



MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

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

MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

On consolidated results for the period ended 30 September 2018

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in RM thousand unless otherwise stated

	Quarter Ended 30 September			Year to Date Ended 30 September		
	2018	2017	% Change	2018	2017	% Change
Revenue	562,054	667,110	(15.7%)	1,684,338	2,005,966	(16.0%)
Cost of sales	(499,958)	(593,194)		(1,492,677)	(1,911,290)	
Gross profit	62,096	73,916	(16.0%)	191,661	94,676	102.4%
Other operating income/(loss)	1,789	(4,185)		5,855	2,934	
Selling and distribution cost	(17,800)	(21,014)		(61,061)	(62,268)	
Administrative expenses	(19,267)	(13,147)		(57,204)	(50,185)	
Other (loss)/gains-net	(2,640)	761		(1,110)	(9,639)	
Other operating expenses	(1,869)	(1,833)		(3,761)	(5,537)	
Profit/(Loss) from operations	22,309	34,498	(35.3%)	74,380	(30,019)	347.8%
Finance costs	(3,591)	(10,404)		(16,226)	(17,438)	
Finance income	463	1,218		2,066	4,614	
Profit/(Loss) before taxation	19,181	25,312	(24.2%)	60,220	(42,843)	240.6%
Taxation	(3,305)	(14,896)		(14,208)	(2,813)	
Profit/(Loss) for the period	15,876	10,416	52.4%	46,012	(45,656)	200.8%
Other comprehensive income/(loss)						
Currency translation differences	495	(28)		853	4,731	
Cash flow hedges	(254)	(329)		214	(329)	
Other comprehensive income/(loss) for the period	241	(357)		1,067	4,402	
Total comprehensive income/(loss) for the period	16,117	10,059	60.2%	47,079	(41,254)	214.1%

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

	Quarter Ended 30 September			Year to Date Ended 30 September		
	2018	2017	% Change	2018	2017	% Change
Profit/(Loss) attributable to :						
Shareholders of the Company	15,876	10,416	52.4%	46,012	(45,656)	200.8%
Non-controlling interest	-	-		-	-	
Profit/(Loss) for the period	15,876	10,416	52.4%	46,012	(45,656)	200.8%
Total comprehensive income/(loss) attributable to :						
Shareholders of the Company	16,117	10,059	60.2%	47,079	(41,254)	214.1%
Non-controlling interest	-	-		-	-	
Total comprehensive income/(loss) for the period	16,117	10,059	60.2%	47,079	(41,254)	214.1%
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	2.26	1.48		6.55	(6.49)	

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 September 2018 (continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in RM thousand unless otherwise stated

