



MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

Condensed Consolidated Financial Statements
For The Financial Period Ended 31 March 2018

MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

On consolidated results for the period ended 31 March 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in RM thousand unless otherwise stated

	Quarter Ended 31 March			Year to Date Ended 31 March		
	2018	2017	% Change	2018	2017	% Change
Revenue	549,061	640,046	(14.2%)	549,061	640,046	(14.2%)
Cost of sales	(479,836)	(645,919)		(479,836)	(645,919)	
Gross profit / (loss)	69,225	(5,873)	(1278.7%)	69,225	(5,873)	(1278.7%)
Other operating income	1,793	4,819		1,793	4,819	
Selling and distribution cost	(20,765)	(14,915)		(20,765)	(14,915)	
Administrative expenses	(18,241)	(27,363)		(18,241)	(27,363)	
Other (loss)/gains-net	(1,935)	8,867		(1,935)	8,867	
Other operating expenses	(1,774)	(3,621)		(1,774)	(3,621)	
Profit/(Loss) from operations	28,303	(38,086)	174.3%	28,303	(38,086)	174.3%
Finance costs	(8,346)	(3,059)		(8,346)	(3,059)	
Finance income	987	1,583		987	1,583	
Profit/(Loss) before taxation	20,944	(39,562)	152.9%	20,944	(39,562)	152.9%
Taxation	(5,138)	4,940		(5,138)	4,940	
Profit/(Loss) for the period	15,806	(34,622)	145.7%	15,806	(34,622)	145.7%
Other comprehensive (loss)/income						
Currency translation differences	(516)	4,558		(516)	4,558	
Cash flow hedges	427	-		427	-	
Other comprehensive (loss)/income for the period	(89)	4,558		(89)	4,558	
Total comprehensive income/(loss) for the period	15,717	(30,064)	152.3%	15,717	(30,064)	152.3%

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 MARCH 2018

	Quarter Ended 31 March			Year to Date Ended 31 March		
	2018	2017	% Change	2018	2017	% Change
Profit/(Loss) attributable to :						
Shareholders of the Company	15,806	(34,622)	145.7%	15,806	(34,622)	145.7%
Non-controlling interest	-	-		-	-	
Profit/(Loss) for the period	15,806	(34,622)	145.7%	15,806	(34,622)	145.7%
Total comprehensive income/(loss) attributable to :						
Shareholders of the Company	15,717	(30,064)	152.3%	15,717	(30,064)	152.3%
Non-controlling interest	-	-		-	-	
Total comprehensive income/(loss) for the period	15,717	(30,064)	152.3%	15,717	(30,064)	152.3%
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	2.25	(4.93)		2.25	(4.93)	

The Unaudited Condensed Consolidated Income Statement and Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited Financial Statements for the year ended 31 December 2017 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 March 2018 (continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in RM thousand unless otherwise stated

	Unaudited As at 31 March 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
Assets			
Non-current assets			
Property, plant and equipment	1,550,690	1,457,282	950,408
Intangible asset	67,391	68,332	70,464
Goodwill	576,240	576,240	576,240
Prepaid lease payment	502	521	601
Receivables	5,758	5,054	4,640
Derivative financial assets	1,144	717	-
Amounts due from related companies	1,245	4,245	-
Total non-current assets	2,202,970	2,112,391	1,602,353
Current assets			
Inventories	584,907	718,045	888,949
Trade receivables	224,802	257,714	262,443
Other receivables, deposits and prepayments	67,084	78,603	87,949
Tax recoverable	29,295	36,032	29,520
Derivative financial assets	-	3,147	1,970
Amounts due from related companies	37,213	31,485	14,326
Amount due from ultimate holding company	-	605	-
Deposits with licensed banks	47,105	88,201	245,593
Cash and bank balances	40,477	82,326	92,318
Total current assets	1,030,883	1,296,158	1,623,068
Non-current assets held for sale	-	-	7
Total assets	3,233,853	3,408,549	3,225,428
Equity			
Share capital	718,255	718,255	351,490
Share premium	-	-	366,765
Reorganisation deficit	(1,039,632)	(1,039,632)	(1,039,632)
Merger relief reserve	1,733,939	1,733,939	1,733,939
Foreign exchange reserve	563	1,079	(2,213)
Cash flow hedge reserve	1,144	717	-
Retained earnings	531,574	515,768	576,461
Total equity attributable to equity holders of the Company	1,945,843	1,930,126	1,986,810
Non-controlling interest	-	-	-
Total equity	1,945,843	1,930,126	1,986,810
Non-current liabilities			
Deferred tax liabilities	76,799	78,675	73,744
Borrowings	441,869	370,339	178,903
Provisions	32	32	-
Total non-current liabilities	518,700	449,046	252,647
Current liabilities			
Payables and accruals	154,062	197,256	465,856
Amounts due to other related companies	423	467	400
Amount due to FELDA	561	561	-
Amount due to ultimate holding company	4,320	505	6,963
Loan due to a related company	30,008	108,826	156,452
Borrowings	577,872	721,762	356,300
Derivative financial liabilities	2,064	-	-
Total current liabilities	769,310	1,029,377	985,971
Total liabilities	1,288,010	1,478,423	1,238,618
Total equity and liabilities	3,233,853	3,408,549	3,225,428
Net assets per share attributable to equity holders of the Company (RM)	2.77	2.75	2.83

