



MSM MALAYSIA HOLDINGS BERHAD

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

QUARTERLY REPORT

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

MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

On consolidated results for the period ended 31 March 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in RM thousand unless otherwise stated

	Restated			Restated		
	Quarter Ended			Year to Date Ended		
	2019	2018	% Change	2019	2018	% Change
Revenue	485,617	549,061	(11.6%)	485,617	549,061	(11.6%)
Cost of sales	(461,203)	(495,063)		(461,203)	(495,063)	
Gross profit	24,414	53,998	(54.8%)	24,414	53,998	(54.8%)
Other operating income	3,682	1,793		3,682	1,793	
Selling and distribution cost	(6,731)	(5,538)		(6,731)	(5,538)	
Administrative expenses	(18,494)	(20,002)		(18,494)	(20,002)	
Other loss - net	(33)	(174)		(33)	(174)	
Other operating expenses	(1,272)	(1,774)		(1,272)	(1,774)	
Profit from operations	1,566	28,303	(94.5%)	1,566	28,303	(94.5%)
Finance costs	(6,027)	(8,346)		(6,027)	(8,346)	
Finance income	1,085	987		1,085	987	
(Loss)/Profit before taxation	(3,376)	20,944	(116.1%)	(3,376)	20,944	(116.1%)
Taxation	(3,682)	(5,138)		(3,682)	(5,138)	
(Loss)/Profit for the period	(7,058)	15,806	(144.7%)	(7,058)	15,806	(144.7%)
Other comprehensive (loss)/income						
Currency translation differences	(306)	(516)		(306)	(516)	
Cash flow hedges	(1,878)	427		(1,878)	427	
Other comprehensive loss for the period	(2,184)	(89)		(2,184)	(89)	
Total comprehensive (loss)/income for the period	(9,242)	15,717	(158.8%)	(9,242)	15,717	(158.8%)

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

	Restated			Restated		
	Quarter Ended			Year to Date Ended		
	2019	2018	% Change	2019	2018	% Change
(Loss)/Profit attributable to :						
Shareholders of the Company	(7,058)	15,806	(144.7%)	(7,058)	15,806	(144.7%)
Non-controlling interest	-	-		-	-	
(Loss)/Profit for the period	(7,058)	15,806	(144.7%)	(7,058)	15,806	(144.7%)
Total comprehensive (loss)/income attributable to :						
Shareholders of the Company	(9,242)	15,717	(158.8%)	(9,242)	15,717	(158.8%)
Non-controlling interest	-	-		-	-	
Total comprehensive (loss)/income for the period	(9,242)	15,717	(158.8%)	(9,242)	15,717	(158.8%)
Basic (loss)/earnings per share attributable to equity holders of the Company (sen)	(1.00)	2.25		(1.00)	2.25	

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 March 2019 (continued)

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

	Unaudited As at 31 March 2019 Restated	Unaudited As at 31 December 2018 Restated	Unaudited As at 1 January 2018 Restated
Assets			
Non-current assets			
Property, plant and equipment	1,603,213	1,553,921	1,264,998
Intangible asset	61,074	63,920	68,332
Goodwill	576,240	576,240	576,240
Right-of-use assets	191,892	193,401	198,701
Receivables	2,699	2,979	5,054
Derivative financial assets	-	561	717
Amount due from a related company	-	1,372	4,245
Total non-current assets	2,435,118	2,392,394	2,118,287
Current assets			
Inventories	654,858	679,046	732,242
Trade receivables	221,055	224,701	239,750
Other receivables, deposits and prepayments	78,440	88,487	78,603
Tax recoverable	21,132	29,722	36,032
Derivative financial assets	42	-	3,147
Amounts due from related companies	31,046	44,056	31,485
Amount due from ultimate holding company	645	702	605
Loan due from a related company	20,000	-	-
Deposits with licensed banks	96,730	148,786	88,201
Cash and bank balances	59,104	42,777	82,326
Total current assets	1,183,052	1,258,277	1,292,391
Non-current assets held for sale	1,999	2,027	-
Total assets	3,620,169	3,652,698	3,410,678
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	1,674	1,980	1,079
Cash flow hedge reserve	(1,317)	561	717
Retained earnings	540,376	547,434	511,864
Total equity attributable to equity holders of the Company	1,953,295	1,962,537	1,926,222
Non-controlling interest	-	-	-
Total equity	1,953,295	1,962,537	1,926,222
Non-current liabilities			
Lease liabilities	4,251	4,783	6,134
Deferred tax liabilities	82,921	83,351	78,574
Borrowings	524,494	556,284	370,339
Provisions	32	32	32
Derivative financial instruments	1,317	-	-
Total non-current liabilities	613,015	644,450	455,079
Current liabilities			
Payables and accruals	157,333	262,148	193,106
Amounts due to other related companies	1,460	2,844	467
Amount due to FELDA	50	50	561
Amount due to ultimate holding company	10,638	9,213	505
Loan due to a related company	45,023	30,365	108,826
Borrowings	839,355	740,461	725,912
Derivative financial liabilities	-	630	-
Total current liabilities	1,053,859	1,045,711	1,029,377
Total liabilities	1,666,874	1,690,161	1,484,456
Total equity and liabilities	3,620,169	3,652,698	3,410,678
Net assets per share attributable to equity holders of the Company (RM)	2.78	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

