



MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

Registration No.: 201101007583 (935722-K)

QUARTERLY REPORT

Condensed Consolidated Financial Statements
For The Financial Period Ended 31 December 2019

MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

Registration No.: 201101007583 (935722-K)

QUARTERLY REPORT

On consolidated results for the period ended 31 December 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in RM thousand unless otherwise stated

	Restated			Restated		
	Quarter Ended 31 December 2019	2018	% Change	Year to Date Ended 31 December 2019	2018	% Change
<i>Continuing operations</i>						
Revenue	516,039	530,854	(2.8%)	2,006,911	2,214,377	(9.4%)
Cost of sales	(502,470)	(478,300)		(1,997,424)	(2,015,827)	
Gross profit	13,569	52,554	(74.2%)	9,487	198,550	(95.2%)
Other operating income	1,703	-		8,328	1,403	
Selling and distribution cost	(5,377)	(4,591)		(25,272)	(19,762)	
Administrative expenses	(27,194)	(20,164)		(78,144)	(76,342)	
Other gain/(loss) - net	2,324	(1,777)		4,999	(2,887)	
Other operating expenses	(672)	(4,318)		(140,769)	(124)	
(Loss)/Profit from operations	(15,647)	21,704	>(100%)	(221,371)	100,838	>(100%)
Finance costs	(16,639)	(22,283)		(82,128)	(38,509)	
Finance income	1,233	1,991		3,949	4,057	
(Loss)/Profit before taxation	(31,053)	1,412	>(100%)	(299,550)	66,386	>(100%)
Taxation	(6,215)	(13,301)		11,074	(27,509)	
Zakat	(14)	(1,500)		(14)	(1,500)	
(Loss)/Profit from continuing operations	(37,282)	(13,389)	>100%	(288,490)	37,377	>(100%)
<i>Discontinuing operations</i>						
(Loss)/profit from discontinuing operations, net of tax	(2,996)	3,036	>(100%)	(11,279)	(1,717)	>100%
(Loss)/Profit for the period	(40,278)	(10,353)	>100%	(299,769)	35,660	>(100%)
Other comprehensive (loss)/income						
Currency translation differences	(110)	48		(145)	901	
Cash flow hedges	665	(370)		(5,529)	(156)	
Other comprehensive income/(loss) for the period	555	(322)		(5,674)	745	
Total comprehensive (loss)/income for the period	(39,723)	(10,675)	>100%	(305,443)	36,405	>(100%)

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

On consolidated results for the period ended 31 December 2019 (continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR
THE PERIOD ENDED 31 DECEMBER 2019

	Quarter Ended 31 December			Restated Year to Date Ended 31 December		
	2019	2018	% Change	2019	2018	% Change
(Loss)/Profit attributable to :						
Shareholders of the Company						
- from continuing operations	(37,282)	(13,389)		(288,490)	37,377	
- from discontinuing operations	(2,996)	3,036		(11,279)	(1,717)	
(Loss)/Profit for the period	(40,278)	(10,353)	>100%	(299,769)	35,660	>(100%)
Total comprehensive (loss)/income attributable to :						
Shareholders of the Company						
- from continuing operations	(36,727)	(13,711)		(294,164)	38,122	
- from discontinuing operations	(2,996)	3,036		(11,279)	(1,717)	
Total comprehensive (loss)/income for the period	(39,723)	(10,675)	>100%	(305,443)	36,405	>(100%)
Basic (loss)/earnings per share attributable to equity holders of the Company (sen) Note 23						
- from continuing operations	(5.30)	(1.90)		(41.04)	5.32	
- from discontinuing operations	(0.43)	0.43		(1.60)	(0.24)	
	(5.73)	(1.47)		(42.64)	5.08	

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 2018 and the accompanying explanatory notes attached to the Unaudited Condensed Consolidated Financial Information.

