



**MSM MALAYSIA HOLDINGS BERHAD**

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

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

**MSM MALAYSIA HOLDINGS BERHAD**

(Incorporated in Malaysia)

(Company No : 935722-K)

**QUARTERLY REPORT**

On consolidated results for the period ended 31 March 2017

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Amounts in RM thousand unless otherwise stated

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2017	2016	2017	2016
Revenue	648,971	553,160	648,971	553,160
Cost of sales	(645,919)	(449,572)	(645,919)	(449,572)
<b>Gross profit</b>	<b>3,052</b>	<b>103,588</b>	<b>3,052</b>	<b>103,588</b>
Other operating income	4,819	1,182	4,819	1,182
Selling and distribution cost	(23,840)	(22,033)	(23,840)	(22,033)
Administrative expenses	(27,363)	(24,864)	(27,363)	(24,864)
Other gains-net	8,867	10,263	8,867	10,263
Other operating expenses	(3,621)	(5,866)	(3,621)	(5,866)
<b>(Loss)/Profit from operations</b>	<b>(38,086)</b>	<b>62,270</b>	<b>(38,086)</b>	<b>62,270</b>
Finance costs	(3,059)	(2,449)	(3,059)	(2,449)
Finance income	1,583	734	1,583	734
<b>Profit before taxation</b>	<b>(39,562)</b>	<b>60,555</b>	<b>(39,562)</b>	<b>60,555</b>
Taxation	4,940	(1,211)	4,940	(1,211)
<b>(Loss)/Profit for the period</b>	<b>(34,622)</b>	<b>59,344</b>	<b>(34,622)</b>	<b>59,344</b>
<b>Other comprehensive income</b>				
Currency translation differences	4,558	-	4,558	-
<b>Total comprehensive (loss)/Income for the period</b>	<b>(30,064)</b>	<b>59,344</b>	<b>(30,064)</b>	<b>59,344</b>

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

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2017	2016	2017	2016
<b>(Loss)/Profit attributable to :</b>				
Shareholders of the Company	(34,622)	59,344	(34,622)	59,344
Non-controlling interest	-	-	-	-
<b>(Loss)/Profit for the period</b>	<b>(34,622)</b>	<b>59,344</b>	<b>(34,622)</b>	<b>59,344</b>
<b>Total comprehensive income attributable to :</b>				
Shareholders of the Company	(30,064)	59,344	(30,064)	59,344
Non-controlling interest	-	-	-	-
<b>Total comprehensive (loss)/Income for the period</b>	<b>(30,064)</b>	<b>59,344</b>	<b>(30,064)</b>	<b>59,344</b>
<b>Basic (loss)/earnings per share attributable to equity holders of the Company (sen)</b>	<b>Note 22</b>	<b>(4.93)</b>	<b>8.44</b>	<b>(4.93)</b>
				<b>8.44</b>

The Unaudited Condensed Consolidated Income Statements and Unaudited Condensed Consolidated Statements 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)**  
**On consolidated results for the period ended 31 March 2017 (continued)**