Period 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 March 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	-	-	-	-	-	(173)	(173)
At 1 January 2019 - as restated	718,255	1,733,939	(1,039,632)	1,980	561	547,434	1,962,537
Loss for the period	-	-	-	-	-	(7,058)	(7,058)
Other comprehensive income							
Item that will be subsequently reclassified to profit or loss							
- currency translation differences	-	-	-	(306)	-	-	(306)
- cash flow hedges	-	-	-	-	(1,878)	-	(1,878)
Total comprehensive loss	-	-	-	(306)	(1,878)	(7,058)	(9,242)
At 31 March 2019	<u>718,255</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>1,674</u>	<u>(1,317)</u>	<u>540,376</u>	<u>1,953,295</u>
Period 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 March 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	-	-	-	-	-	(137)	(137)
At 1 January 2018 - as restated	718,255	1,733,939	(1,039,632)	1,079	717	511,864	1,926,222
Profit for the period	-	-	-	-	-	15,806	15,806
Other comprehensive income							
Item that will be subsequently reclassified to profit or loss							
- currency translation differences	-	-	-	(516)	-	-	(516)
- cash flow hedges	-	-	-	-	427	-	427
Total comprehensive (loss)/income	-	-	-	(516)	427	15,806	15,717
At 31 March 2018	<u>718,255</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>563</u>	<u>1,144</u>	<u>527,670</u>	<u>1,941,939</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

	Restated	
	Year to Date Ended	
	31 March	
	2019	2018
Cash Flows from Operating Activities		
(Loss)/Profit for the period	(7,058)	15,806
Adjustment for Non-Cash Flow Items	34,258	24,374
Operating Profit Before Changes in Working Capital	<u>27,200</u>	<u>40,180</u>
Changes in Working Capital		
Net changes in working capital	(32,373)	138,787
Tax paid	(10,151)	(277)
Tax refunded	14,629	-
Net Cash (used in)/generated from Operating Activities	<u>(695)</u>	<u>178,690</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(65,273)	(101,577)
Acquisition of intangible assets	(87)	(382)
Proceeds from disposal of property, plant and equipment	-	5
Loan given to a related company	(20,000)	-
Interest received	1,085	987
Net Cash used in Investing Activities	<u>(84,275)</u>	<u>(100,967)</u>
Cash Flows from Financing Activities		
Drawdown of loan due to a related company, net of issuance costs	15,000	-
Repayment of loan due to a related company	(342)	(78,818)
Drawdown of borrowings, net of issuance costs	504,420	553,922
Repayment of borrowings	(437,316)	(626,282)
Interest paid	(13,189)	(8,346)
Net Cash generated from/(used in) Financing Activities	<u>68,573</u>	<u>(159,524)</u>
Net Decrease in Cash and Cash Equivalents	(16,397)	(81,801)
Foreign currency translation differences	(312)	(1,287)
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>81,511</u>	<u>71,699</u>
Cash and Cash Equivalents comprise:		
Deposits with licensed banks	96,730	47,105
Cash and bank balances	59,104	40,477
Less : Restricted cash	(74,323)	(15,883)
	<u>81,511</u>	<u>71,699</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 and of the Company 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 leased (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 and Company'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 and Company 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 and Company:

- 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 March 2019			
Statement of financial position			
Non-current assets			
Property, plant and equipment	1,790,702	(187,489)	1,603,213
Prepaid lease payments	431	(431)	-
Right-of-use assets	-	191,892	191,892
Equity			
Retained earnings	540,549	(173)	540,376
Non-current liabilities			
Lease liabilities	-	4,251	4,251
Deferred tax liabilities	83,027	(106)	82,921

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	-	193,401	193,401
Equity			
Retained earnings	547,607	(173)	547,434
Non-current liabilities			
Lease liabilities	-	4,783	4,783
Deferred tax liabilities	83,458	(107)	83,351
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	-	198,701	198,701
Equity			
Retained earnings	512,001	(137)	511,864
Non-current liabilities			
Lease liabilities	-	6,134	6,134
Deferred tax liabilities	78,675	(101)	78,574

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 Executive Director. The Executive Director 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 March 2019	Sugar	Rubber, palm oil and mango	Reconciliation	Total
Total segment revenue	485,434	183	-	485,617
Revenue from external customers	<u>485,434</u>	<u>183</u>	<u>-</u>	<u>485,617</u>
Finance income	87	-	998	1,085
Finance cost	(5,863)	(164)	-	(6,027)
Depreciation and amortisation	(19,196)	(372)	(855)	<u>(20,423)</u>
Profit/(loss) before taxation	4,248	(2,413)	(5,211)	<u>(3,376)</u>
Taxation	(2,901)	-	(781)	<u>(3,682)</u>
Profit after taxation for the financial period				<u>(7,058)</u>
Timing of revenue recognition:				
<u>Goods and services transferred</u>				
- At a point in time	485,273	183	-	485,456
- Over time	<u>161</u>	<u>-</u>	<u>-</u>	<u>161</u>
	<u>485,434</u>	<u>183</u>	<u>-</u>	<u>485,617</u>
Total assets as at 31 March 2019				
	Sugar	Rubber, palm oil and mango	Reconciliation	Total
Total assets	3,275,805	158,724	185,640	3,620,169
Total liabilities	1,643,757	16,220	6,897	1,666,874
Additions to property, plant and equipment	64,069	1,169	35	65,273
Additions to intangible assets	<u>-</u>	<u>-</u>	<u>87</u>	<u>87</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 March 2018

	Sugar	Rubber, palm oil and mango	Reconciliation	Total
Total segment revenue	548,813	248	-	549,061
Revenue from external customers	<u>548,813</u>	<u>248</u>	<u>-</u>	<u>549,061</u>
Finance income	354	-	633	987
Finance cost	(8,336)	(10)	-	(8,346)
Depreciation and amortisation	(8,060)	(553)	(886)	<u>(9,499)</u>
Profit before taxation	23,984	(1,763)	(1,277)	20,944
Taxation	(5,174)	-	36	<u>(5,138)</u>
Profit after taxation for the financial period				<u>15,806</u>
Timing of revenue recognition: <u>Goods and services transferred</u>				
- At a point in time	548,389	248	-	548,637
- Over time	424	-	-	424
	<u>548,813</u>	<u>248</u>	<u>-</u>	<u>549,061</u>

Total assets as at 31 March 2018

	Sugar	Rubber, palm oil and mango	Reconciliation	Total
Total assets	2,945,030	154,688	134,135	3,233,853
Total liabilities	1,175,606	106,547	5,857	1,288,010
Additions to property, plant and equipment	99,376	2,112	89	101,577
Additions to intangible assets	<u>-</u>	<u>-</u>	<u>382</u>	<u>382</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 March 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 March 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 March 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 March	
	2019	2018
Property, plant and equipment:		
- Contracted but not provided for	70,344	267,849
- Approved but not contracted for	97,426	92,206
	<u>167,770</u>	<u>360,055</u>