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2017 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

Period ended	Share capital	Share premium	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Cash flow hedge reserves	Retained earnings	Equity attributable to equity holders of the Company
31 March 2018								
At 1 January 2018	718,255	-	1,733,939	(1,039,632)	1,079	717	515,768	1,930,126
Profit for the period	-	-	-	-	-	-	15,806	15,806
Other comprehensive (loss)/income Item that will be subsequently reclassified to profit or loss								
- currency translation differences	-	-	-	-	(516)	-	-	(516)
- cash flow hedges	-	-	-	-	-	427	-	427
Total comprehensive (loss)/income	-	-	-	-	(516)	427	15,806	15,717
At 31 March 2018	<u>718,255</u>	<u>-</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>563</u>	<u>1,144</u>	<u>531,574</u>	<u>1,945,843</u>
Period ended	Share capital	Share premium	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Cash flow hedge reserves	Retained earnings	Equity attributable to equity holders of the Company
31 March 2017								
At 1 January 2017	351,490	366,765	1,733,939	(1,039,632)	(2,213)	-	576,461	1,986,810
Transition to nil par value regime on 31 January 2017 under Companies Act 2016	366,765	(366,765)	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	-	(34,622)	(34,622)
Other comprehensive income Item that will be subsequently reclassified to profit or loss								
- currency translation differences	-	-	-	-	4,558	-	-	4,558
Total comprehensive income/(loss)	-	-	-	-	4,558	-	(34,622)	(30,064)
At 31 March 2017	<u>718,255</u>	<u>-</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>2,345</u>	<u>-</u>	<u>541,839</u>	<u>1,956,746</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited Financial Statements for the year ended 31 December 2017 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 CASH FLOWS

Amounts in RM thousand unless otherwise stated

	Year to Date Ended	
	31 March	
	2018	2017
Cash Flows from Operating Activities		
Profit/(Loss) for the period	15,806	(34,622)
Adjustment for Non-Cash Flow Items	24,374	29,929
Operating Profit Before Changes in Working Capital	<u>40,180</u>	<u>(4,693)</u>
Changes in Working Capital		
Net changes in working capital	138,787	(155,306)
Tax paid	(277)	(10,141)
Net Cash generated from/(used in) Operating Activities	<u>178,690</u>	<u>(170,140)</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(101,577)	(152,692)
Acquisition of intangible assets	(382)	(589)
Proceeds from disposal of property, plant and equipment	5	165
Interest received	987	1,583
Net Cash used in Investing Activities	<u>(100,967)</u>	<u>(151,533)</u>
Cash Flows from Financing Activities		
Repayment of loan due to a related company	(78,818)	(15,336)
Drawdown of borrowings, net of issuance costs	553,922	752,628
Repayment of borrowings	(626,282)	(338,800)
Interest paid	(8,346)	(7,250)
Net Cash (used in)/generated from Financing Activities	<u>(159,524)</u>	<u>391,242</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>(81,801)</u>	<u>69,569</u>
Foreign currency translation differences	<u>(1,287)</u>	<u>(1,054)</u>
Cash and Cash Equivalents at Beginning of the Financial Period	<u>154,787</u>	<u>322,706</u>
Cash and Cash Equivalents at End of the Financial Period	<u>71,699</u>	<u>391,221</u>
Cash and Cash Equivalents comprise:		
Deposits with licensed banks	47,105	241,051
Cash and bank balances	40,477	147,988
Less : Restricted cash	(15,883)	(15,337)
	<u>71,699</u>	<u>373,702</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 2017 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

1 Basis of Preparation

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 MFRS 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 2017. 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 2017.

