



MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

Condensed Consolidated Financial Statements
For The Financial Period Ended 31 December 2017

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)
On consolidated results for the period ended 31 December 2017 (continued)

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

	Unaudited As at 31 December 2017	Audited As at 31 December 2016
Assets		
Non-current assets		
Property, plant and equipment	1,457,282	950,408
Intangible asset	68,332	70,464
Goodwill	576,240	576,240
Prepaid lease payment	521	601
Receivables	5,054	4,640
Derivative financial assets	717	-
Amounts due from related companies	4,245	-
Total non-current assets	2,112,391	1,602,353
Current assets		
Inventories	718,045	888,949
Trade receivables	257,714	262,443
Other receivables, deposits and prepayments	45,366	87,949
Tax recoverable	36,032	29,520
Derivative financial assets	-	1,970
Amounts due from related companies	31,485	14,326
Amount due from ultimate holding company	605	-
Deposits with licensed banks	65,746	245,593
Cash and bank balances	140,997	92,318
Total current assets	1,295,990	1,623,068
Non-current assets held for sale	-	7
Total assets	3,408,381	3,225,428
Equity		
Share capital	718,255	351,490
Share premium	-	366,765
Reorganisation deficit	(1,039,632)	(1,039,632)
Merger relief reserve	1,733,939	1,733,939
Foreign exchange reserve	1,079	(2,213)
Cash flow hedge reserve	717	-
Retained earnings	515,768	576,461
Total equity attributable to equity holders of the Company	1,930,126	1,986,810
Non-controlling interest	-	-
Total equity	1,930,126	1,986,810
Non-current liabilities		
Deferred tax liabilities	78,675	73,744
Borrowings	404,895	178,903
Provisions	32	-
Total non-current liabilities	483,602	252,647
Current liabilities		
Payables and accruals	196,935	465,856
Amounts due to other related companies	1,028	400
Amount due to ultimate holding company	505	6,963
Loan due to a related company	108,826	156,452
Borrowings	687,359	356,300
Total current liabilities	994,653	985,971
Total liabilities	1,478,255	1,238,618
Total equity and liabilities	3,408,381	3,225,428
Net assets per share attributable to equity holders of the Company (RM)	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 2016 and the accompanying explanatory notes attached to the Unaudited Condensed Consolidated Financial Information.

MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

On consolidated results for the period ended 31 December 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in RM thousand unless otherwise stated

	Quarter Ended 31 December			Year to Date Ended 31 December		
	2017	2016	% Change	2017	2016	% Change
Revenue	656,121	838,308	(21.7%)	2,666,065	2,658,446	0.3%
Cost of sales	(606,715)	(774,074)		(2,518,005)	(2,327,896)	
Gross profit	49,406	64,234	(23.1%)	148,060	330,550	(55.2%)
Other operating income	14,583	3,544		17,517	6,500	
Selling and distribution cost	(23,810)	(23,398)		(90,056)	(98,406)	
Administrative expenses	(10,937)	(16,540)		(61,122)	(80,081)	
Other gains/(loss)-net	3,400	(2,761)		(6,239)	3,428	
Other operating (expenses)/income	(1,223)	402		(6,760)	(5,570)	
Profit from operations	31,419	25,481	23.3%	1,400	156,421	(99.1%)
Finance costs	(5,062)	(3,262)		(22,500)	(13,417)	
Finance income	679	1,914		5,293	5,511	
Profit/(Loss) before taxation	27,036	24,133	12.0%	(15,807)	148,515	(110.6%)
Taxation	(13,954)	(7,739)		(16,767)	(25,793)	
Zakat	-	(2,000)		-	(2,000)	
Profit/(Loss) for the period	13,082	14,394	(9.1%)	(32,574)	120,722	(127.0%)
Other comprehensive (loss)/income						
Currency translation differences	(1,439)	(2,906)		3,292	(2,213)	
Cash flow hedges	1,046	-		717	-	
Other comprehensive (loss)/income for the period/year	(393)	(2,906)		4,009	(2,213)	
Total comprehensive income/(loss) for the period/year	12,689	11,488	10.5%	(28,565)	118,509	(124.1%)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 DECEMBER 2017

