



MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

**Condensed Consolidated Financial Statements
For The Financial Period Ended 30 June 2018**

MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

On consolidated results for the period ended 30 June 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in RM thousand unless otherwise stated

	Quarter Ended 30 June			Year to Date Ended 30 June		
	2018	2017	% Change	2018	2017	% Change
Revenue	573,223	691,107	(17.1%)	1,122,284	1,338,856	(16.2%)
Cost of sales	(512,883)	(672,177)		(992,719)	(1,318,096)	
Gross profit	60,340	18,930	218.8%	129,565	20,760	524.1%
Other operating income	2,273	2,300		4,066	7,119	
Selling and distribution cost	(22,496)	(18,636)		(43,261)	(41,254)	
Administrative expenses	(19,696)	(9,675)		(37,937)	(37,038)	
Other gains/(loss)-net	3,465	(19,267)		1,530	(10,400)	
Other operating expenses	(118)	(83)		(1,892)	(3,704)	
Profit/(Loss) from operations	23,768	(26,431)	189.9%	52,071	(64,517)	180.7%
Finance costs	(4,289)	(3,975)		(12,635)	(7,034)	
Finance income	616	1,813		1,603	3,396	
Profit/(Loss) before taxation	20,095	(28,593)	170.3%	41,039	(68,155)	160.2%
Taxation	(5,765)	7,143		(10,903)	12,083	
Profit/(Loss) for the period	14,330	(21,450)	166.8%	30,136	(56,072)	153.7%
Other comprehensive income						
Currency translation differences	874	201		358	4,759	
Cash flow hedges	41	-		468	-	
Other comprehensive income for the period	915	201		826	4,759	
Total comprehensive income/(loss) for the period	15,245	(21,249)	171.7%	30,962	(51,313)	160.3%

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2018

	Quarter Ended 30 June			Year to Date Ended 30 June		
	2018	2017	% Change	2018	2017	% Change
Profit/(Loss) attributable to :						
Shareholders of the Company	14,330	(21,450)	166.8%	30,136	(56,072)	153.7%
Non-controlling interest	-	-		-	-	
Profit/(Loss) for the period	14,330	(21,450)	166.8%	30,136	(56,072)	153.7%
Total comprehensive income/(loss) attributable to :						
Shareholders of the Company	15,245	(21,249)	171.7%	30,962	(51,313)	160.3%
Non-controlling interest	-	-		-	-	
Total comprehensive income/(loss) for the period	15,245	(21,249)	171.7%	30,962	(51,313)	160.3%
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	2.04	(3.05)		4.29	(7.98)	

Note 23

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 30 June 2018 (continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in RM thousand unless otherwise stated