	Unaudited As at 30 September 2018	Unaudited As at 31 December 2017	Unaudited As at 1 January 2017
Assets			
Non-current assets			
Property, plant and equipment	1,678,023	1,457,282	950,408
Intangible asset	65,482	68,332	70,464
Goodwill	576,240	576,240	576,240
Prepaid lease payment	470	521	601
Receivables	5,065	5,054	4,640
Derivative financial assets	931	717	-
Amounts due from related companies	-	4,245	-
Total non-current assets	2,326,211	2,112,391	1,602,353
Current assets			
Inventories	576,540	718,045	888,949
Trade receivables	228,280	257,714	262,443
Other receivables, deposits and prepayments	64,691	78,603	87,949
Tax recoverable	27,187	36,032	29,520
Derivative financial assets	-	3,147	1,970
Amounts due from related companies	57,432	31,485	14,326
Amount due from ultimate holding company	188	605	-
Loan due from a related company	25,000	-	-
Deposits with licensed banks	109,034	88,201	245,593
Cash and bank balances	127,149	82,326	92,318
Total current assets	1,215,501	1,296,158	1,623,068
Non-current assets held for sale	2,029	-	7
Total assets	3,543,741	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	1,932	1,079	(2,213)
Cash flow hedge reserve	931	717	-
Retained earnings	561,780	515,768	576,461
Total equity attributable to equity holders of the Company	1,977,205	1,930,126	1,986,810
Non-controlling interest	-	-	-
Total equity	1,977,205	1,930,126	1,986,810
Non-current liabilities			
Deferred tax liabilities	78,673	78,675	73,744
Borrowings	628,520	370,339	178,903
Provisions	32	32	-
Total non-current liabilities	707,225	449,046	252,647
Current liabilities			
Payables and accruals	159,262	197,256	465,856
Amounts due to other related companies	376	467	400
Amount due to FELDA	129	561	-
Amount due to ultimate holding company	6,569	505	6,963
Loan due to a related company	30,019	108,826	156,452
Borrowings	662,909	721,762	356,300
Derivative financial liabilities	47	-	-
Total current liabilities	859,311	1,029,377	985,971
Total liabilities	1,566,536	1,478,423	1,238,618
Total equity and liabilities	3,543,741	3,408,549	3,225,428
Net assets per share attributable to equity holders of the Company (RM)	2.81	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 September 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	-	-	-	-	-	-	46,012	46,012
Other comprehensive income								
Item that will be subsequently reclassified to profit or loss								
- currency translation differences	-	-	-	-	853	-	-	853
- cash flow hedges	-	-	-	-	-	214	-	214
Total comprehensive income	-	-	-	-	853	214	46,012	47,079
At 30 September 2018	<u>718,255</u>	<u>-</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>1,932</u>	<u>931</u>	<u>561,780</u>	<u>1,977,205</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 September 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	-	-	-	-	-	-	(45,656)	(45,656)
Other comprehensive income								
Item that will be subsequently reclassified to profit or loss								
- currency translation differences	-	-	-	-	4,731	-	-	4,731
- cash flow hedges	-	-	-	-	-	(329)	-	(329)
Total comprehensive income/(loss)	-	-	-	-	4,731	(329)	(45,656)	(41,254)
Transaction with owners:								
Dividend	-	-	-	-	-	-	(28,119)	(28,119)
At 30 September 2017	<u>718,255</u>	<u>-</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>2,518</u>	<u>(658)</u>	<u>502,686</u>	<u>1,917,437</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	
	30 September	
	2018	2017
Cash Flows from Operating Activities		
Profit/(Loss) for the period	46,012	(45,656)
Adjustment for Non-Cash Flow Items	89,647	47,176
Operating Profit Before Changes in Working Capital	<u>135,659</u>	<u>1,520</u>
Changes in Working Capital		
Net changes in working capital	10,307	(41,742)
Tax paid	(5,365)	(19,930)
Net Cash generated from/(used in) Operating Activities	<u>140,601</u>	<u>(60,152)</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(253,084)	(543,611)
Acquisition of intangible assets	(2,298)	(2,128)
Proceeds from disposal of property, plant and equipment	5	195
Interest received	2,066	4,614
Net Cash used in Investing Activities	<u>(253,311)</u>	<u>(540,930)</u>
Cash Flows from Financing Activities		
Drawdown of loan due to a related company, net of issuance costs	-	81,660
Repayment of loan due to a related company	(78,807)	(126,448)
Drawdown of borrowings, net of issuance costs	1,823,395	1,979,633
Repayment of borrowings	(1,624,067)	(1,490,775)
Interest paid	(39,315)	(17,438)
Dividend paid	-	(28,119)
Net Cash generated from Financing Activities	<u>81,206</u>	<u>398,513</u>
Net Decrease in Cash and Cash Equivalents	(31,504)	(202,569)
Foreign currency translation differences	404	(1,735)
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>123,687</u>	<u>118,402</u>
Cash and Cash Equivalents comprise:		
Deposits with licensed banks	109,034	33,585
Cash and bank balances	127,149	100,423
Less : Restricted cash	(112,496)	(15,606)
	<u>123,687</u>	<u>118,402</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 9 months period ended 30 September 2018 is set out below:

	As per previous accounting framework	Adoption of MFRS 9	As per current accounting framework
Statement of comprehensive income			
30 September 2018			
Administrative expenses	(55,618)	(1,586)	(57,204)
Statement of financial position			
30 September 2018			
Receivables	229,866	(1,586)	228,280
Retained earnings	563,366	(1,586)	561,780

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 9 months period ended 30 September 2018 is set out below:

	As per previous accounting framework	Adoption of MFRS 15	As per current accounting framework
Statement of comprehensive income			
30 September 2018			
Revenue	1,692,487	(8,149)	1,684,338
Selling and distribution cost	(69,210)	8,149	(61,061)

Impact of prior year restatement have been reflected in Note 10 of the announcement.

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 Executive Director. The Executive Director 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 September 2018	Sugar	Rubber and palm oil	Reconciliation	Total
Total segment revenue	1,683,522	816	-	1,684,338
Revenue from external customers	<u>1,683,522</u>	<u>816</u>	-	<u>1,684,338</u>
Finance income	1,320	-	746	2,066
Finance cost	(16,201)	(25)	-	(16,226)
Depreciation and amortisation	(33,133)	(1,663)	(2,624)	(37,420)
Profit/(loss) before taxation	74,848	(4,778)	(9,850)	60,220
Taxation	(14,490)	-	282	(14,208)
Profit after taxation for the financial period				<u>46,012</u>
Timing of revenue recognition:				
<u>Goods and services transferred</u>				
- At a point in time	1,682,622	816	-	1,683,438
- Over time	900	-	-	900
	<u>1,683,522</u>	<u>816</u>	-	<u>1,684,338</u>
Total assets as at 30 September 2018				
	Sugar	Rubber and palm oil	Reconciliation	Total
Total assets	3,150,814	156,870	236,057	3,543,741
Total liabilities	1,446,727	111,742	8,067	1,566,536
Additions to property, plant and equipment	246,453	6,454	177	253,084
Additions to intangible assets	-	-	2,298	2,298

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 September 2017				
	Sugar	Rubber and palm oil	Reconciliation	Total
Total segment revenue	2,005,203	763	-	2,005,966
Revenue from external customers	2,005,203	763	-	2,005,966
Finance income	2,351	-	2,263	4,614
Finance cost	(4,968)	-	(12,470)	(17,438)
Depreciation and amortisation	(20,417)	(1,748)	(1,790)	(23,955)
Loss before taxation	(33,954)	(4,769)	(4,120)	(42,843)
Taxation	(2,142)	-	(671)	(2,813)
Loss after taxation for the financial period				(45,656)
Timing of revenue recognition:				
<u>Goods and services transferred</u>				
- At a point in time	2,005,203	763	-	2,005,966
- Over time	-	-	-	-
	2,005,203	763	-	2,005,966
Total assets as at 30 September 2017				
	Sugar	Rubber and palm oil	Reconciliation	Total
Total assets	3,018,742	150,856	157,730	3,327,328
Total liabilities	1,316,645	101,227	(7,981)	1,409,891
Additions to property, plant and equipment	543,309	77	225	543,611
Additions to intangible assets	-	-	2,128	2,128

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 September 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 MFRS 15 on the condensed consolidated statement of comprehensive income for the comparative of the financial period ended 30 September 2018:

	As per previous accounting framework	Adoption of MFRS 15	As per current accounting framework
Statement of comprehensive income 30 September 2017			
Revenue	2,009,944	(3,978)	2,005,966
Selling and distribution cost	(66,246)	3,978	(62,268)

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 September 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 September 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	
	30 September 2018	2017
Property, plant and equipment:		
- Contracted but not provided for	155,369	369,768
- Approved but not contracted for	78,361	174,822
	<u>233,730</u>	<u>544,590</u>

16 Material Related Party Transactions

(a) Related party transactions are as follows:

	Year to Date Ended	
	30 September 2018	2017
(i) Transactions with ultimate holding company		
Management fees (FGV Holdings Berhad)	4,783	3,570
Sales of refined sugar (FGV Holdings Berhad)	(47)	-
Other services (FGV Holdings Berhad)	94	-
(ii) Transactions with related companies		
Sales of refined sugar (Felda Trading Sdn. Bhd.)	(8,359)	(19,761)
Security services (Felda Security Services Sdn. Bhd.)	819	870
Information technology services (Felda Prodata System Sdn. Bhd.)	85	128
Travel agent services (Felda Travel Sdn. Bhd.)	160	411
Insurance services (Felda Trading Sdn. Bhd.)	30	-
Agro chemical (Felda Trading Sdn. Bhd.)	4	-
Repair for tractor (Felda Global Ventures Plantations Sdn. Bhd.)	-	(1)
Advisory fees for analysis (Felda Agricultural Services Sdn Bhd)	2	1
Refreshment services (Felda D'Saji Sdn. Bhd.)	60	-
Rental income (Felda Agricultural Services Sdn. Bhd.)	(34)	(27)
Transportation services (Felda Transport Sdn Bhd)	187	-
House rental (Felda Global Ventures R&D Sdn. Bhd.)	18	(17)
Office rental (FELDA)	619	1,110
Supply of water and electricity charges (Felda Chuping Sdn. Bhd.)	4	(3)
Fertilizer (FPM Sdn. Bhd.)	-	481
Installation & construction of utilites building (Felda Engineering Sdn. Bhd.)	31,740	-
	<u>30,165</u>	<u>(13,238)</u>
(iii) Transactions between subsidiaries and government-related financial institutions		
Interest expense for bankers acceptances	12,472	11,457
Interest income from fixed deposits and cash balances	(2,050)	(4,329)

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

	As at	
	30 September 2018	31 December 2017
(i) Balances with ultimate holding company		
Amount due to:		
FGV Holdings Berhad	6,569	505
(ii) Balances with related companies		
Amount due to:		
Felda Security Services Sdn. Bhd.	195	23
Felda Prodata System Sdn. Bhd.	47	43
Felda Travel Sdn. Bhd.	56	25
Felda Holdings Bhd	14	14
Felda D'saji Sdn Bhd	4	-
FGV Trading Sdn Bhd	4	-
FPM Sdn. Bhd.	-	329
Felda Transport Services Sdn Bhd	56	33
	<u>376</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	
	30 September 2018	31 December 2017
(iii) Balances with FELDA		
Amount due to:		
FELDA	129	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.	9,410	12,798
Felda Agricultural Services Sdn. Bhd.	1	2
Felda Global Ventures R&D Sdn. Bhd.	2	4
FGV Capital Sdn. Bhd.	48,019	18,678
FPM Sdn. Bhd.	-	3
	<u>57,432</u>	<u>31,485</u>
(v) Loan due from a related company		
Amount due from:		
FGV Capital Sdn. Bhd.	25,000	-
(vi) Balances with ultimate holding company		
Amount due from:		
FGV Holdings Bhd	188	605
(vii) Loan due to a related company		
Amount due to:		
FGV Capital Sdn. Bhd.	30,019	108,826
(viii) Balances between subsidiaries and government-related financial institutions		
Bankers acceptances	206,475	434,339
Fixed deposits and cash balances	50,039	69,937

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17 Review of Performance

	Quarter Ended 30 September		% Change
	2018	2017	
Revenue	562,054	667,110	(15.7%)
Gross profit	62,096	73,916	(16.0%)
Profit before taxation	19,181	25,312	(24.2%)
Profit for the period	<u>15,876</u>	<u>10,416</u>	52.4%

(a) Quarter on Quarter

The Group recorded a total revenue of RM562.05 million quarter on quarter, which is RM105.06 million or 15.7% lower compared to the same period last year of RM667.11 million. This is due to 4% reduction in the overall tonnage sold and lower average selling price.