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)
On consolidated results for the period ended 31 December 2019 (continued)

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

	Unaudited As at 31 December 2019	Unaudited As at 31 December 2018 Restated	Unaudited As at 1 January 2018 Restated
Assets			
Non-current assets			
Property, plant and equipment	1,295,432	1,553,921	1,264,998
Intangible asset	54,519	63,920	68,332
Goodwill	576,240	576,240	576,240
Right-of-use assets	96,174	196,045	200,574
Receivables	301	2,979	5,054
Derivative financial assets	-	561	717
Amount due from a related company	-	1,372	4,245
Total non-current assets	2,022,666	2,395,038	2,120,160
Current assets			
Inventories	319,252	679,046	732,242
Trade receivables	266,539	221,875	239,750
Other receivables, deposits and prepayments	23,733	91,313	78,603
Tax recoverable	9,738	29,722	36,032
Derivative financial assets	2,466	-	3,147
Amounts due from related companies	6,846	44,056	31,485
Amount due from ultimate holding company	1,443	702	605
Deposits with licensed banks	148,969	148,786	88,201
Cash and bank balances	21,567	42,777	82,326
Total current assets	800,553	1,258,277	1,292,391
Non-current assets held for sale	157,547	2,027	-
Total assets	2,980,766	3,655,342	3,412,551
Equity			
Share capital	718,255	718,255	718,255
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	1,835	1,980	1,079
Cash flow hedge reserve	(4,968)	561	717
Retained earnings	248,102	547,871	512,211
Total equity attributable to equity holders of the Company	1,657,531	1,962,974	1,926,569
Non-controlling interest	-	-	-
Total equity	1,657,531	1,962,974	1,926,569
Non-current liabilities			
Lease liabilities	4,469	5,341	5,949
Deferred tax liabilities	51,062	83,384	78,607
Borrowings	605,153	556,284	370,339
Provisions	-	32	32
Derivative financial instruments	4,968	-	-
Total non-current liabilities	665,652	645,041	454,927
Current liabilities			
Payables and accruals	129,969	262,148	193,106
Amounts due to other related companies	2,059	2,844	467
Amount due to FELDA	50	50	561
Amount due to ultimate holding company	14,246	9,213	505
Lease liabilities	1,187	1,616	1,678
Loan due to a related company	70,431	30,365	108,826
Borrowings	439,631	740,461	725,912
Derivative financial liabilities	10	630	-
Total current liabilities	657,583	1,047,327	1,031,055
Total liabilities	1,323,235	1,692,368	1,485,982
Total equity and liabilities	2,980,766	3,655,342	3,412,551
Net assets per share attributable to equity holders of the Company (RM)	2.36	2.79	2.74

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited Financial Statements for the year ended 31 December 2018 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