	Unaudited As at 30 June 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
Assets			
Non-current assets			
Property, plant and equipment	1,661,298	1,457,282	950,408
Intangible asset	66,249	68,332	70,464
Goodwill	576,240	576,240	576,240
Prepaid lease payment	483	521	601
Receivables	5,275	5,054	4,640
Derivative financial assets	-	717	-
Amounts due from related companies	-	4,245	-
Total non-current assets	2,309,545	2,112,391	1,602,353
Current assets			
Inventories	486,674	718,045	888,949
Trade receivables	228,716	257,714	262,443
Other receivables, deposits and prepayments	45,445	78,603	87,949
Tax recoverable	29,492	36,032	29,520
Derivative financial assets	2,764	3,147	1,970
Amounts due from related companies	29,029	31,485	14,326
Amount due from ultimate holding company	43	605	-
Deposits with licensed banks	119,335	88,201	245,593
Cash and bank balances	128,669	82,326	92,318
Total current assets	1,070,167	1,296,158	1,623,068
Non-current assets held for sale	-	-	7
Total assets	3,379,712	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	1,437	1,079	(2,213)
Cash flow hedge reserve	1,185	717	-
Retained earnings	545,904	515,768	576,461
Total equity attributable to equity holders of the Company	1,961,088	1,930,126	1,986,810
Non-controlling interest	-	-	-
Total equity	1,961,088	1,930,126	1,986,810
Non-current liabilities			
Deferred tax liabilities	80,286	78,675	73,744
Borrowings	710,325	370,339	178,903
Provisions	32	32	-
Total non-current liabilities	790,643	449,046	252,647
Current liabilities			
Payables and accruals	115,306	197,256	465,856
Amounts due to other related companies	202	467	400
Amount due to FELDA	678	561	-
Amount due to ultimate holding company	5,661	505	6,963
Loan due to a related company	30,350	108,826	156,452
Borrowings	475,306	721,762	356,300
Derivative financial liabilities	478	-	-
Total current liabilities	627,981	1,029,377	985,971
Total liabilities	1,418,624	1,478,423	1,238,618
Total equity and liabilities	3,379,712	3,408,549	3,225,428
Net assets per share attributable to equity holders of the Company (RM)	2.79	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
30 June 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	-	-	-	-	-	-	30,136	30,136
Other comprehensive income								
Item that will be subsequently reclassified to profit or loss								
- currency translation differences	-	-	-	-	358	-	-	358
- cash flow hedges	-	-	-	-	-	468	-	468
Total comprehensive income	-	-	-	-	358	468	30,136	30,962
At 30 June 2018	<u>718,255</u>	<u>-</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>1,437</u>	<u>1,185</u>	<u>545,904</u>	<u>1,961,088</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
30 June 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	-	-	-	-	-	-	(56,072)	(56,072)
Other comprehensive income								
Item that will be subsequently reclassified to profit or loss								
- currency translation differences	-	-	-	-	4,759	-	-	4,759
Total comprehensive income/(loss)	-	-	-	-	4,759	-	(56,072)	(51,313)
Transaction with owners:								
Dividend	-	-	-	-	-	-	(28,119)	(28,119)
At 30 June 2017	<u>718,255</u>	<u>-</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>2,546</u>	<u>-</u>	<u>492,270</u>	<u>1,907,378</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	
	2018	2017
30 June		
Cash Flows from Operating Activities		
Profit/(Loss) for the period	30,136	(56,072)
Adjustment for Non-Cash Flow Items	45,212	16,238
Operating Profit/(Loss) Before Changes in Working Capital	<u>75,348</u>	<u>(39,834)</u>
Changes in Working Capital		
Net changes in working capital	144,979	(84,086)
Tax paid	(2,752)	(17,661)
Net Cash generated from/(used in) Operating Activities	<u>217,575</u>	<u>(141,581)</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(225,147)	(447,749)
Acquisition of intangible assets	(787)	(1,911)
Proceeds from disposal of property, plant and equipment	5	-
Interest received	1,603	3,396
Net Cash used in Investing Activities	<u>(224,326)</u>	<u>(446,264)</u>
Cash Flows from Financing Activities		
Repayment of loan due to a related company	(78,476)	(43,207)
Drawdown of borrowings, net of issuance costs	1,381,003	1,555,465
Repayment of borrowings	(1,287,473)	(828,006)
Interest paid	(12,635)	(16,304)
Dividend paid	-	(28,119)
Net Cash generated from Financing Activities	<u>2,419</u>	<u>639,829</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>(4,332)</u>	<u>51,984</u>
Foreign currency translation differences	(125)	(7,026)
Cash and Cash Equivalents at Beginning of the Financial Period	154,787	322,706
Cash and Cash Equivalents at End of the Financial Period	<u>150,330</u>	<u>367,664</u>
Cash and Cash Equivalents comprise:		
Deposits with licensed banks	119,335	95,940
Cash and bank balances	128,669	287,197
Less : Restricted cash	(97,674)	(15,473)
	<u>150,330</u>	<u>367,664</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 the 6 months period ended 30 June 2018 is set out below:

	As per previous accounting framework	Adoption of MFRS 9	As per current accounting framework
Statement of comprehensive income			
30 June 2018			
Administrative expenses	(37,536)	(401)	(37,937)
Statement of financial position			
30 June 2018			
Receivables	229,117	(401)	228,716
Retained earnings	546,305	(401)	545,904

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 the 6 months period ended 30 June 2018 is set out below:

	As per previous accounting framework	Adoption of MFRS 15	As per current accounting framework
Statement of comprehensive income			
30 June 2018			
Revenue	1,128,271	(5,987)	1,122,284
Selling and distribution cost	(49,248)	5,987	(43,261)

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 30 June 2018	Sugar	Rubber and palm oil	Reconciliation	Total
Total segment revenue	1,121,840	444	-	1,122,284
Revenue from external customers	1,121,840	444	-	1,122,284
Finance income	670	-	933	1,603
Finance cost	(12,617)	(18)	-	(12,635)
Depreciation and amortisation	(21,171)	(1,108)	(1,754)	(24,033)
Profit/(loss) before taxation	54,206	(3,336)	(9,831)	41,039
Taxation	(11,184)	-	281	(10,903)
Profit after taxation for the financial period				30,136
Timing of revenue recognition:				
<u>Goods and services transferred</u>				
- At a point in time	1,121,276	444	-	1,121,720
- Over time	564	-	-	564
	1,121,840	444	-	1,122,284
Total assets as at 30 June 2018				
	Sugar	Rubber and palm oil	Reconciliation	Total
Total assets	2,965,014	155,803	258,895	3,379,712
Total liabilities	1,030,001	109,233	279,390	1,418,624
Additions to property, plant and equipment	220,462	4,539	146	225,147
Additions to intangible assets	-	-	787	787

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 30 June 2017

	Sugar	Rubber and palm oil	Reconciliation	Total
Total segment revenue	1,338,462	394	-	1,338,856
Revenue from external customers	<u>1,338,462</u>	<u>394</u>	<u>-</u>	<u>1,338,856</u>
Finance income	1,782	-	1,614	3,396
Finance cost	(1,141)	(1)	(5,892)	(7,034)
Depreciation and amortisation	(10,263)	(1,169)	(1,188)	<u>(12,620)</u>
Loss before taxation	(61,675)	(3,239)	(3,241)	(68,155)
Taxation	14,124	-	(2,041)	<u>12,083</u>
Loss after taxation for the financial period				<u>(56,072)</u>
Timing of revenue recognition:				
<u>Goods and services transferred</u>				
- At a point in time	1,338,462	394	-	1,338,856
- Over time	-	-	-	-
	<u>1,338,462</u>	<u>394</u>	<u>-</u>	<u>1,338,856</u>

Total assets as at 30 June 2017

	Sugar	Rubber and palm oil	Reconciliation	Total
Total assets	3,391,113	149,238	195,681	3,736,032
Total liabilities	1,724,738	98,080	5,836	1,828,654
Additions to property, plant and equipment	447,606	57	86	447,749
Additions to intangible assets	<u>-</u>	<u>-</u>	<u>1,911</u>	<u>1,911</u>

9 Other Comprehensive Income

Cash flow hedges represent fair value changes due to movement in mark-to-market position on effective hedging contracts at 30 June 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 30 June 2018:

	As per previous accounting framework	Adoption of MFRS 15	As per current accounting framework
Statement of comprehensive income			
30 June 2017			
Revenue	1,341,429	(2,573)	1,338,856
Selling and distribution cost	(43,827)	2,573	(41,254)

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 30 June 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 30 June 2018.

MSM MALAYSIA HOLDINGS BERHAD
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	
	30 June	
	2018	2017
Property, plant and equipment:		
- Contracted but not provided for	155,675	373,188
- Approved but not contracted for	68,984	183,799
	<u>224,659</u>	<u>556,987</u>

16 Material Related Party Transactions

(a) Related party transactions are as follows:

	Year to Date Ended	
	30 June	
	2018	2017
(i) Transactions with ultimate holding company		
Management fees (Felda Global Ventures Holdings Berhad)	3,649	2,976
Sales of refined sugar (Felda Global Ventures Holdings Berhad)	(47)	-
Other services (Felda Global Ventures Holdings Berhad)	86	-
(ii) Transactions with related companies		
Sales of refined sugar (Felda Trading Sdn. Bhd.)	(5,558)	(14,389)
Security services (Felda Security Services Sdn. Bhd.)	503	578
Information technology services (Felda Prodata System Sdn. Bhd.)	7	72
Travel agent services (Felda Travel Sdn. Bhd.)	92	357
Insurance services (Felda Trading Sdn. Bhd.)	30	33
Repair for tractor (Felda Global Ventures Plantations Sdn. Bhd.)	-	1
Refreshment services (Felda D'Saji Sdn. Bhd.)	14	12
Rental income (Felda Agricultural Services Sdn. Bhd.)	(29)	(24)
House rental (Felda Global Ventures R&D Sdn. Bhd.)	(12)	11
Office rental (FELDA)	455	749
Supply of water and electricity charges (Felda Chuping Sdn. Bhd.)	(3)	2
Installation & construction of utilities building (Felda Engineering Sdn. Bhd.)	18,333	-
Freight forwarder (Felda Transport Services Sdn. Bhd.)	121	-
	<u>17,641</u>	<u>(9,622)</u>

(iii) Transactions between subsidiaries and government-related financial institutions

Interest expense for bankers acceptances	5,143	2,242
Interest income from fixed deposits and cash balances	(313)	(143)

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

	As at	
	30 June	31 December
	2018	2017
(i) Balances with ultimate holding company		
Amount due to:		
Felda Global Ventures Holdings Berhad	<u>5,661</u>	<u>505</u>
(ii) Balances with related companies		
Amount due to:		
Felda Security Services Sdn. Bhd.	104	23
Felda Prodata System Sdn. Bhd.	46	43
Felda Travel Sdn. Bhd.	37	25
Felda Holdings Bhd	14	14
Felda D'saji Sdn Bhd	1	-
FPM Sdn. Bhd.	-	329
Felda Transport Services Sdn Bhd	-	33
	<u>202</u>	<u>467</u>

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

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	
	30 June 2018	31 December 2017
(iii) Balances with FELDA		
Amount due to:		
FELDA	678	561
(iv) Balances with related companies		
Non-current		
Amount due from:		
Felda Trading Sdn. Bhd.	-	4,245
Current		
Amount due from:		
Felda Trading Sdn. Bhd.	11,174	12,798
Felda Agricultural Services Sdn. Bhd.	21	2
FGV Holdings Bhd	143	-
Felda Global Ventures R&D Sdn. Bhd.	2	4
FGV Capital Sdn. Bhd.	17,689	18,678
FPM Sdn. Bhd.	-	3
	<u>29,029</u>	<u>31,485</u>
(v) Balances with ultimate holding company		
Amount due from:		
Felda Global Ventures Holdings Berhad	43	605
(vi) Loan due to a related company		
Amount due to:		
FGV Capital Sdn. Bhd.	30,350	108,826
(vii) Balances between subsidiaries and government-related financial institutions		
Bankers acceptances	69,380	434,339
Fixed deposits and cash balances	52,521	69,937

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

17 Review of Performance

	Quarter Ended 30 June		% Change
	2018	2017	
Revenue	573,223	691,107	(17.1%)
Gross profit	60,340	18,930	218.8%
Profit/(Loss) before taxation	20,095	(28,593)	170.3%
Profit/(Loss) for the period	14,330	(21,450)	166.8%

(a) Quarter on Quarter

The Group recorded a total revenue of RM573.22 million quarter on quarter, which is RM117.89 million or 17.1% lower compared to the same period last year of RM691.11 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 30 June 2018 is RM14.33 million, which is RM35.78 million or 166.8% higher compared to previous corresponding period loss after tax (LAT) of RM21.45 million due to lower raw material costs and favorable foreign exchange rate.

(b) Year on Year

The Group revenue for the first half of th year 2018 is RM1,122.28 million compared to RM1,338.86 million in the same period last year. The decrease is due to lower overall tonnage sold.

The Group recorded a PAT for the six (6) months period ended 30 June 2018 of RM30.14 million as compared to previous corresponding period's LAT of RM56.07 million due to lower raw material cost and and favorable foreign exchange rate.