The profit after tax (PAT) for the three (3) months period ended 30 September 2018 is RM15.88 million, which is RM5.46 million or 52.4% higher compared to previous corresponding period of RM10.42 million due to lower raw material costs and favorable foreign exchange rate.

(b) Year on Year

The Group revenue for the nine (9) months ended 30 September 2018 is RM1,684.34 million compared to RM2,005.97 million in the same period last year. The decrease is due to lower overall tonnage sold.

The Group recorded a PAT for the nine (9) months period ended 30 September 2018 of RM46.01 million as compared to previous corresponding period's LAT of RM45.66 million due to lower raw material cost and favorable foreign exchange rate.

18 Material Changes in the Quarterly Results Compared to the Preceding Quarter (30 June 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 September 2018	30 June 2018	
Revenue	562,054	573,223	(1.9%)
Gross profit	62,096	60,340	2.9%
Profit before taxation	19,181	20,095	(4.5%)
Profit for the period	<u>15,876</u>	<u>14,330</u>	10.8%

The Group recorded a total revenue RM562.05 million in the current quarter compared to the preceding quarter of RM573.22 million. This is due to lower average selling price.

The Group recorded PAT of RM15.88 million for the three (3) months period ended 30 September 2018 compared to the preceding quarter profit after tax of RM14.33 million. This is due to a decrease in selling and distribution and finance costs for the Group compared to the preceding quarter.

19 Current Year Prospects

The Group maintains its positive outlook to remain profitable for the year.

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 September	
	2018	2017
Amortisation of intangible asset	5,148	1,893
Amortisation of prepaid lease payment	51	61
Depreciation of property plant and equipment	32,220	22,002
Property, plant and equipment written off	123	922
Inventory written off	1,363	-
(Gain)/loss on disposal of property, plant and equipment	(32)	10
Net foreign currency exchange gain	1,761	9,639
Commodity loss/(gain)	<u>1,841</u>	<u>(37,706)</u>

22 Taxation

	Quarter Ended 30 September		Year to Date Ended 30 September	
	2018	2017	2018	2017
Current	(4,918)	(2,187)	(14,210)	3,021
Deferred	1,613	(12,709)	2	(5,834)
	<u>(3,305)</u>	<u>(14,896)</u>	<u>(14,208)</u>	<u>(2,813)</u>

The effective tax rate for the current period ended 30 September 2018 is lower than the Malaysian income tax rate of 24% due to reversals of overprovision from prior periods.

While effective tax rate for the year to date ended 30 September 2018 is similar to Malaysian income tax rate of 24%.

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23 Earnings/(Loss) Per Share

	Quarter Ended 30 September		Year to Date Ended 30 September	
	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)	15,876	10,416	46,012	(45,656)
Weighted average number of ordinary shares in issue (thousands)	702,980	702,980	702,980	702,980
Basic earnings/(loss) per share (sen)	<u>2.26</u>	<u>1.48</u>	<u>6.55</u>	<u>(6.49)</u>

24 Derivative Financial Instruments

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

Type of derivatives	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Islamic profit rate swap	500,000	931	-
Foreign currency exchange forward contracts	924	-	47
	<u>500,924</u>	<u>931</u>	<u>47</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 September 2018.

30 September 2018

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through other comprehensive income				
- Islamic profit rate swap	-	931	-	931
Liabilities				
Financial liabilities at fair value through profit and loss				
- Foreign currency exchange forward contracts	-	47	-	47

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)
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29 Group Borrowings

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

	As at 30 September	
	2018	2017
Borrowings		
Non-current		
Secured:		
Islamic term loans	628,520	-
Current		
Secured :		
Islamic term loans	283,115	399,231
Unsecured:		
Bankers' acceptances and revolving credits	379,794	624,830
	<u>662,909</u>	<u>1,024,060</u>
Average interest rate	<u>4.13%</u>	<u>3.60%</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 September 2018, the Group had met all required loan covenant. Accordingly as at 30 September 2018, all loans have been classified based on its contractual due dates.

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
21 November 2018