Year ended	Share capital	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Cash flow hedge reserves	Retained earnings	Equity attributable to equity holders of the Company
31 December 2019							
At 1 January 2019	718,255	1,733,939	(1,039,632)	1,980	561	547,607	1,962,710
Impact from Adoption of MFRS 16	-	-	-	-	-	264	264
At 1 January 2019 - as restated	718,255	1,733,939	(1,039,632)	1,980	561	547,871	1,962,974
Loss for the year	-	-	-	-	-	(299,769)	(299,769)
Other comprehensive loss							
Item that will be subsequently reclassified to profit or loss							
- currency translation differences	-	-	-	(145)	-	-	(145)
- cash flow hedges	-	-	-	-	(5,529)	-	(5,529)
Total comprehensive loss	-	-	-	(145)	(5,529)	(299,769)	(305,443)
At 31 December 2019	<u>718,255</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>1,835</u>	<u>(4,968)</u>	<u>248,102</u>	<u>1,657,531</u>
Year ended	Share capital	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Cash flow hedge reserves	Retained earnings	Equity attributable to equity holders of the Company
31 December 2018							
At 1 January 2018	718,255	1,733,939	(1,039,632)	1,079	717	512,001	1,926,359
Impact from Adoption of MFRS 16	-	-	-	-	-	210	210
At 1 January 2018 - as restated	718,255	1,733,939	(1,039,632)	1,079	717	512,211	1,926,569
Profit for the year	-	-	-	-	-	35,660	35,660
Other comprehensive income/(loss)							
Item that will be subsequently reclassified to profit or loss							
- currency translation differences	-	-	-	901	-	-	901
- cash flow hedges	-	-	-	-	(156)	-	(156)
Total comprehensive income/(loss)	-	-	-	901	(156)	35,660	36,405
At 31 December 2018	<u>718,255</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>1,980</u>	<u>561</u>	<u>547,871</u>	<u>1,962,974</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 2018 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 December	
	2019	2018 Restated
Cash Flows from Operating Activities		
(Loss)/Profit for the period from		
Continuing operations	(288,490)	37,377
Discontinuing operations	(11,279)	(1,717)
	<u>(299,769)</u>	<u>35,660</u>
Adjustment for Non-Cash Flow Items	<u>275,332</u>	<u>139,539</u>
Operating Profit Before Changes in Working Capital	(24,437)	175,199
Changes in Working Capital		
Net changes in working capital	282,548	126,991
Tax paid	(25,339)	(12,222)
Tax refunded	31,918	114
Zakat paid	(14)	(1,500)
Operating cash from continuing operations	<u>264,676</u>	<u>288,582</u>
Operating cash from/(used in) discontinuing operations	<u>10,871</u>	<u>(2,567)</u>
Net Cash generated from Operating Activities	<u>275,547</u>	<u>286,015</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(24,963)	(325,637)
Acquisition of intangible assets	(1,672)	(2,468)
Proceeds from disposal of property, plant and equipment	-	33
Interest received	3,949	3,793
Investing cash used in continuing operations	<u>(22,686)</u>	<u>(324,279)</u>
Investing cash generated from /(used in) discontinuing operations	<u>9,443</u>	<u>(1,942)</u>
Net Cash used in Investing Activities	<u>(13,243)</u>	<u>(326,221)</u>
Cash Flows from Financing Activities		
Drawdown of loan due to a related company, net of issuance costs	52,318	-
Repayment of loan due to a related company	(12,252)	(78,495)
Drawdown of borrowings, net of issuance costs	1,408,338	2,277,832
Repayment of borrowings	(1,678,550)	(2,080,137)
Interest paid	(53,147)	(58,368)
Changes in restricted cash	75,768	(77,603)
Net Cash used in Financing Activities in continuing operations	<u>(207,525)</u>	<u>(16,771)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	54,779	(56,977)
Foreign currency translation differences	(38)	410
Cash and Cash Equivalents at Beginning of the Financial Period	98,220	154,787
Cash and Cash Equivalents at End of the Financial Period	<u>152,961</u>	<u>98,220</u>
Cash and Cash Equivalents comprise:		
Deposits with licensed banks	148,969	148,786
Cash and bank balances	21,567	42,777
Less : Restricted cash	(17,575)	(93,343)
	<u>152,961</u>	<u>98,220</u>
Cash and Cash Equivalents from continuing operations	152,906	97,966
Cash and Cash Equivalents from discontinuing operations	55	254
	<u>152,961</u>	<u>98,220</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 2018 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 information 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 2018. These explanatory notes attached to the Unaudited Condensed Consolidated Interim 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 financial year ended 31 December 2018.

The financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Interim Financial Information are mainly consistent with those of the Group's audited Financial Statements for the financial year ended 31 December 2018, except for the following:

- (a) MFRS and amendments to MFRS which are applicable to the Group effective 1 January 2019 and have an impact on the accounting policies of the Group:

MFRS 16 "Leases"

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the statement of financial position. The standard removes the current distinction between operating leases (off balance sheet) and finance leases (on balance sheet) and requires a lessee to recognise a 'right-of-use' of the underlying asset and a lease liability reflecting future lease payments for virtually all lease contracts. The only exceptions are for short-term and low-value leases.