The Group has adopted the new Malaysian Financial Reporting Standards ("MFRS") Framework issued by Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2018. For the periods up to, and including the year ended 31 December 2017, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS") Framework as allowed by MASB as it includes transitioning entity. Except for certain differences, the requirements under FRS and MFRS are similar.

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Financial Information are mainly consistent with those of the Group's audited Financial Statements for the financial year ended 31 December 2017, except for the following:

- (a) Adoption of MFRS 1 and Annual Improvements to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
The Group has consistently applied the same accounting policies in its opening MFRS statements of financial position at 1 January 2017 (transition date) and throughout all years presented, as if these policies had always been in effect. Save for the required presentation of three statements of financial position in the first MFRS financial statements, there is no other significant impact on the Group's financial results and position, and changes to the accounting policies of the Group arising from the adoption of this MFRS Framework (other than as included in (b)), although there are some differences in relation to the transitional provisions and effective dates contained in certain of the MFRSs.

Subsequent to the transition in the financial reporting framework to MFRS on 1 January 2018, the restated comparative information has not been audited under MFRS. However, the comparative statements of financial position as at 31 December 2017, comparative statements of income, comprehensive income, changes in equity and cash flows for the financial year then ended have been audited under the previous financial reporting framework FRS

- (b) MFRS and amendments to MFRS which are applicable to the Group effective 1 January 2018 and have an impact on the accounting policies of the Group:

MFRS 9 "Financial Instruments" will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). Gains or losses on the sale of financial assets at fair value through OCI will no longer be recycled to profit or loss on sale, but instead be reclassified from the fair value through OCI reserve to retained earnings.

A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model ("ECL") is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has reviewed its financial assets and liabilities and is expecting the following impact of adoption of the new standard on 1 January 2018:

- The new impairment model requiring recognition of impairment provisions to be based on ECL rather than only retrospective provisioning of credit losses as in this case under MFRS 139. It applies to financial assets classified at amortised cost. The impact on the loss allowance for trade receivables is as disclosed in Note 10 of the Quarterly Report.
- When a financial liability measured at amortised cost is modified without resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss. There is no significant impact on the Group's financial liabilities measured at amortised cost.
- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature of the Group's disclosures about its financial instruments. Comparatives for financial year ended 31 December 2017 will not be restated.
- The impact of the adoption of MFRS 9 on current period is set out below:

	As per previous accounting framework	Adoption of MFRS 9	As per current accounting framework
Statement of comprehensive income			
31 March 2018			
Administrative expenses	(17,963)	(278)	(18,241)
Statement of financial position			
31 March 2018			
Receivables	225,080	(278)	224,802
Retained earnings	531,852	(278)	531,574

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

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

1 Basis of Preparation (continued)

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Financial Information are mainly consistent with those of the Group's audited Financial Statements for the financial year ended 31 December 2017, except for the following: (continued)

- (b) MFRS and amendments to MFRS which are applicable to the Group effective 1 January 2018 and have an impact on the accounting policies of the Group: (continued)

MFRS 15 "Revenue from Contracts with Customers" replaces MFRS 118 "Revenue" and MFRS 111 "Construction Contracts" and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The Group has assessed the effects of applying the new standard and has identified the followings area:

- Accounting for multiple element arrangements in contracts with customers – Where a contractual arrangement consists of two or more separate deliverables that have value to the customer on a stand-alone basis, revenue is recognised for each element as if it was an individual contract. Total contract consideration is allocated between separate deliverables based on their fair value. Identification of separate deliverables in relation to contracts with customers will affect the timing of the recognition of revenue moving forward. Judgment is applied in both identifying separate deliverables and allocating the consideration between them. The impact to the opening retained earnings of the Group as at 1 January 2018 is not material as majority of existing contracts have already incorporated these separation of deliverables into value attached to each deliverable.
- The Group does not expect any material impact to the basis of recognition for its sale of goods and services rendered other than changes arising from the classification of rebates as disclosed in Note 10 of the Quarterly Report.
- The Group has adopted the standard using full retrospective approach (with optional practical expedients) which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2017 and that comparatives has been restated.
- The impact of the adoption of MFRS 15 on current period is set out below:

	As per previous accounting framework	Adoption of MFRS 15	As per current accounting framework
Statement of comprehensive income			
31 March 2018			
Revenue	551,061	(2,000)	549,061
Selling and distribution cost	(22,765)	2,000	(20,765)

Amendments to existing standards and other accounting pronouncements that are not expected to have any significant impact on the financial statements of the Group:

- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

Standards, amendments to published standards and interpretation to existing standards that are applicable to the Group but not yet effective:

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation
- Annual Improvements to MFRS 3 "Business Combinations"
- Annual Improvements to MFRS 112 "Income Taxes"
- Annual Improvements to MFRS 123 "Borrowing Costs"

The adoption of the above standard, IC Interpretation and Amendments to MFRSs when they become effective are not expected to have any material impact on the financial statements of the Group except for MFRS 16. The Group is in the process of assessing the financial impact of adopting MFRS 16.

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

2 Auditors' Report on Preceding Annual Financial Statements

The financial statements for the year ended 31 December 2017 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 period 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 year 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.

7 Dividends

No dividend was declared and paid during the quarter under review.

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 March 2018	Sugar	Rubber and palm oil	Reconciliation	Total
Total segment revenue	548,813	248	-	549,061
Revenue from external customers	548,813	248	-	549,061
Finance income	354	-	633	987
Finance cost	(8,336)	(10)	-	(8,346)
Depreciation and amortisation	(8,060)	(553)	(886)	(9,499)
Profit before taxation	23,984	(1,763)	(1,277)	20,944
Taxation	(5,174)	-	36	(5,138)
Profit after taxation for the financial period				15,806
Timing of revenue recognition:				
<u>Goods and services transferred</u>				
- At a point in time	548,389	248	-	548,637
- Over time	424	-	-	424
	548,813	248	-	549,061
Total assets as at 31 March 2018				
	Sugar	Rubber and palm oil	Reconciliation	Total
Total assets	2,945,030	154,688	134,135	3,233,853
Total liabilities	1,006,762	106,547	174,701	1,288,010
Additions to property, plant and equipment	99,376	2,112	89	101,577
Additions to intangible assets	-	-	382	382

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

8 Segmental Reporting (continued)

Cumulative quarter ended 31 March 2017

	Sugar	Rubber and palm oil	Reconciliation	Total
Total segment revenue	639,812	234	-	640,046
Revenue from external customers	<u>639,812</u>	<u>234</u>	<u>-</u>	<u>640,046</u>
Finance income	830	-	753	1,583
Finance cost	(794)	-	(2,265)	(3,059)
Depreciation and amortisation	(10,064)	(587)	(590)	<u>(11,241)</u>
Loss before taxation	(34,116)	(1,834)	(3,612)	(39,562)
Taxation	3,807	-	1,133	4,940
Loss after taxation for the financial period				<u>(34,622)</u>
Timing of revenue recognition:				
<u>Goods and services transferred</u>				
- At a point in time	639,812	234	-	640,046
- Over time	-	-	-	-
	<u>639,812</u>	<u>234</u>	<u>-</u>	<u>640,046</u>

Total assets as at 31 March 2017

	Sugar	Rubber and palm oil	Reconciliation	Total
Total assets	2,944,248	147,234	206,340	3,297,822
Total liabilities	1,238,264	94,670	8,141	1,341,076
Additions to property, plant and equipment	152,577	36	79	152,692
Additions to intangible assets	-	-	589	589

9 Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in mark-to-market position on effective hedging contracts at 31 March 2018.

Fair value changes in effective hedging contracts are recognised directly in equity and are transferred to the income statement in the same period as the underlying hedged item impacts profit or loss.

10 Restatement of the comparative period

Impact of adjustments of adoption of the new MFRSs on the condensed consolidated statement of comprehensive income for the comparative of the financial period ended 31 March 2018:

	As per previous accounting framework	Adoption of MFRS 15	As per current accounting framework
Statement of comprehensive income			
31 March 2017			
Revenue	648,971	(8,925)	640,046
Selling and distribution cost	(23,840)	8,925	(14,915)

The impact of the adoption on retained earnings and reserves is not material.

11 Valuation of Property, Plant and Equipment

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

12 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 March 2018.

13 Changes in the Composition of the Group

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

14 Changes in Contingent Liabilities or Contingent Assets

The Group does not have any material contingent liabilities or contingent assets as at 31 March 2018.