	Quarter Ended 31 December			Year to Date Ended 31 December		
	2017	2016	% Change	2017	2016	% Change
Profit/(Loss) attributable to :						
Shareholders of the Company	13,082	14,394	(9.1%)	(32,574)	120,722	(127.0%)
Non-controlling interest	-	-		-	-	
Profit/(Loss) for the period/year	13,082	14,394	(9.1%)	(32,574)	120,722	(127.0%)
Total comprehensive income/(loss) attributable to :						
Shareholders of the Company	12,689	11,488	10.5%	(28,565)	118,509	(124.1%)
Non-controlling interest	-	-		-	-	
Total comprehensive income/(loss) for the period/year	12,689	11,488	10.5%	(28,565)	118,509	(124.1%)
Basic earnings/(loss) per share attributable to equity holders of the Company (sen)	1.86	2.05		(4.63)	17.17	

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 2016 and the accompanying explanatory notes attached to the Unaudited Condensed Consolidated Financial Information.

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Amounts in RM thousand unless otherwise stated

Period ended	Share capital	Share premium	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Cash flow hedge reserves	Retained earnings	Equity attributable to equity holders of the Company
31 December 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	-	-	-	-	-	-	(32,574)	(32,574)
<u>Other comprehensive income/(loss)</u> <u>Item that will be subsequently reclassified to profit or loss</u>								
- currency translation differences	-	-	-	-	3,292	-	-	3,292
- cash flow hedges	-	-	-	-	-	717	-	717
Total comprehensive income/(loss)	-	-	-	-	3,292	717	(32,574)	(28,565)
<u>Transaction with owners:</u> Dividend	-	-	-	-	-	-	(28,119)	(28,119)
At 31 December 2017	<u>718,255</u>	<u>-</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>1,079</u>	<u>717</u>	<u>515,768</u>	<u>1,930,126</u>
Period ended	Share capital	Share premium	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Cash flow hedge reserves	Retained earnings	Equity attributable to equity holders of the Company
31 December 2016								
At 1 January 2016	351,490	366,765	1,733,939	(1,039,632)	-	-	624,454	2,037,016
Profit for the period	-	-	-	-	-	-	120,722	120,722
<u>Other comprehensive income/(loss)</u> <u>Item that will be subsequently reclassified to profit or loss</u>								
- currency translation differences	-	-	-	-	(2,213)	-	-	(2,213)
Total comprehensive income/(loss)	-	-	-	-	(2,213)	-	120,722	118,509
<u>Transaction with owners:</u> Dividend	-	-	-	-	-	-	(168,715)	(168,715)
At 31 December 2016	<u>351,490</u>	<u>366,765</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>(2,213)</u>	<u>-</u>	<u>576,461</u>	<u>1,986,810</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 2016 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	
	2017	2016
Cash Flows from Operating Activities		
(Loss)/Profit for the year	(32,574)	120,722
Adjustment for Non-Cash Flow Items	89,068	114,134
Operating Profit Before Changes in Working Capital	<u>56,494</u>	<u>234,856</u>
Changes in Working Capital		
Net changes in working capital	(82,928)	130,872
Tax paid	(11,758)	(58,652)
Zakat paid	-	(2,000)
Net Cash (used in)/generated from Operating Activities	<u>(38,192)</u>	<u>305,076</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(544,554)	(206,057)
Acquisition of intangible assets	(3,791)	(4,024)
Proceeds from disposal of property, plant and equipment	210	207
Interest received	5,293	5,511
Net Cash used in Investing Activities	<u>(542,842)</u>	<u>(204,363)</u>
Cash Flows from Financing Activities		
Drawdown of loan due to a related company, net of issuance costs	81,660	96,452
Repayment of loan due to a related company	(129,286)	-
Drawdown of borrowings, net of issuance costs	3,017,487	1,201,496
Repayment of borrowings	(2,460,436)	(1,014,866)
Interest paid	(22,500)	(18,112)
Dividend paid	(28,119)	(168,715)
Net Cash generated from Financing Activities	<u>458,806</u>	<u>96,255</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>(122,228)</u>	<u>196,968</u>
Foreign currency translation differences	<u>(9,475)</u>	<u>1,836</u>
Cash and Cash Equivalents at Beginning of the Financial Period	<u>322,706</u>	<u>123,902</u>
Cash and Cash Equivalents at End of the Financial Period	<u>191,003</u>	<u>322,706</u>
Cash and Cash Equivalents comprise:		
Deposits with licensed banks	65,746	245,593
Cash and bank balances	140,997	92,318
Less : Restricted cash	(15,740)	(15,205)
	<u>191,003</u>	<u>322,706</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 2016 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

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 FRS 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 2016. 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 2016.