The standard will affect primarily the accounting for the Group's leases previously recognised as operating leases under MFRS 117.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' (MFRS 116) and the lease liability is accreted over time with interest expense recognised in the income statement. The statement of profit or loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, as operating expense will be replaced with interest and depreciation, key metrics like earnings before interest, taxation, depreciation and amortisation ("EBITDA") will change. Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group had adopted MFRS 16 on a full retrospective method. The financial impact of the adoption of MFRS 16 on the financial statements of the Group are disclosed in Note 1(b).

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

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 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation
- Amendments to MFRS 119 "Employee Benefits" - Plan Amendment, Curtailment or Settlement
- Annual Improvements to MFRS 3 "Business Combinations"
- Annual Improvements to MFRS 112 "Income Taxes"

- (b) The effects of the new accounting policies and the restatement of comparative figures are as follows:

Effects of the new accounting policies	As per previous accounting framework	Adoption of MFRS 16	As per current accounting framework
31 December 2019			
Statement of financial position			
Non-current assets			
Property, plant and equipment	1,385,520	(90,088)	1,295,432
Prepaid lease payments	313	(313)	-
Right-of-use assets *	-	96,174	96,174
Equity			
Retained earnings	247,904	198	248,102
Non-current liabilities			
Lease liabilities	-	4,469	4,469
Deferred tax liabilities	51,143	(81)	51,062
Current liabilities			
Lease liabilities	-	1,187	1,187

* Amount excludes plantation leasehold land of RM81,538,000 which has been reclassified to non-current assets held for sale.

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)

(b) The effects of the new accounting policies and the restatement of comparative figures are as follows: (continued)

Restatement of comparative figures	As per previous accounting framework	Adoption of MFRS 16	As per current accounting framework
31 December 2018			
Statement of financial position			
Non-current assets			
Property, plant and equipment	1,742,369	(188,448)	1,553,921
Prepaid lease payments	450	(450)	-
Right-of-use assets	-	196,045	196,045
Equity			
Retained earnings	547,607	264	547,871
Non-current liabilities			
Lease liabilities	-	5,341	5,341
Deferred tax liabilities	83,458	(74)	83,384
Current liabilities			
Lease liabilities	-	1,616	1,616
1 January 2018			
Statement of financial position			
Non-current assets			
Property, plant and equipment	1,457,282	(192,284)	1,264,998
Prepaid lease payments	521	(521)	-
Right-of-use assets	-	200,574	200,574
Equity			
Retained earnings	512,001	210	512,211
Non-current liabilities			
Lease liabilities	-	5,949	5,949
Deferred tax liabilities	78,675	(68)	78,607
Current liabilities			
Lease liabilities	-	1,678	1,678

2 Auditors' Report on Preceding Annual Financial Statements

The financial statements for the year ended 31 December 2018 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.

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

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 Group Chief Executive Officer. The Group Chief Executive Officer considers the business from 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, palm oil and mango