18 Material Changes in the Quarterly Results Compared to the Preceding Quarter (31 March 2018)

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

	Quarter Ended		% Change
	30 June 2018	31 March 2018	
Revenue	573,223	549,061	4.4%
Gross profit	60,340	69,225	(12.8%)
Profit before taxation	20,095	20,944	(4.1%)
Profit for the period	14,330	15,806	(9.3%)

The Group recorded a total revenue RM573.22 million in the current quarter compared to the preceding quarter of RM549.06 million. This is due to higher overall tonnage sold by 8%.

The Group recorded PAT of RM14.33 million for the three (3) months period ended 30 June 2018 compared to the preceding quarter profit after tax of RM15.80 million. This is due to an increase in selling and distribution and administrative expenses for the Group compared to the preceding quarter.

19 Current Year Prospects

The Group views the second half of 2018 as a challenging period given the potential changes in domestic sugar policies and challenging market environment. Notwithstanding these and the recent weakening trend of the Ringgit, the Group maintains its positive outlook and expects to pursue strategic initiatives to remain resilient and profitable.

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 30 June	
	2018	2017
Amortisation of intangible asset	2,870	1,614
Amortisation of prepaid lease payment	38	41
Depreciation of property plant and equipment	21,125	10,965
Property, plant and equipment written off	6	188
Inventory written off	578	-
(Gain)/loss on disposal of property, plant and equipment	(5)	10
Net foreign currency exchange gain	(2,126)	(8,432)
Commodity loss/(gain)	3,458	(24,766)

22 Taxation

	Quarter Ended 30 June		Year to Date Ended 30 June	
	2018	2017	2018	2017
Current	(2,278)	3,362	(9,292)	5,208
Deferred	(3,487)	3,781	(1,611)	6,875
	(5,765)	7,143	(10,903)	12,083

The effective tax rate for the current period ended 30 June 2018 is higher than the Malaysian income tax rate of 24% due to higher taxable income during the second quarter 2018. The tax credits in 2017 arose from the losses incurred in prior year.

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

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

23 Earnings/(Loss) Per Share

	Quarter Ended 30 June		Year to Date Ended 30 June	
	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)	14,330	(21,450)	30,136	(56,072)
Weighted average number of ordinary shares in issue (thousands)	702,980	702,980	702,980	702,980
Basic earnings/(loss) per share (sen)	<u>2.04</u>	<u>(3.05)</u>	<u>4.29</u>	<u>(7.98)</u>

24 Derivative Financial Instruments

The fair value of these derivatives as at 30 June 2018 are as follows:

	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Type of derivatives			
Islamic profit rate swap	317,380	1,185	-
Foreign currency exchange forward contracts	77,211	1,579	-
Sugar commodity futures contracts	5,462	-	478
	<u>400,053</u>	<u>2,764</u>	<u>478</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 30 June 2018.

30 June 2018

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Islamic profit rate swap	-	1,185	-	1,185
- Foreign currency exchange forward contracts	-	1,579	-	1,579
	<u>-</u>	<u>2,764</u>	<u>-</u>	<u>2,764</u>
Liabilities				
Financial liabilities at fair value through profit and loss				
- Sugar commodity futures contracts	478	-	-	478
	<u>478</u>	<u>-</u>	<u>-</u>	<u>478</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 sugar commodity futures contracts.

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.

MSM MALAYSIA HOLDINGS BERHAD
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 30 June 2017
Borrowings		
Non-current		
Secured:		
Islamic term loans	710,325	-
Current		
Secured :		
Islamic term loans	187,795	474,590
Unsecured:		
Bankers' acceptances and revolving credits	287,511	788,072
	<u>475,306</u>	<u>1,262,662</u>
Average interest rate	<u>4.11%</u>	<u>3.66%</u>

All borrowings are denominated in Ringgit Malaysia.

The Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group. As at 30 June 2017, the Islamic term loans (under syndicated loan facility) were classified as current borrowings due to non-compliance of certain loan covenants. The Group has since received an indulgence letter from the bank to amend certain covenant requirements. As at 30 June 2018, the Group had meet all the required revised covenant. Accordingly as at 30 June 2018, the Islamic term loans have been classified as non-current borrowings.

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
24 August 2018