



MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

Condensed Consolidated Financial Statements
For The Financial Period Ended 30 June 2017

MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia)

(Company No : 935722-K)

QUARTERLY REPORT

On consolidated results for the period ended 30 June 2017

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in RM thousand unless otherwise stated

	Quarter Ended 30 June			Year to Date Ended 30 June		
	2017	2016	% Change	2017	2016	% Change
Revenue	692,458	633,856	9.2%	1,341,429	1,187,016	13.0%
Cost of sales	(672,177)	(547,938)		(1,318,096)	(997,510)	
Gross profit	20,281	85,918	(76.4%)	23,333	189,506	(87.7%)
Other operating income	2,300	4,357		7,119	5,539	
Selling and distribution cost	(19,987)	(26,580)		(43,827)	(48,613)	
Administrative expenses	(9,675)	(23,000)		(37,038)	(47,864)	
Other (loss)/gains-net	(19,267)	(6,364)		(10,400)	3,899	
Other operating expenses	(83)	294		(3,704)	(5,572)	
(Loss)/Profit from operations	(26,431)	34,625	>(100.0%)	(64,517)	96,895	>(100.0%)
Finance costs	(3,975)	(4,466)		(7,034)	(6,915)	
Finance income	1,813	918		3,396	1,652	
(Loss)/Profit before taxation	(28,593)	31,077	>(100.0%)	(68,155)	91,632	>(100.0%)
Taxation	7,143	(7,398)		12,083	(8,609)	
(Loss)/Profit for the period	(21,450)	23,679	>(100.0%)	(56,072)	83,023	>(100.0%)
Other comprehensive income/(loss)						
Currency translation differences	201	1,356		4,759	(2,176)	
Total comprehensive (loss)/income for the period	(21,249)	25,035	>(100.0%)	(51,313)	80,847	>(100.0%)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2017

	Quarter Ended 30 June			Year to Date Ended 30 June		
	2017	2016	% Change	2017	2016	% Change
(Loss)/Profit attributable to :						
Shareholders of the Company	(21,450)	23,679	>(100.0%)	(56,072)	83,023	>(100.0%)
Non-controlling interest	-	-		-	-	
(Loss)/Profit for the period	(21,450)	23,679	>(100.0%)	(56,072)	83,023	>(100.0%)
Total comprehensive income attributable to :						
Shareholders of the Company	(21,249)	25,035	>(100.0%)	(51,313)	80,847	>(100.0%)
Non-controlling interest	-	-		-	-	
Total comprehensive (loss)/income for the period	(21,249)	25,035	>(100.0%)	(51,313)	80,847	>(100.0%)
Basic (loss)/earnings per share attributable to equity holders of the Company (sen)	(3.05)	3.37		(7.98)	11.81	

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)

On consolidated results for the period ended 30 June 2017 (continued)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in RM thousand unless otherwise stated

	Unaudited As at 30 June 2017	Audited As at 31 December 2016
Assets		
Non-current assets		
Property, plant and equipment	1,396,264	950,408
Intangible asset	70,761	70,464
Goodwill	576,240	576,240
Prepaid lease payment	560	601
Receivables	10,320	4,640
Total non-current assets	<u>2,054,145</u>	<u>1,602,353</u>
Current assets		
Inventories	949,467	888,949
Trade receivables	246,785	262,443
Other receivables, deposits and prepayments	33,090	87,949
Tax recoverable	51,427	29,520
Derivative financial assets	177	1,970
Amounts due from related companies	17,797	14,326
Cash and cash equivalents	383,137	337,911
Total current assets	<u>1,681,880</u>	<u>1,623,068</u>
Non-current assets held for sale	<u>7</u>	<u>7</u>
Total assets	<u>3,736,032</u>	<u>3,225,428</u>
Equity		
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	2,546	(2,213)
Retained earnings	492,270	576,461
Total equity attributable to equity holders of the Company	<u>1,907,378</u>	<u>1,986,810</u>
Non-controlling interest	<u>-</u>	<u>-</u>
Total equity	<u>1,907,378</u>	<u>1,986,810</u>
Non-current liabilities		
Deferred tax liabilities	66,868	73,744
Borrowings	-	178,903
Provisions	32	-
Total non-current liabilities	<u>66,900</u>	<u>252,647</u>
Current liabilities		
Payables and accruals	381,264	465,856
Amounts due to other related companies	393	400
Amount due to ultimate holding company	4,092	6,963
Loan due to a related company	113,245	156,452
Borrowings	1,262,662	356,300
Derivative financial instruments	98	-
Total current liabilities	<u>1,761,754</u>	<u>985,971</u>
Total liabilities	<u>1,828,654</u>	<u>1,238,618</u>
Total equity and liabilities	<u>3,736,032</u>	<u>3,225,428</u>
Net assets per share attributable to equity holders of the Company (RM)	<u>2.71</u>	<u>2.83</u>