Cumulative quarter ended 31 December 2019	<u>Continuing operations</u>			<u>Discontinuing operations</u>	
	Sugar	Reconciliation	Subtotal	Rubber, palm oil and mango	Total
Total segment revenue	2,006,911	-	2,006,911	884	2,007,795
Revenue from external customers	<u>2,006,911</u>	<u>-</u>	<u>2,006,911</u>	<u>884</u>	<u>2,007,795</u>
Finance income	2,001	1,948	3,949	-	3,949
Finance cost	(82,128)	-	(82,128)	-	(82,128)
Depreciation and amortisation	(83,587)	(4,802)	(88,389)	(1,751)	(90,140)
Profit/(loss) before taxation	15,077	(314,627)	(299,550)	(19,122)	(318,672)
Taxation	12,450	(1,376)	11,074	7,843	18,917
Zakat	(14)	-	(14)	-	(14)
Loss after taxation for the financial period					<u>(299,769)</u>
Timing of revenue recognition:					
<u>Goods and services transferred</u>					
- At a point in time	2,006,232	-	2,006,232	884	2,007,116
- Over time	679	-	679	-	679
	<u>2,006,911</u>	<u>-</u>	<u>2,006,911</u>	<u>884</u>	<u>2,007,795</u>
Total assets as at 31 December 2019					
	Sugar	Reconciliation	Subtotal	Rubber, palm oil and mango	Total
Total assets	2,699,319	124,981	2,824,300	156,466	2,980,766
Total liabilities	459,777	838,255	1,248,032	25,203	1,323,235
Additions to property, plant and equipment	24,557	406	24,963	1,452	26,415
Additions to intangible assets		<u>1,672</u>	<u>1,672</u>	<u>-</u>	<u>1,672</u>

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 December 2018	<u>Continuing operations</u>			<u>Discontinuing operations</u>	Total
	Sugar	Reconciliation	Subtotal	Rubber, palm oil and mango	
Total segment revenue	2,214,377	-	2,214,377	1,089	2,215,466
Revenue from external customers	<u>2,214,377</u>	<u>-</u>	<u>2,214,377</u>	<u>1,089</u>	<u>2,215,466</u>
Finance income	4,057	-	4,057	-	4,057
Finance cost	(38,509)	-	(38,509)	-	(38,509)
Depreciation and amortisation	(58,439)	(4,382)	(62,821)	(2,159)	<u>(64,980)</u>
Profit/(loss) before taxation	88,468	(22,082)	66,386	(6,031)	60,355
Taxation	(24,826)	(2,683)	(27,509)	4,314	(23,195)
Zakat	(1,500)	-	(1,500)	-	<u>(1,500)</u>
Profit after taxation for the financial period					<u>35,660</u>
Timing of revenue recognition:					
Goods and services transferred					
- At a point in time	2,213,237	-	2,213,237	1,089	2,214,326
- Over time	<u>1,140</u>	<u>-</u>	<u>1,140</u>	<u>-</u>	<u>1,140</u>
	<u>2,214,377</u>	<u>-</u>	<u>2,214,377</u>	<u>1,089</u>	<u>2,215,466</u>

Total assets as at 31 December 2018 (restated)	<u>Continuing operations</u>			<u>Discontinuing operations</u>	Total
	Sugar	Reconciliation	Subtotal	Rubber, palm oil and mango	
Total assets	3,281,815	214,736	3,496,551	158,791	3,655,342
Total liabilities	718,410	958,369	1,676,779	15,589	1,692,368
Additions to property, plant and equipment	325,460	177	325,637	1,947	327,584
Additions to intangible assets	<u>-</u>	<u>2,468</u>	<u>2,468</u>	<u>-</u>	<u>2,468</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 31 December 2019.

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 Valuation of Property, Plant and Equipment

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

11 Material Events Subsequent to the End of the Financial Period

There were no material events which occurred subsequent to the end of the period ended 31 December 2019.

12 Changes in the Composition of the Group

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

13 Changes in Contingent Liabilities or Contingent Assets

The Group does not have any material contingent liabilities or contingent assets as at 31 December 2019.

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

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

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

		As at
		31 December
	2019	2018
Property, plant and equipment:		
- Contracted but not provided for	35,955	131,885
- Approved but not contracted for	74,420	30,684
	<u>110,375</u>	<u>162,569</u>

15 Material Related Party Transactions

(a) Related party transactions are as follows:

		Year to Date
		31 December
	2019	2018
(i) Transactions with ultimate holding company		
Management fees (FGV Holdings Berhad)	6,978	6,742
Sales of refined sugar (FGV Holdings Berhad)	-	(47)
Other services (FGV Holdings Berhad)	26	116
(ii) Transactions with related companies		
Sales of refined sugar (KPF Trading Sdn. Bhd.)	(3,418)	(10,774)
Security services (FGV Security Services Sdn. Bhd.)	1,491	1,300
Information technology services (FGV Prodata System Sdn. Bhd.)	190	167
Travel agent services (Felda Travel Sdn. Bhd.)	170	235
Insurance services (KPF Trading Sdn. Bhd.)	301	34
Agro chemical (Felda Trading Sdn. Bhd.)	-	170
Refreshment services (Felda D'Saji Sdn. Bhd.)	70	62
Rental of office (FGV Agri Services Sdn. Bhd.)	(8)	(7)
House rental (FGV Agri Services Sdn. Bhd.)	(7)	(7)
Transportation services (FGV Transport Services Sdn Bhd)	3,117	216
House rental (FGV R&D Sdn. Bhd.)	(24)	(24)
Office rental (FELDA)	653	784
Supply of water and electricity charges (Felda Chuping Sdn. Bhd.)	(6)	(4)
Installation & construction of utilities building (Felda Engineering Sdn. Bhd.)	5,792	41,830
	<u>15,325</u>	<u>40,793</u>
(iii) Transactions between subsidiaries and government-related financial institutions		
Interest expense for bankers acceptances	18,753	19,481
Interest income from fixed deposits and cash balances	(3,949)	(4,057)

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

		As at
		31 December
	2019	2018
(i) Balances with ultimate holding company		
Amount due to:		
FGV Holdings Berhad	14,246	9,213
(ii) Balances with related companies		
Amount due to:		
FGV Security Services Sdn. Bhd.	255	270
FGV Prodata System Sdn. Bhd.	240	34
Felda Travel Sdn. Bhd.	(16)	56
Felda Holdings Bhd	-	14
KPF Trading Sdn. Bhd.	-	58
Felda D'saji Sdn Bhd	1	-
FPM Sdn. Bhd.	-	2
FGV Transport Services Sdn Bhd	1,579	80
Felda Engineering Services Sdn. Bhd.	-	2,330
	<u>2,059</u>	<u>2,844</u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

15 Material Related Party Transactions (continued)

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

	As at	
	31 December 2019	31 December 2018
(iii) Balances with FELDA		
Amount due to:		
FELDA	50	50
(iv) Balances with related companies		
Non-current		
Amount due from:		
KPF Trading Sdn. Bhd.	-	1,372
Current		
Amount due from:		
KPF Trading Sdn. Bhd.	-	7,411
FGV Agri Services Sdn. Bhd.	1	-
FGV R&D Sdn. Bhd.	4	2
FGV Capital Sdn. Bhd.	6,841	36,643
	6,846	44,056
(v) Balances with ultimate holding company		
Amount due from:		
FGV Holdings Bhd	1,443	702
(vi) Loan due to a related company		
Amount due to:		
FGV Capital Sdn. Bhd.	70,431	30,365
(vii) Balances with government-related financial institutions		
Bankers acceptances and revolving credits	341,156	421,207
Fixed deposits and cash balances	166,933	181,487

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

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16 Discontinuing operations and assets classified as held for sale

Pursuant to the Group's portfolio review in the financial year 2019, after analysing the market outlook, competitive intensity and the attractiveness of industry, the Board had strategically decided to exit the rubber, palm oil and mango business. The Group therefore presents and disclose in its financial statements, the financial effects of discontinuing operations in accordance to MFRS 5 (Non Current Assets Held For Sale and Discontinued Operations). The results of the discontinuing operations are as follows:-