15 Material Related Party Transactions

(a) Related party transactions are as follows:

	Year to Date Ended	
	31 March	
	2019	2018
(i) Transactions with ultimate holding company		
Management fees (FGV Holdings Berhad)	1,420	2,537
(ii) Transactions with related companies		
Sales of refined sugar (KPF Trading Sdn. Bhd.)	(1,019)	(1,984)
Security services (FGV Security Services Sdn. Bhd.)	389	244
Information technology services (FGV Prodata System Sdn. Bhd.)	1	4
Travel agent services (Felda Travel Sdn. Bhd.)	4	38
Insurance services (KPF Trading Sdn. Bhd.)	-	30
Refreshment services (Felda D'Saji Sdn. Bhd.)	7	-
Rental of land (FGV Agri Services Sdn. Bhd.)	(8)	(5)
House rental (FGV Agri Services Sdn. Bhd.)	(5)	-
Transportation services (FGV Transport Services Sdn Bhd)	824	-
House rental (FGV R&D Sdn. Bhd.)	(6)	(6)
Office rental (FELDA)	167	361
Supply of water and electricity charges (Felda Chuping Sdn. Bhd.)	(1)	-
Installation & construction of utilites building (Felda Engineering Sdn. Bhd.)	1,535	3,771
	<u>3,308</u>	<u>4,990</u>
(iii) Transactions between subsidiaries and government-related financial institutions		
Interest expense for bankers acceptances	5,045	696
Interest income from fixed deposits and cash balances	(1,332)	(167)

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

	As at	
	31 March	31 December
	2019	2018
(i) Balances with ultimate holding company		
Amount due to:		
FGV Holdings Berhad	<u>10,638</u>	<u>9,213</u>
(ii) Balances with related companies		
Amount due to:		
FGV Security Services Sdn. Bhd.	472	270
FGV Prodata System Sdn. Bhd.	106	34
Felda Travel Sdn. Bhd.	21	56
Felda Holdings Bhd	-	14
KPF Trading Sdn. Bhd.	-	58
Felda D'saji Sdn Bhd	2	-
FPM Sdn. Bhd.	-	2
FGV Transport Services Sdn Bhd	859	80
Felda Engineering Services Sdn. Bhd.	-	2,330
	<u>1,460</u>	<u>2,844</u>

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QUARTERLY REPORT (CONTINUED)

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 March 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.	2	-
FGV R&D Sdn. Bhd.	2	2
FGV Capital Sdn. Bhd.	31,042	36,643
	31,046	44,056
(v) Balances with ultimate holding company		
Amount due from:		
FGV Holdings Bhd	645	702
(vi) Loan due to a related company		
Amount due to:		
FGV Capital Sdn. Bhd.	45,023	30,365
(vii) Balances between subsidiaries and government-related financial institutions		
Bankers acceptances	359,985	310,673
Fixed deposits and cash balances	145,770	175,402

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

16 Review of Performance

	Quarter Ended 31 March		% Change
	2019	2018	
Revenue	485,617	549,061	(11.6%)
Gross profit	24,414	53,998	(54.8%)
(Loss)/Profit before taxation	(3,376)	20,944	(116.1%)
(Loss)/Profit for the period	<u>(7,058)</u>	<u>15,806</u>	(144.7%)

(a) Quarter on Quarter

The Group recorded a total revenue of RM485.62 million quarter on quarter, which is RM63.44 million or 11.6% lower compared to the same period last year of RM549.06 million. This is due to 12% reduction of overall average selling price .

The loss after tax (LAT) for the three (3) months period ended 31 March 2019 is RM7.06 million, compared to a profit after tax (PAT) of RM15.80 million in the corresponding quarter in the previous year. The loss in the current quarter is attributable to lower average selling price and higher refining cost.