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

	Unaudited As at 31 March 2017	Audited As at 31 December 2016
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,096,934	950,408
Intangible asset	69,891	70,464
Goodwill	576,240	576,240
Prepaid lease payment	579	601
Receivables	4,409	4,640
<b>Total non-current assets</b>	<b>1,748,053</b>	<b>1,602,353</b>
<b>Current assets</b>		
Inventories	818,539	888,949
Trade receivables	227,252	262,443
Other receivables, deposits and prepayments	55,584	87,949
Tax recoverable	41,507	29,520
Derivative financial assets	-	1,970
Amount due from related companies	17,841	14,326
Cash and cash equivalents	389,039	337,911
<b>Total current assets</b>	<b>1,549,762</b>	<b>1,623,068</b>
Non-current assets held for sale	7	7
<b>Total assets</b>	<b>3,297,822</b>	<b>3,225,428</b>
<b>Equity</b>		
Share capital	351,490	351,490
Share premium	366,765	366,765
Reorganisation deficit	(1,039,632)	(1,039,632)
Merger relief reserve	1,733,939	1,733,939
Foreign exchange reserve	2,345	(2,213)
Retained earnings	541,839	576,461
<b>Total equity attributable to equity holders of the Company</b>	<b>1,956,746</b>	<b>1,986,810</b>
<b>Non-controlling interest</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>1,956,746</b>	<b>1,986,810</b>
<b>Non-current liabilities</b>		
Deferred tax liabilities	70,651	73,744
Borrowings	317,380	178,903
<b>Total non-current liabilities</b>	<b>388,031</b>	<b>252,647</b>
<b>Current liabilities</b>		
Payables and accruals	167,245	465,856
Amount due to other related companies	631	400
Amount due to ultimate holding company	9,524	6,963
Loan due to a related company	141,116	156,452
Borrowings	631,651	356,300
Derivative financial instruments	2,878	-
<b>Total current liabilities</b>	<b>953,045</b>	<b>985,971</b>
<b>Total liabilities</b>	<b>1,341,077</b>	<b>1,238,618</b>
<b>Total equity and liabilities</b>	<b>3,297,822</b>	<b>3,225,428</b>
<b>Net assets per share attributable to equity holders of the Company (RM)</b>	<b>2.78</b>	<b>2.83</b>

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**  
**QUARTERLY REPORT (CONTINUED)**

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

<b>Period ended</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Merger relief reserve</b>	<b>Reorganisation deficit</b>	<b>Foreign exchange reserves</b>	<b>Retained earnings</b>	<b>Equity attributable to equity holders of the Company</b>
<b>31 March 2017</b>							
At 1 January 2017	351,490	366,765	1,733,939	(1,039,632)	(2,213)	576,461	1,986,810
Loss for the period	-	-	-	-	-	(34,622)	(34,622)
<u>Other comprehensive income</u>							
<u>Item that will be subsequently reclassified to profit or loss</u>							
- currency translation differences	-	-	-	-	4,558	-	4,558
Total comprehensive income	-	-	-	-	4,558	(34,622)	(30,064)
At 31 March 2017	<u>351,490</u>	<u>366,765</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>2,345</u>	<u>541,839</u>	<u>1,956,746</u>
<b>Period ended</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Merger relief reserve</b>	<b>Reorganisation deficit</b>	<b>Foreign exchange reserves</b>	<b>Retained earnings</b>	<b>Equity attributable to equity holders of the Company</b>
<b>31 March 2016</b>							
At 1 January 2016	351,490	366,765	1,733,939	(1,039,632)	-	624,454	2,037,016
Profit for the period	-	-	-	-	-	59,344	59,344
<u>Transaction with owners:</u>							
Dividend	-	-	-	-	(3,532)	-	(3,532)
At 31 March 2016	<u>351,490</u>	<u>366,765</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>(3,532)</u>	<u>683,798</u>	<u>2,092,828</u>

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Group's Audited Financial Statement 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 STATEMENTS OF CASH FLOWS**