	Quarter Ended 31 December		Year to Date Ended 31 December	
	2019	2018	2019	2018
Results of discontinuing operation				
Revenue	228	273	884	1,089
Cost of sales	(200)	(541)	(3,303)	(1,581)
Gross profit/(loss)	28	(268)	(2,419)	(492)
Other operating income	26	97	109	436
Administrative expenses	(245)	(265)	(1,111)	(1,290)
Other operating expenses	(253)	(842)	(15,701)	(4,685)
Loss from operations	(444)	(1,278)	(19,122)	(6,031)
Finance costs	-	-	-	-
Loss before taxation	(444)	(1,278)	(19,122)	(6,031)
Taxation	(2,552)	4,314	7,843	4,314
(Loss)/Profit from discontinuing operations	(2,996)	3,036	(11,279)	(1,717)

17 Review of Performance

	Quarter Ended 31 December		% Change
	2019	2018	
Continuing operations			
Revenue	516,039	530,854	(3%)
Gross profit	13,569	52,554	(74.2%)
(Loss)/Profit before taxation	(31,053)	1,412	>(100%)
Loss for the period	(37,282)	(13,389)	>100%
Discontinuing operations			
Revenue	228	273	(16%)
Gross profit/(loss)	28	(268)	>(100%)
Loss before taxation	(444)	(1,278)	(65%)
(Loss)/Profit for the period	(2,996)	3,036	>(100%)

(a) Quarter on Quarter

Continuing operations

The Group recorded a total revenue of RM516.04 million quarter on quarter, which is RM14.81 million or 2.8% lower compared to the same period last year of RM530.85 million. This is due to reduction of overall average selling price.

The loss after tax (LAT) for the three (3) months period ended 31 December 2019 is RM37.28 million, compared to a loss after tax (LAT) of RM13.39 million in the corresponding quarter in the previous year. The higher loss in the current quarter is attributable to lower average selling price, higher refining cost, and higher finance cost incurred.

Discontinuing operations

The Group recorded low revenue due to non core segment. The Group recorded loss for the three (3) months period ended 31 December 2019 compared to the same period last year due to higher tax expense during the current quarter.

(b) Year on Year

Continuing operations

The Group revenue for the twelve months ended 31 December 2019 is RM2,006.91 million compared to RM2,214.38 million in the same period last year. The decrease is due to reduction in the overall volume sold and lower average selling price.

The Group recorded a LAT for the twelve months period ended 31 December 2019 of RM288.49 million as compared to previous corresponding period's PAT of RM37.38 million due to lower gross profit, higher finance cost incurred following the modification of certain banking terms and provision of RM140.55 million for the impairment of plant and machinery.

Discontinuing operations

The Group recorded low revenue due to non core segment. The Group recorded higher LAT for the twelve months period ended 31 December 2019 of RM11.28 million as compared to previous corresponding period's of RM1.72 million due to closure cost.

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Amounts in RM thousand unless otherwise stated

18 Material Changes in the Quarterly Results Compared to the Preceding Quarter (30 September 2019)

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

	Quarter Ended		% Change
	31 December 2019	30 September 2019	
Continuing operations			
Revenue	516,039	531,415	(3%)
Gross profit/(loss)	13,569	(32,251)	>(100%)
Loss before taxation	(31,053)	(204,980)	(85%)
Loss for the period	<u>(37,282)</u>	<u>(180,988)</u>	(79%)
Discontinuing operations			
Revenue	228	276	(17%)
Gross profit/(loss)	28	(442)	>(100%)
Loss before taxation	(444)	(14,512)	(97%)
Loss for the period	<u>(2,996)</u>	<u>(4,113)</u>	(27%)

Continuing operations

The Group recorded a total revenue RM516.04 million in the current quarter compared to the preceding quarter of RM531.42 million due to decrease of 2% in the overall sales volume sold.

The Group recorded LAT of RM37.28 million for the three (3) months period ended 31 December 2019 compared to the preceding quarter of RM180.99 million. This is mainly due to impairment charge recorded in the previous quarter.

Discontinuing operations

The Group recorded low revenue due to non core segment. The Group recorded lower LAT for the three (3) months period ended 31 December 2019 compared to the preceding quarter due to higher gross loss in previous quarter.