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QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

15 Capital Commitments Outstanding Not Provided for in the Unaudited Condensed Consolidated Financial Information

	As at 31 March	
	2018	2017
Property, plant and equipment:		
- Contracted but not provided for	267,849	476,959
- Approved but not contracted for	92,206	311,541
	<u>360,055</u>	<u>788,500</u>

16 Material Related Party Transactions

(a) Related party transactions are as follows:

	Year to Date Ended 31 March	
	2018	2017
(i) Transactions with ultimate holding company		
Management fees (Felda Global Ventures Holdings Berhad)	2,537	2,507
(ii) Transactions with related companies		
Sales of refined sugar (Felda Trading Sdn. Bhd.)	(1,984)	(10,036)
Security services (Felda Security Services Sdn. Bhd.)	244	307
Information technology services (Felda Prodata System Sdn. Bhd.)	4	98
Travel agent services (Felda Travel Sdn. Bhd.)	38	186
Insurance services (Felda Trading Sdn. Bhd.)	30	33
Refreshment services (Felda D'Saji Sdn. Bhd.)	-	7
Rental income (Felda Agricultural Services Sdn. Bhd.)	(5)	-
House rental (Felda Global Ventures R&D Sdn. Bhd.)	(6)	(5)
Office rental (FELDA)	361	383
Supply of water and electricity charges (Felda Chuping Sdn. Bhd.)	(1)	(1)
Installation & construction of utilites building (Felda Engineering Sdn. Bhd.)	3,771	-
	<u>4,989</u>	<u>(6,521)</u>
(iii) Transactions between subsidiaries and government-related financial institutions		
Interest expense for bankers acceptances	696	1,889
Interest income from fixed deposits and cash balances	(167)	(56)

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

	As at	
	31 March 2018	31 December 2017
(i) Balances with ultimate holding company		
Amount due to:		
Felda Global Ventures Holdings Berhad	<u>4,320</u>	<u>505</u>
(ii) Balances with related companies		
Amount due to:		
Felda Security Services Sdn. Bhd.	275	23
Felda Prodata System Sdn. Bhd.	44	43
Felda Travel Sdn. Bhd.	79	25
Felda Holdings Bhd	14	14
FPM Sdn. Bhd.	-	329
Felda Transport Services Sdn Bhd	11	33
	<u>423</u>	<u>467</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

16 Material Related Party Transactions (continued)

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

	As at	
	31 March 2018	31 December 2017
(iii) Balances with FELDA		
Amount due to:		
FELDA	<u>561</u>	<u>561</u>
(iv) Balances with related companies		
Non-current		
Amount due from:		
Felda Trading Sdn. Bhd.	<u>1,245</u>	<u>4,245</u>
Current		
Amount due from:		
Felda Trading Sdn. Bhd.	12,614	12,798
Felda Agricultural Services Sdn. Bhd.	2	2
Felda Global Ventures R&D Sdn. Bhd.	2	4
FGV Capital Sdn. Bhd.	24,595	18,678
FPM Sdn. Bhd.	-	3
	<u>37,213</u>	<u>31,485</u>
(v) Balances with ultimate holding company		
Amount due from:		
Felda Global Ventures Holdings Berhad	<u>-</u>	<u>605</u>
(vi) Loan due to a related company		
Amount due to:		
FGV Capital Sdn. Bhd.	<u>30,008</u>	<u>108,826</u>
(vii) Balances between subsidiaries and government-related financial institutions		
Bankers acceptances	330,510	434,339
Fixed deposits and cash balances	36,142	69,937

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

17 Review of Performance

	Quarter Ended 31 March		% Change
	2018	2017	
Revenue	549,061	640,046	(14.2%)
Gross profit	69,225	(5,873)	(1278.7%)
Profit/(Loss) before taxation	20,944	(39,562)	152.9%
Profit/(Loss) for the period	15,806	(34,622)	145.7%

(a) Quarter on Quarter

The Group recorded a total revenue of RM549.06 million quarter on quarter, which is RM90.98 million or 14.2% lower compared to the same period last year of RM640.05 million. This is due to 7% reduction in the overall tonnage sold and lower average selling price.

The profit after tax (PAT) for the three (3) months period ended 31 March 2018 is RM15.81 million, which is RM50.43 million or 145.7% higher compared to previous corresponding period loss after tax (LAT) of RM34.62 million due to lower raw material costs and favorable foreign exchange rate.