Amounts in RM thousand unless otherwise stated

	Year to Date Ended	
	31 March	
	2017	2016
<b>Cash Flows from Operating Activities</b>		
(Loss)/Profit for the period	(34,622)	59,344
Adjustment for Non-Cash Flow Items	29,929	15,877
Operating (Loss)/Profit Before Changes in Working Capital	<u>(4,693)</u>	<u>75,221</u>
Changes in Working Capital		
Net changes in working capital	(155,306)	(50,821)
Tax paid	(10,141)	(49,205)
<b>Net Cash used in Operating Activities</b>	<u>(170,140)</u>	<u>(24,805)</u>
<b>Cash Flows from Investing Activities</b>		
Acquisition of property, plant and equipment	(152,692)	(26,875)
Acquisition of intangible assets	(589)	(445)
Proceeds from disposal of property, plant and equipment	165	-
Interest received	1,583	469
<b>Net Cash used in Investing Activities</b>	<u>(151,533)</u>	<u>(26,851)</u>
<b>Cash Flows from Financing Activities</b>		
Repayment of loan due to a related company	(15,336)	-
Drawdown of borrowings, net of issuance costs	752,628	303,340
Repayment of borrowings	(338,800)	(189,378)
Interest paid	(7,250)	(3,762)
<b>Net Cash Generated from Financing Activities</b>	<u>391,242</u>	<u>110,200</u>
<b>Net Increase in Cash and Cash Equivalents</b>	69,570	58,544
<b>Unrealised gain</b>	(1,054)	-
<b>Cash and Cash Equivalents at Beginning of the Financial Period</b>	322,706	123,902
<b>Cash and Cash Equivalents at End of the Financial Period</b>	<u>391,222</u>	<u>182,446</u>
<b>Cash and Cash Equivalents comprise:</b>		
Deposits with licensed banks	241,051	103,215
Cash and bank balances	147,988	79,231
Less : Restricted cash	(15,337)	-
	<u>373,702</u>	<u>182,446</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 year 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 years 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 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 March 2017	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	648,737	234	-	648,971
Revenue from external customers	648,737	234	-	648,971
Finance income	830	-	753	1,583
Finance cost	(794)	(0)	(2,265)	(3,059)
Depreciation and amortisation	(10,064)	(587)	(590)	(11,241)
Loss before taxation	(34,115)	(1,834)	(3,612)	(39,562)
Taxation	3,807	-	1,132	4,940
Loss after taxation for the financial period				(34,622)

**Total assets as at 31 March 2017**

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
<b>Total assets</b>	2,944,248	147,234	206,340	3,297,822
<b>Total liabilities</b>	1,238,264	94,670	8,141	1,341,076
<b>Additions to property, plant and equipment</b>	152,577	36	79	152,692
<b>Additions to intangible assets</b>	-	-	589	589

**Cumulative quarter ended 31 March 2016**

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	553,095	65	-	553,160
Revenue from external customers	553,095	65	-	553,160
Finance income	455	-	279	734
Finance cost	(2,449)	-	-	(2,449)
Depreciation and amortisation	(7,262)	(592)	(609)	(8,463)
Profit/(loss) before taxation	65,398	(2,000)	(2,843)	60,555
Taxation	(1,211)	-	-	(1,211)
Profit after taxation for the financial period				59,344

**Total assets as at 31 March 2016**

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
<b>Total assets</b>	2,378,257	141,438	247,902	2,767,597
<b>Total liabilities</b>	880,232	81,215	(286,678)	674,769
<b>Additions to property, plant and equipment</b>	22,321	3,416	1,138	26,875
<b>Additions to intangible assets</b>	118	-	327	445

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**9 Valuation of Property, Plant and Equipment**

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

**10 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 2016.

**11 Changes in the Composition of the Group**

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

**12 Changes in Contingent Liabilities or Contingent Assets**

The Group does not have any material contingent liabilities or contingent assets as at 31 December 2016.

**13 Capital Commitments Outstanding Not Provided for in the Unaudited Condensed Interim Financial Information**

	As at 31 March	
	2017	2016
<b>Property, plant and equipment:</b>		
- Contracted but not provided for	476,959	431,684
- Approved but not contracted for	311,541	875,640
	<u>788,500</u>	<u>1,307,324</u>

**14 Material Related Party Transactions**

(a) Related party transactions are as follows:

	Year to Date Ended 31 March	
	2017	2016
<b>(i) Transactions with ultimate holding company</b>		
Management fees (Felda Global Ventures Holdings Berhad)	2,507	1,935
<b>(ii) Transactions with related companies</b>		
Sales of refined sugar (Felda Trading Sdn. Bhd.)	(10,036)	(9,552)
Security services (Felda Security Services Sdn. Bhd.)	307	92
Information technology services (Felda Prodata System Sdn. Bhd.)	98	51
Travel agent services (Felda Travel Sdn. Bhd.)	186	100
Insurance services (Felda Trading Sdn. Bhd.)	33	30
Plantation material (Felda Trading Sdn. Bhd.)	-	69
Refreshment services (Felda D'Saji Sdn. Bhd.)	7	1
Rental income (Felda Agricultural Services Sdn. Bhd.)	-	(8)
House rental (Felda Global Ventures R&D Sdn. Bhd.)	5	2
Office rental (FELDA)	383	328
Water and electricity charges (Felda Chuping Sdn. Bhd.)	1	1
	<u>(6,509)</u>	<u>(6,951)</u>