19 Current Year Prospects

The Group shall continue to pursue strategic initiatives in 2020, to improve financial performance and ensure sustainable business amidst challenging internal and external factors and slow Malaysian economic growth.

20 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

21 (Loss)/Profit from Operations

Included in the operating (loss)/profit are:

	Year to Date Ended 31 December	
	2019	2018
Impairment on property, plant and equipment	140,546	-
Amortisation of intangible asset	7,701	6,880
Amortisation of right-of-use assets	3,465	1,267
Depreciation of property plant and equipment	78,974	56,833
Property, plant and equipment written off	19,179	967
Inventory written off	299	7,631
Gain on disposal of property, plant and equipment	-	(31)
Net foreign currency exchange loss	-	(240)
Commodity gain	<u>(3,086)</u>	<u>(2,887)</u>

22 Taxation

	Quarter Ended 31 December		Year to Date Ended 31 December	
	2019	2018	2019	2018
Current	(8,845)	(4,208)	(13,405)	(18,418)
Deferred	2,630	(9,093)	24,479	(9,091)
Tax (expense)/credit on continuing operations	<u>(6,215)</u>	<u>(13,301)</u>	<u>11,074</u>	<u>(27,509)</u>

The effective tax rate for the current period and for the year to date ended 31 December 2019 is lower than the Malaysian income tax rate of 24% due to non-recognition of deferred tax asset in respect of losses before tax recorded by subsidiaries.

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23 (Loss)/Earnings Per Share

	Quarter Ended 31 December		Year to Date Ended 31 December	
	2019	2018	2019	2018
Basic (loss)/earnings per share are computed as follows:				
(Loss)/Profit for the financial period/year attributable to owners of the Company (RM'000)				
- from continuing operations	(37,282)	(13,389)	(288,490)	37,377
- from discontinuing operations	(2,996)	3,036	(11,279)	(1,717)
	<u>(40,278)</u>	<u>(10,353)</u>	<u>(299,769)</u>	<u>35,660</u>
Weighted average number of ordinary shares in issue (thousands)				
	702,980	702,980	702,980	702,980
Basic (loss)/earnings per share (sen)				
- from continuing operations	(5.30)	(1.90)	(41.04)	5.32
- from discontinuing operations	(0.43)	0.43	(1.60)	(0.24)
	<u>(5.73)</u>	<u>(1.47)</u>	<u>(42.64)</u>	<u>5.08</u>

24 Derivative Financial Instruments

The fair value of these derivatives as at 31 December 2019 are as follows:

Type of derivatives	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Islamic profit rate swap	426,667	-	4,968
Foreign currency exchange forward contracts	913	2,466	10
	<u>427,580</u>	<u>2,466</u>	<u>4,979</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 2018. The following table presents the assets that are measured at fair value at 31 December 2019.

31 December 2019

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Financial assets at fair value through profit and loss				
- Foreign currency exchange forward contracts	-	2,466	-	2,466
<u>Liabilities</u>				
Financial liabilities at fair value through other comprehensive income				
- Islamic profit rate swap	-	4,968	-	4,968
- Foreign currency exchange forward contracts	-	10	-	10
	<u>-</u>	<u>4,979</u>	<u>-</u>	<u>4,979</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.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)
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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.

29 Group Borrowings

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

	As at	
	2019	2018
Borrowings		
Non-current		
Secured:		
Islamic term loans	605,153	556,284
Current		
Secured :		
Islamic term loans	26,566	126,937
Term loan	71,909	192,317
Unsecured:		
Bankers' acceptances and revolving credits	341,156	421,207
	<u>439,631</u>	<u>740,461</u>
Average interest rate	<u>4.05%</u>	<u>4.46%</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 31 December 2019, the Group has met all the covenant requirements. Accordingly as at 31 December 2019, 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 2018, 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
Group Chief Executive Officer

Datuk Wira Azhar Abdul Hamid
Chairman

Kuala Lumpur
25 February 2020