18 Material Changes in the Quarterly Results Compared to the Preceding Quarter (31 December 2017)

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

	Quarter Ended		% Change
	31 March 2018	31 December 2017	
Revenue	549,061	643,895	(14.7%)
Gross profit	69,225	37,180	86.2%
Profit before taxation	20,944	27,036	(22.5%)
Profit for the period	15,806	13,082	20.8%

The Group recorded a total revenue RM549.06 million in the current quarter compared to the preceding quarter of RM643.89 million. This is due to decrease in the overall tonnage sold by 10% and lower average selling price.

The Group recorded PAT of RM15.81 million for the three (3) months period ended 31 March 2018 compared to the preceding quarter profit after tax of RM13.08 million. This is due to a 4% decrease in the average raw sugar cost for the Group compared to the preceding quarter.

19 Current Year Prospects

The Group maintains its positive outlook for 2018 and expects to gain from improved operations, low raw sugar prices and strengthening Ringgit in the near term.

20 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

21 Profit/(Loss) from Operations

Included in the operating profit/(loss) are:

	Year to Date Ended 31 March	
	2018	2017
Amortisation of intangible asset	1,323	1,162
Amortisation of prepaid lease payment	19	22
Depreciation of property plant and equipment	8,157	10,057
Property, plant and equipment written off	12	135
Gain on disposal of property, plant and equipment	(5)	-
Net foreign currency exchange loss	1,935	2,679
Commodity loss/(gain)	2,984	(20,632)

22 Taxation

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2018	2017	2018	2017
Current	(7,014)	10,270	(7,014)	10,270
Deferred	1,876	(5,330)	1,876	(5,330)
	(5,138)	4,940	(5,138)	4,940

The effective tax rate for the current period ended 31 March 2018 is higher than the Malaysian income tax rate of 24% due to higher taxable income during the first quarter 2018.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

23 Earnings/(Loss) Per Share

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2018	2017	2018	2017
Basic earnings/(loss) per share are computed as follows:				
Profit/(Loss) for the financial period/year attributable to owners of the Company (RM'000)	15,806	(34,622)	15,806	(34,622)
Weighted average number of ordinary shares in issue (thousands)	702,980	702,980	702,980	702,980
Basic earnings/(loss) per share (sen)	<u>2.25</u>	<u>(4.93)</u>	<u>2.25</u>	<u>(4.93)</u>

24 Derivative Financial Instruments

The fair value of these derivatives as at 31 March 2018 are as follows:

Type of derivatives	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Islamic profit rate swap	317,380	1,144	-
Foreign currency exchange forward contracts	48,412	-	2,064
	<u>365,792</u>	<u>1,144</u>	<u>2,064</u>

25 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 2017. The following table presents the assets that are measured at fair value at 31 March 2018.

31 March 2018

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Islamic profit rate swap	-	1,144	-	1,144
	<u>-</u>	<u>1,144</u>	<u>-</u>	<u>1,144</u>
Liabilities				
Financial liabilities at fair value through profit and loss				
- Foreign currency exchange forward contracts	-	2,064	-	2,064
	<u>-</u>	<u>2,064</u>	<u>-</u>	<u>2,064</u>

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 Islamic profit rate swap and foreign currency exchange forward contracts.

26 Unquoted Investments and/or Properties

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

27 Quoted Investments

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

28 Status of Corporate Proposals

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

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QUARTERLY REPORT (CONTINUED)

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

29 Group Borrowings

Total borrowings, which are denominated in Ringgit Malaysia, are as follows:

	2018	As at 31 March 2017
Borrowings		
Non-current		
Secured:		
Islamic term loans	<u>441,869</u>	<u>317,380</u>
Current		
Secured :		
Islamic term loans	64,619	-
Unsecured:		
Bankers' acceptances and revolving credits	<u>513,253</u>	<u>631,652</u>
	<u>577,872</u>	<u>631,652</u>
 Average interest rate	 <u>3.99%</u>	 <u>3.32%</u>

All borrowings are denominated in Ringgit Malaysia.

As at 31 March 2018, the Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group.

30 Off Balance Sheet Financial Instruments

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

31 Material Litigation

Since the last Financial Statements for the year ended 31 December 2017, the Group is not a party to any material obligation or arbitration, either as plaintiff or defendant.

On behalf of the Board

Dato' Khairil Anuar Aziz
Executive Director

Datuk Wira Azhar Abdul Hamid
Chairman

Kuala Lumpur
23 May 2018