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

Period ended	Share capital	Share premium	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Retained earnings	Equity attributable to equity holders of the Company
30 June 2017							
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	-	-	-	-	-	(56,072)	(56,072)
<u>Other comprehensive income/(loss)</u> <u>Item that will be subsequently reclassified to profit or loss</u>							
- currency translation differences	-	-	-	-	4,759	-	4,759
Total comprehensive income/(loss)	-	-	-	-	4,759	(56,072)	(51,313)
<u>Transaction with owners:</u>							
Dividend	-	-	-	-	-	(28,119)	(28,119)
At 30 June 2017	<u>351,490</u>	<u>366,765</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>2,546</u>	<u>492,270</u>	<u>1,907,378</u>
Period ended	Share capital	Share premium	Merger relief reserve	Reorganisation deficit	Foreign exchange reserves	Retained earnings	Equity attributable to equity holders of the Company
30 June 2016							
At 1 January 2016	351,490	366,765	1,733,939	(1,039,632)	-	624,454	2,037,016
Profit for the period	-	-	-	-	-	83,023	83,023
<u>Other comprehensive (loss)/income</u> <u>Item that will be subsequently reclassified to profit or loss</u>							
- currency translation differences	-	-	-	-	(2,176)	-	(2,176)
Total comprehensive income/(loss)	-	-	-	-	(2,176)	83,023	80,847
<u>Transaction with owners:</u>							
Dividend	-	-	-	-	-	(98,417)	(98,417)
At 30 June 2016	<u>351,490</u>	<u>366,765</u>	<u>1,733,939</u>	<u>(1,039,632)</u>	<u>(2,176)</u>	<u>609,060</u>	<u>2,019,446</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	
	30 June	
	2017	2016
Cash Flows from Operating Activities		
(Loss)/Profit for the period	(56,072)	83,023
Adjustment for Non-Cash Flow Items	16,238	25,549
Operating (Loss)/Profit Before Changes in Working Capital	<u>(39,834)</u>	<u>108,572</u>
Changes in Working Capital		
Net changes in working capital	(84,086)	283,114
Tax paid	(17,661)	(46,848)
Net Cash (used in)/ generated from Operating Activities	<u>(141,581)</u>	<u>344,838</u>
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(447,749)	(73,358)
Acquisition of intangible assets	(1,911)	(987)
Proceeds from disposal of property, plant and equipment	-	451
Interest received	3,396	911
Net Cash used in Investing Activities	<u>(446,264)</u>	<u>(72,983)</u>
Cash Flows from Financing Activities		
Repayment of loan due to a related company	(43,207)	-
Drawdown of borrowings, net of issuance costs	1,555,465	562,180
Repayment of borrowings	(828,006)	(511,210)
Interest paid	(16,304)	(5,670)
Dividend paid	(28,119)	(98,417)
Net Cash generated from/ (used in) Financing Activities	<u>639,829</u>	<u>(53,117)</u>
Net Increase in Cash and Cash Equivalents	51,984	218,738
Unrealised gain	(7,026)	-
Cash and Cash Equivalents at Beginning of the Financial Period	322,706	123,902
Cash and Cash Equivalents at End of the Financial Period	<u>367,664</u>	<u>342,640</u>
Cash and Cash Equivalents comprise:		
Deposits with licensed banks	95,940	249,275
Cash and bank balances	287,197	93,365
Less : Restricted cash	(15,473)	-
	<u>367,664</u>	<u>342,640</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.

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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

The shareholders during the Annual General Meeting resolved a final dividend payment of 4 cents per share amounting to RM28.1 million for the year ended 31 December 2016 which is paid on 13 June 2017.

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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 30 June 2017	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	1,341,035	394	-	1,341,429
Revenue from external customers	1,341,035	394	-	1,341,429
Finance income	1,782	-	1,614	3,396
Finance cost	(1,141)	(1)	(5,892)	(7,034)
Depreciation and amortisation	(10,263)	(1,169)	(1,188)	(12,620)
Loss before taxation	(61,675.14)	(3,239)	(3,241)	(68,155)
Taxation	14,124	-	(2,041)	12,083
Loss after taxation for the financial period				(56,072)

Total assets as at 30 June 2017

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total assets	3,391,113	149,238	195,681	3,736,032
Total liabilities	1,724,738	98,080	5,836	1,828,654
Additions to property, plant and equipment	447,606	57	86	447,749
Additions to intangible assets	-	-	1,911	1,911