**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**14 Material Related Party Transactions (continued)**

	Year to Date Ended	
	31 March	
	2017	2016
<b>(iii) Transactions between subsidiaries and government-related financial institutions</b>		
Interest expense for bankers acceptances	1,889	595
Interest income from fixed deposits and cash balances	(56)	(186)
(b) Balances relating to related party transactions are as follows:		
	As at	
	31 March	
	2017	2016
	RM'000	RM'000
<b>(i) Balances with ultimate holding company</b>		
Amount due to:		
Felda Global Ventures Holdings Berhad	9,524	13,811
<b>(ii) Balances with related companies</b>		
Amount due to:		
Felda Security Services Sdn. Bhd.	85	95
Felda Prodata System Sdn. Bhd.	103	135
Felda Engineering Services Sdn. Bhd.	-	10
Felda Travel Sdn. Bhd.	32	28
Felda Holdings Bhd	14	14
Felda Trading Sdn. Bhd.	347	73
Felda Transport Services Sdn Bhd	50	93
FELDA		
	<b>631</b>	<b>448</b>
<b>(iii) Balances with a related company</b>		
Amount due from:		
Felda Trading Sdn. Bhd.	17,830	11,355
Felda Global Ventures Plantation (Malaysia) Sdn. Bhd.	-	1
FGV Holdings Bhd	7	
Felda Global Ventures R&D Sdn. Bhd.	4	1
	<b>17,841</b>	<b>11,357</b>
<b>(iv) Loan due to a related company</b>		
Amount due to:		
FGV Capital Sdn. Bhd.	141,116	30,011
<b>(v) Balances between subsidiaries and government-related financial institutions</b>		
Bankers acceptances	305,840	187,550
Fixed deposits and cash balances	89,581	84,654

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)**

Amounts in RM thousand unless otherwise stated

**15 Review of Performance**

**(a) Quarter on Quarter**

The Group recorded a total revenue of RM 648.97 million quarter on quarter, which was RM 95.81 million or 17.32% higher compared to the same period last year of RM 553.16 million on the back of improved selling price and higher volume of refined sugar sold for the Domestic market segment.

The Group recorded a loss after tax of RM 34.62 million as compared to profit after tax (PAT) of RM 59.34 million in the previous corresponding period due to the higher raw material costs and weakening Ringgit.

**16 Material Changes in the Quarterly Results Compared to the Preceding Quarter (31 December 2016)**

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

	Quarter Ended		Variance	
	31 March 2017	31 December 2016	RM	%
Revenue	648,971	838,308	(189,337)	(22.6)
Profit after tax	(34,622)	14,394	(49,016)	(340.5)

The Group recorded a total revenue RM 648.97 million in the current quarter compared to the preceding quarter of RM 838.31 million on the back of lower demand of refined sugar from the domestic and industries market.

The Group recorded a loss after tax of RM 34.62 million for the three (3) months period ended 31 March 2017 compared to the preceding quarter PAT of 14.39 million due to the higher raw material costs and weakening Ringgit.

**17 Current Year Prospects**

Notwithstanding the volatility of commodity prices, the Group is expected to be able to perform in line with the industry.

**18 Variance of Actual Profit from Forecast Profit**

The Group did not issue any profit forecast.