17 Material Changes in the Quarterly Results Compared to the Preceding Quarter (31 December 2018)

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

	Quarter Ended		% Change
	31 March 2019	31 December 2018	
Revenue	485,617	531,127	(8.6%)
Gross profit	24,414	43,450	(43.8%)
(Loss)/Profit before taxation	(3,376)	492	(786.1%)
Loss for the period	<u>(7,058)</u>	<u>(10,388)</u>	32.1%

The Group recorded a total revenue RM485.62 million in the current quarter compared to the preceding quarter of RM531.13 million due to lower average selling price.

The Group recorded LAT of RM7.06 million for the three (3) months period ended 31 March 2019 compared to the preceding quarter profit after tax of RM10.39 million. This is mainly due to lower average selling price and higher raw material costs.

18 Current Year Prospects

The Group shall continue to pursue strategic initiatives in 2019, to improve profitability and ensure sustainable business amidst challenging external factors.

19 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

20 Profit/(Loss) from Operations

Included in the operating profit/(loss) are:

	Year to Date Ended 31 March	
	2019	2018
Amortisation of intangible asset	2,933	1,323
Amortisation of prepaid lease payment	1,509	19
Depreciation of property plant and equipment	15,981	8,157
Property, plant and equipment written off	-	12
Gain on disposal of property, plant and equipment	-	(5)
Net foreign currency exchange loss	341	1,935
Commodity (gain)/loss	<u>(672)</u>	<u>2,984</u>

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

21 Taxation

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2019	2018	2019	2018
Current	(4,112)	(7,014)	(4,112)	(7,014)
Deferred	430	1,876	430	1,876
	<u>(3,682)</u>	<u>(5,138)</u>	<u>(3,682)</u>	<u>(5,138)</u>

The effective tax rate for the current period ended 31 March 2019 is higher than the Malaysian income tax rate of 24% due to loss before tax recorded by a subsidiary, for which deductible temporary differences have not been recognised.

22 (Loss)/Earnings Per Share

	Quarter Ended 31 March		Year to Date Ended 31 March	
	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)	(7,058)	15,806	(7,058)	15,806
Weighted average number of ordinary shares in issue (thousands)	702,980	702,980	702,980	702,980
Basic (loss)/earnings per share (sen)	<u>(1.00)</u>	<u>2.25</u>	<u>(1.00)</u>	<u>2.25</u>

23 Derivative Financial Instruments

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

Type of derivatives	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Islamic profit rate swap	479,167	-	1,317
Sugar commodity options	-	42	-
	<u>479,167</u>	<u>42</u>	<u>1,317</u>

24 Fair Value Changes of Financial Instruments

There is no change to the type of derivative financial contracts entered into, cash requirements of the derivatives, risk associated with the derivatives and the risk management objectives and policies to mitigate these risks since the last financial year ended 31 December 2017. The following table presents the assets that are measured at fair value at 31 March 2019.

31 December 2018

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Sugar commodity options	<u>-</u>	<u>42</u>	<u>-</u>	<u>42</u>
Liabilities				
Financial liabilities at fair value through other comprehensive income				
- Islamic profit rate swap	<u>-</u>	<u>1,317</u>	<u>-</u>	<u>1,317</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 sugar commodity options.

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QUARTERLY REPORT (CONTINUED)

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

25 Unquoted Investments and/or Properties

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

26 Quoted Investments

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

27 Status of Corporate Proposals

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

28 Group Borrowings

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

	As at	
	2019	31 March
	2018	
Borrowings		
Non-current		
Secured:		
Islamic term loans	<u>524,494</u>	<u>441,869</u>
Current		
Secured :		
Islamic term loans	299,118	64,619
Unsecured:		
Bankers' acceptances and revolving credits	<u>540,237</u>	<u>513,253</u>
	<u>839,355</u>	<u>577,872</u>
Average interest rate	<u>4.50%</u>	<u>3.99%</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 March 2019, the Group has met all the covenant requirements. Accordingly as at 31 March 2019, all loans have been classified based on its contractual due dates.

29 Off Balance Sheet Financial Instruments

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

30 Material Litigation

Since the last 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
Executive Director

Datuk Wira Azhar Abdul Hamid
Chairman

Kuala Lumpur
23 May 2019