1 Basis of Preparation

The accounting policies and presentation adopted for this Unaudited Condensed Consolidated Financial Information are consistent with those of the Group's Audited Financial Statements for the financial year ended 31 December 2016, together with the adoption of the new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations with effect from 1 January 2017 as discussed below.

FRSs, Amendments to FRSs and Interpretations

Amendments to FRS 107 'Statement of Cash Flows' - Disclosure Initiative
 Amendments to FRS 112 'Income Taxes' - Recognition of Deferred Tax Assets for Unrealised Losses
 Annual Improvements to FRS 12 'Disclosures of Interests in Other Entities'

The Initial application of the above standards, amendments and interpretations did not have any material impact on the financial statements of the Group.

2 Auditors' Report on Preceding Annual Financial Statements

The audited financial statements for the year ended 31 December 2016 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

Final dividend for the year 31 December 2016 were as follows and no interim dividend for the the year ended 31 December 2017:

	Dividend per share	Amount of dividend
	Sen	RM'000
Final tax exempt dividend for the year ended 31 December 2016 paid on 13 June 2017	4	28,119

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 President and Group Chief Executive Officer. The President and Group Chief Executive Officer considers the business primarily a product perspective. The reportable operating segments have been identified as follows:-

- (i) Sugar - Sugar refining, sales and marketing of refined sugar and trading of sugar
(ii) Rubber and palm oil

Cumulative quarter ended 31 December 2017	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	2,664,870	1,195	-	2,666,065
Revenue from external customers	2,664,870	1,195	-	2,666,065
Finance income	2,642	-	2,651	5,293
Finance cost	(22,488)	(11)	-	(22,500)
Depreciation and amortisation	(35,011)	(2,315)	(3,092)	(40,418)
Loss before taxation	(6,619)	(5,630)	(3,558)	(15,807)
Taxation	(14,815)	-	(1,952)	(16,767)
Loss after taxation for the financial year				(32,574)

Total assets as at 31 December 2017

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total assets	3,111,137	153,270	143,974	3,408,381
Total liabilities	1,234,728	104,503	139,024	1,478,255
Additions to property, plant and equipment	534,276	9,836	442	544,554
Additions to intangible assets	59	-	3,732	3,791

Cumulative quarter ended 31 December 2016

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	2,657,934	512	-	2,658,446
Revenue from external customers	2,657,934	512	-	2,658,446
Finance Income	2,804	-	2,707	5,511
Finance cost	(10,767)	(2)	(2,648)	(13,417)
Depreciation and amortisation	(52,005)	(1)	-	(52,006)
Profit/(loss) before taxation	138,553	(6,369)	16,331	148,515
Taxation	(23,920)	-	(1,873)	(25,793)
Zakat	(1,500)	-	(500)	(2,000)
Profit after taxation for the financial year				120,722

Total assets as at 31 December 2016

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total assets	2,952,895	147,129	125,404	3,225,428
Total liabilities	1,134,107	91,081	13,430	1,238,618
Additions to property, plant and equipment	196,454	7,333	2,270	206,057
Additions to intangible assets	3,607	-	417	4,024

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

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 2017.

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 2017.

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 2017.