**19 Profit from Operations**

Included in the operating profit are:

	Year to Date Ended 31 March	
	2017	2016
Amortisation of intangible asset	1,162	418
Amortisation of prepaid lease payment	22	15
Depreciation of property plant and equipment	10,057	8,030
Property, plant and equipment written off	135	-
Net foreign exchange (gain)/loss	(2,873)	4,031
Net foreign exchange loss on translation	194	1,902
Commodity gain	(20,632)	(16,196)

**20 Taxation**

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2017	2016	2017	2016
Current	(1,846)	(3,373)	10,270	(3,373)
Deferred	(3,094)	2,162	(5,330)	2,162
	(4,940)	(1,211)	4,940	(1,211)

The effective tax rate for the current period ended 31 March 2017 is lower than the Malaysian income tax rate of 24% due recognition of deferred tax assets as the Group is loss making for current financial period.

**MSM MALAYSIA HOLDINGS BERHAD**  
**QUARTERLY REPORT (CONTINUED)**

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

**21 Realised and Unrealised Retained Earnings**

	As at 31 March	
	2017	2016
Realised	728,926	803,844
Unrealised	(65,184)	(1,245)
	<u>663,742</u>	<u>802,599</u>
Consolidation adjustments	(122,583)	(122,333)
<b>Total Group retained earnings as per consolidated accounts</b>	<b><u>541,159</u></b>	<b><u>680,266</u></b>

The unrealised portion of retained earnings comprises the deferred tax expense, cumulative net gains arising from fair value through profit and loss and translation gains and losses on monetary items denominated other than in Ringgit Malaysia.

**22 Earnings Per Share**

	Quarter Ended 31 March		Year to Date Ended 31 March	
	2017	2016	2017	2016
Basic (loss)/earnings per share are computed as follows:				
(Loss)/Profit for the financial period/year attributable to owners of the Company (RM'000)	(34,622)	59,344	(34,622)	59,344
Weighted average number of ordinary shares in issue (thousands)	<u>702,980</u>	<u>702,980</u>	<u>702,980</u>	<u>702,980</u>
per share (sen)	<b><u>(4.93)</u></b>	<b><u>8.44</u></b>	<b><u>(4.93)</u></b>	<b><u>8.44</u></b>

**23 Derivative Financial Instruments**

The Group uses foreign currency exchange forward contracts and sugar commodity future contracts to manage its exposure to various financial and derivative risks. The fair value of these derivatives as at 31 March 2017 are as follows:

	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
<b>Type of derivatives</b>			
Foreign currency exchange forward contracts	309,774	-	1,987
Sugar commodity futures contracts	259,969	-	891
	<u>569,743</u>	<u>-</u>	<u>2,878</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 2016. The maturity periods of the above derivatives are less than one year. The following table presents the assets and liabilities that are measured at fair value at 31 March 2017.

**31 March 2017**

	Level 1	Level 2	Level 3	Total
Liabilities				
Financial liabilities at fair value through profit and loss				
- Foreign currency exchange forward contracts	-	1,987	-	1,987
- Sugar commodity futures contracts	<u>891</u>	<u>-</u>	<u>-</u>	<u>891</u>
	<b><u>891</u></b>	<b><u>1,987</u></b>	<b><u>-</u></b>	<b><u>2,878</u></b>

The fair value of financial instruments traded in active markets is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1. Instruments included in Level 1 comprise commodity future contracts.

The fair value of financial instruments that are not traded in an active market (for example, foreign currency forward contracts) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. Instruments included in Level 2 comprise foreign currency exchange forward contracts.

**MSM MALAYSIA HOLDINGS BERHAD**  
**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:

	<b>As at</b>	
	<b>31 March</b>	
	<b>2017</b>	<b>2016</b>
<b>Borrowings</b>		
<b>Non-current</b>		
Secured:		
Islamic term loans	317,380	-
<b>Current</b>		
Unsecured:		
Bankers' acceptances and revolving credits	631,652	473,499
Average interest rate	<u>3.32%</u>	<u>3.89%</u>

As at 31 March 2017, the Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group.

**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**

**Encik Mohamad Amri Bin Sahari @ Khuzari**  
**President/ Group Chief Executive Officer**

**Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad**  
**Chairman**

**Kuala Lumpur**  
**24 May 2017**