realised foreign exchange forward contract gain            | (717)                             | -        |
| Unrealised foreign exchange forward contract gain          | (29)                              | -        |

**20 Taxation**

|          | Quarter Ended<br>31 December |                 | Year to Date Ended<br>31 December |                 |
|----------|------------------------------|-----------------|-----------------------------------|-----------------|
|          | 2016                         | 2015            | 2016                              | 2015            |
| Current  | (8,778)                      | (27,618)        | (27,427)                          | (92,065)        |
| Deferred | 1,039                        | 2,115           | 1,634                             | 233             |
|          | <u>(7,739)</u>               | <u>(25,503)</u> | <u>(25,793)</u>                   | <u>(91,832)</u> |

The effective tax rate for the current period ended 31 December 2016 is higher than the Malaysian income tax rate of 24% due to higher taxable income during the fourth quarter 2016.

While effective tax rate for year to date ended 31 December 2016 is lower than Malaysian income tax rate of 24% mainly due to non taxable income from an oversea subsidiary.

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**21 Realised and Unrealised Retained Earnings**

|   | As at<br>31 December  |                       |
|---|-----------------------|-----------------------|
|   | 2016                  | 2015                  |
| Realised  | 720,223               | 832,413               |
| Unrealised  | (72,442)              | (73,066)              |
|   | <u>647,781</u>        | <u>759,347</u>        |
| Consolidation adjustments   | (71,320)              | (134,893)             |
| <b>Total Group retained earnings as per consolidated accounts</b> | <b><u>576,461</u></b> | <b><u>624,454</u></b> |

The unrealised portion of retained earnings comprises the deferred tax expense, cumulative net gains arising from fair value through profit and loss and translation gains and losses on monetary items denominated other than in Ringgit Malaysia.

**22 Earnings Per Share**

|   | Quarter Ended<br>31 December |                    | Year to Date Ended<br>31 December |                     |
|---|------------------------------|--------------------|-----------------------------------|---------------------|
|   | 2016                         | 2015               | 2016                              | 2015                |
| Basic earnings per share are computed as follows:                                   |                              |                    |                                   |                     |
| Profit for the financial period/year attributable to owners of the Company (RM'000) | 14,394                       | 61,261             | 120,722                           | 275,296             |
| Weighted average number of ordinary shares in issue (thousands)                     | <u>702,980</u>               | <u>702,980</u>     | <u>702,980</u>                    | <u>702,980</u>      |
| per share (sen)   | <b><u>2.05</u></b>           | <b><u>8.71</u></b> | <b><u>17.17</u></b>               | <b><u>39.16</u></b> |

**23 Derivative Financial Instruments**

The Group uses foreign currency exchange forward contracts and sugar commodity future contracts to manage its exposure to various financial and derivative risks. The fair value of these derivatives as at 31 December 2016 are as follows:

| <b>Type of derivatives</b>                  | Contractual/<br>Notional<br>amount<br>RM'000 | Fair value       |                       |
|---|--|------------------|-----------------------|
|   |  | Assets<br>RM'000 | Liabilities<br>RM'000 |
| Foreign currency exchange forward contracts | <u>15,696</u>                                | <u>29</u>        | <u>-</u>              |

**24 Fair Value Changes of Financial Instruments**

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the last financial year ended 31 December 2015. The maturity periods of the above derivatives are less than one year. The following table presents the assets and liabilities that are measured at fair value at 31 December 2016.

**31 December 2016**

|  | Level 1  | Level 2   | Level 3  | Total     |
|--|----------|-----------|----------|-----------|
| <b>Assets</b>  |          |           |          |           |
| Financial assets at fair value through profit and loss |          |           |          |           |
| - Derivatives  | <u>-</u> | <u>29</u> | <u>-</u> | <u>29</u> |

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise foreign commodity exchanges.

The fair value of financial instruments that are not traded in an active market (for example, foreign currency forward contracts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise foreign currency forward contracts.

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**25 Unquoted Investments and/or Properties**

There were no purchases or disposals of unquoted investments or properties for the current quarter.

**26 Quoted Investments**

There were no purchases or disposals of quoted investments for the current quarter.

**27 Status of Corporate Proposals**

There was no corporate proposals entered into during the financial period under review.

**28 Group Borrowings**

As at 31 December 2016, the total borrowings, which are denominated in Ringgit Malaysia, are as follows:

|  | 2016         | As at<br>31 December | 2015         |
|--|--------------|----------------------|--------------|
| <b>Borrowings</b>                          |              |                      |              |
| <b>Non-current</b>                         |              |                      |              |
| Secured:                                   |              |                      |              |
| Islamic term loans                         | 178,903      |                      | -            |
| <b>Current</b>                             |              |                      |              |
| Unsecured:                                 |              |                      |              |
| Bankers' acceptances and revolving credits | 356,300      |                      | 359,537      |
| Average interest rate                      | <u>3.68%</u> |                      | <u>3.80%</u> |

As at 31 December 2016, the Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group.

**29 Off Balance Sheet Financial Instruments**

There were no off balance sheet financial instruments as at the date of this report.

**30 Material Litigation**

Since the last Audited Financial Statements for the year ended 31 December 2015, the Group is not a party to any material obligation or arbitration, either as plaintiff or defendant.

**On behalf of the Board**

**Encik Mohamad Amri Bin Sahari @ Khuzari**  
**President/ Group Chief Executive Officer**

**Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad**  
**Chairman**

**Kuala Lumpur**  
**22 February 2017**