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

	As at 31 December	
	2017	2016
Property, plant and equipment:		
- Contracted but not provided for	354,035	494,293
- Approved but not contracted for	94,777	378,125
	<u>448,812</u>	<u>872,418</u>

15 Material Related Party Transactions

(a) Related party transactions are as follows:

	Year to Date Ended 31 December	
	2017	2016
(i) Transactions with ultimate holding company		
Management fees (Felda Global Ventures Holdings Berhad)	5,251	5,558
(ii) Transactions with related companies		
Sales of refined sugar (Felda Trading Sdn. Bhd.)	(21,253)	(25,803)
Security services (Felda Security Services Sdn. Bhd.)	1,159	919
Information technology services (Felda Prodata System Sdn. Bhd.)	22	310
Travel agent services (Felda Travel Sdn. Bhd.)	54	210
Insurance services (Felda Trading Sdn. Bhd.)	-	30
Plantation material (Felda Trading Sdn. Bhd.)	-	277
Repair for tractor (Felda Global Ventures Plantations Sdn. Bhd.)	(1)	1
Repair for steel pole (FPM Sdn. Bhd.)	(3)	-
Advisory fees for analysis (Felda Agricultural Services Sdn Bhd)	1	-
Refreshment services (Felda D'Saji Sdn. Bhd.)	-	73
Rental income (Felda Agricultural Services Sdn. Bhd.)	(31)	(19)
House rental (Felda Global Ventures R&D Sdn. Bhd.)	(23)	(9)
Office rental (FELDA)	1,487	1,131
Supply of water and electricity charges (Felda Chuping Sdn. Bhd.)	(4)	3
Fertilizer (FPM Sdn. Bhd.)	582	-
Installation & construction of utilities building (Felda Engineering Sdn. Bhd.)	11,573	-
	<u>(1,185)</u>	<u>(17,319)</u>

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

15 Material Related Party Transactions (continued)

	Year to Date Ended	
	31 December	
	2017	2016
(iii) Transactions between subsidiaries and government-related financial institutions		
Interest expense for bankers acceptances	3,804	6,831
Interest income from fixed deposits and cash balances	(359)	(85)

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

	As at	
	31 December	31 December
	2017	2016
	RM'000	RM'000
(i) Balances with ultimate holding company		
Amount due to:		
Felda Global Ventures Holdings Berhad	<u>505</u>	<u>6,963</u>
(ii) Balances with related companies		
Amount due to:		
Felda Security Services Sdn. Bhd.	23	51
Felda Prodata System Sdn. Bhd.	43	259
Felda Travel Sdn. Bhd.	25	25
Felda Holdings Bhd	14	14
FPM Sdn. Bhd.	329	-
Felda Transport Services Sdn Bhd	33	-
FELDA	561	51
	<u>1,028</u>	<u>400</u>
(iii) Balances with related companies		
Non-current		
Amount due from:		
Felda Trading Sdn. Bhd.	<u>4,245</u>	<u>-</u>
Current		
Amount due from:		
Felda Trading Sdn. Bhd.	12,798	14,325
Felda Agricultural Services Sdn. Bhd.	2	-
Felda Global Ventures R&D Sdn. Bhd.	4	1
FGV Capital Sdn. Bhd.	18,678	-
FPM Sdn. Bhd.	3	-
	<u>31,485</u>	<u>14,326</u>
(iv) Balances with ultimate holding company		
Amount due from:		
Felda Global Ventures Holdings Berhad	<u>605</u>	<u>-</u>
(v) Loan due to a related company		
Amount due to:		
FGV Capital Sdn. Bhd.	<u>108,826</u>	<u>156,452</u>
(vi) Balances between subsidiaries and government-related financial institutions		
Bankers acceptances	434,339	227,600
Fixed deposits and cash balances	69,937	160,997

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 December			Year to Date Ended 31 December		
	2017	2016	% Change	2017	2016	% Change
	Revenue	656,121	838,308	(21.7%)	2,666,065	2,658,446
Gross profit	49,406	64,234	(23.1%)	148,060	330,550	(55.2%)
Profit/(Loss) before taxation	27,036	24,133	12.0%	(15,807)	148,515	(110.6%)
Profit/(Loss) for the year	13,082	14,394	(9.1%)	(32,574)	120,722	(127.0%)

(a) Quarter on Quarter

The Group recorded a total revenue of RM656.12 million quarter on quarter, which is RM182.19 million or 21.7% lower compared to the same period last year of RM838.31 million. This is due to 12% reduction in the overall tonnage sold for the local market.

The profit after tax (PAT) for the three (3) months period ended 31 December 2017 is RM13.08 million, which is RM1.31 million or 9.1% lower compared to previous corresponding period PAT of RM14.39 million. This is mainly attributed to higher finance cost and taxation.

(b) Year on Year

The Group revenue for the twelve (12) months ended 31 December 2017 is RM2,666.07 million compared to RM2,658.45 million in the same period last year. The slight increase is due to improved average selling price for the year.

The Group recorded a loss after tax for the year ended 31 December 2017 of RM32.57 million as compared to previous corresponding period's PAT of RM120.72 million due to higher raw material cost and weakened Ringgit.

17 Material Changes in the Quarterly Results Compared to the Preceding Quarter (30 September 2017)

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

	Quarter Ended		% Change
	31 December 2017	30 September 2017	
	Revenue	656,121	
Gross profit	49,406	75,321	(34.4%)
Profit before taxation	27,036	25,312	6.8%
Profit for the period	13,082	10,416	25.6%

The Group recorded a total revenue RM656.12 million in the current quarter compared to the preceding quarter of RM668.52 million. This is due to decrease in the overall tonnage sold for the export market by 16%.

The Group recorded PAT of RM13.08 million for the three (3) months period ended 31 December 2017 compared to the preceding quarter profit after tax of RM10.42 million due to the lower finance costs and taxation.

18 Current Year Prospects

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

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 December	
	2017	2016
Amortisation of intangible asset	3,223	5,794
Amortisation of prepaid lease payment	80	86
Depreciation of property plant and equipment	37,115	46,126
Property, plant and equipment written off	718	1,598
Loss/(gain) on disposal of property, plant and equipment	181	(9)
Net foreign currency exchange loss/(gain)	6,239	(3,428)
Commodity gain	(55,580)	(37,968)

21 Taxation

	Quarter Ended 31 December		Year to Date Ended 31 December	
	2017	2016	2017	2016
	Current	(14,857)	(8,778)	(11,836)
Deferred	903	1,039	(4,931)	1,634
	(13,954)	(7,739)	(16,767)	(25,793)

The effective tax rate for the current period ended 31 December 2017 and year to date ended 31 December 2017 is higher than Malaysian income tax rate of 24% mainly due to higher taxable income from a profitable subsidiary.

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

Amounts in RM thousand unless otherwise stated

22 Earnings/(Loss) Per Share

	Quarter Ended 31 December		Year to Date Ended 31 December	
	2017	2016	2017	2016
Basic earnings/(loss) per share are computed as follows:				
Profit/(Loss) for the financial period/year attributable to owners of the Company (RM'000)	13,082	14,394	(32,574)	120,722
Weighted average number of ordinary shares in issue (thousands)	702,980	702,980	702,980	702,980
Basic earnings/(loss) per share (sen)	<u>1.86</u>	<u>2.05</u>	<u>(4.63)</u>	<u>17.17</u>

23 Derivative Financial Instruments

The fair value of these derivatives as at 31 December 2017 are as follows:

Type of derivatives	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Islamic profit rate swap	317,380	717	-

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 2016. The maturity periods of the above derivatives are less than one year. The following table presents the assets that are measured at fair value at 31 December 2017.

31 December 2017

	Level 1	Level 2	Level 3	Total
<u>Assets</u>				
Financial assets at fair value through profit and loss				-
- Islamic profit rate swap	-	717	-	717

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.

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.

MSM MALAYSIA HOLDINGS BERHAD
QUARTERLY REPORT (CONTINUED)

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

28 Group Borrowings

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

	As at	
	31 December	
	2017	2016
Borrowings		
Non-current		
Secured:		
Islamic term loans	404,895	178,903
Current		
Secured :		
Islamic term loans	90,545	-
Unsecured:		
Bankers' acceptances and revolving credits	596,814	356,300
	<u>687,359</u>	<u>356,300</u>
Average interest rate	<u>3.74%</u>	<u>3.66%</u>

All borrowings are denominated in Ringgit Malaysia.

As at 31 December 2017, the Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group. The Islamic term loans (under syndicated loan facility) have been classified as current borrowings due to non-compliance of certain loan covenants as at 30 June 2017. The Group has since received the indulgence letter from the bank dated 3 November 2017 with conditions which have been met as at 31 December 2017. Therefore, the borrowings totalling RM404.89 million have been reclassified as non-current borrowings as at 31 December 2017.

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 Audited Financial Statements for the year ended 31 December 2016, 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 February 2018