Cumulative quarter ended 30 June 2016

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total segment revenue	1,186,798	218	-	1,187,016
Revenue from external customers	1,186,798	218	-	1,187,016
Finance income	892	-	760	1,652
Finance cost	(6,914)	(1)	-	(6,915)
Depreciation and amortisation	(16,063)	(1,186)	(1,145)	(18,394)
Profit/(loss) before taxation	111,221	(3,573)	(16,016)	91,632
Taxation	(6,989)	-	(1,620)	(8,609)
Profit after taxation for the financial period				83,023

Total assets as at 30 June 2016

	Sugar	Rubber and palm oil	Reconciliation	Total
	RM'000	RM'000	RM'000	RM'000
Total assets	2,536,751	143,451	59,164	2,739,366
Total liabilities	1,072,639	84,800	(437,519)	719,920
Additions to property, plant and equipment	66,677	3,311	2,010	71,998
Additions to intangible assets	1,494	-	(507)	987

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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 30 June 2017.

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 30 June 2017.

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

	As at 30 June	
	2017	2016
Property, plant and equipment:		
- Contracted but not provided for	373,188	420,727
- Approved but not contracted for	183,799	892,794
	<u>556,987</u>	<u>1,313,521</u>

14 Material Related Party Transactions

(a) Related party transactions are as follows:

	Year to Date Ended 30 June	
	2017	2016
(i) Transactions with ultimate holding company		
Management fees (Felda Global Ventures Holdings Berhad)	2,976	3,870
(ii) Transactions with related companies		
Sales of refined sugar (Felda Trading Sdn. Bhd.)	(14,389)	(13,779)
Security services (Felda Security Services Sdn. Bhd.)	578	415
Information technology services (Felda Prodata System Sdn. Bhd.)	72	102
Travel agent services (Felda Travel Sdn. Bhd.)	357	104
Insurance services (Felda Trading Sdn. Bhd.)	33	30
Plantation material (Felda Trading Sdn. Bhd.)	-	140
Repair tractor (Felda Global Venture Plantation Malaysia Sdn Bhd)	1	-
Refreshment services (Felda D'Saji Sdn. Bhd.)	12	61
Rental income (Felda Agricultural Services Sdn. Bhd.)	(24)	(19)
House rental (Felda Global Ventures R&D Sdn. Bhd.)	11	(5)
Office rental (FELDA)	749	767
Water and electricity charges (Felda Chuping Sdn. Bhd.)	2	1
	<u>(9,622)</u>	<u>(8,313)</u>

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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	
	30 June	
	2017	2016
(iii) Transactions between subsidiaries and government-related financial institutions		
Interest expense for bankers acceptances	2,242	2,130
Interest income from fixed deposits and cash balances	(143)	(159)
(b) Balances relating to related party transactions are as follows:		
	As at	
	30 June	31 December
	2017	2016
	RM'000	RM'000
(i) Balances with ultimate holding company		
Amount due to:		
Felda Global Ventures Holdings Berhad	4,092	6,963
(ii) Balances with related companies		
Amount due to:		
Felda Security Services Sdn. Bhd.	121	51
Felda Prodata System Sdn. Bhd.	72	259
Felda Travel Sdn. Bhd.	5	25
Felda Holdings Bhd	14	14
Felda Transport Services Sdn Bhd	131	-
FELDA	50	51
	393	400
(iii) Balances with related companies		
Amount due from:		
Felda Trading Sdn. Bhd.	17,754	14,325
Felda Agricultural Services Sdn. Bhd.	24	-
Felda Travel Sdn. Bhd.	15	-
Felda Global Ventures R&D Sdn. Bhd.	4	1
	17,797	14,326
(iv) Loan due to a related company		
Amount due to:		
FGV Capital Sdn. Bhd.	113,245	156,452
(v) Balances between subsidiaries and government-related financial institutions		
Bankers acceptances	310,186	227,600
Fixed deposits and cash balances	54,692	160,997

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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 692.46 million quarter on quarter, which was RM 58.60 million or 9.2% higher compared to the same period last year of RM 633.86 million on the back of improved selling price.

The Group recorded a loss after tax of RM 21.45 million as compared to profit after tax (PAT) of RM 23.68 million in the previous corresponding period due to the higher raw material costs purchased by the Group, which peaked at 20.54 cents per pound and weakening Ringgit. The average raw sugar cost for the Group had increased by 54.0% (RM/mt) compared to the same period last year due to higher market price of raw sugar. The subsequent decline in the current market price of sugar of about 13.75 cents per pound had adversely affected the overall margins of the Group.

(b) Year on Year

The Group revenue for the first half of the year 2017 was RM 1,341.43 million compared to RM 1,187.02 million revenue in the same period last year due to improved selling price and higher volume of refined sugar sold for the Domestic market segment.

The Group recorded a loss after tax for the six (6) months period ended 30 June 2017 of RM 56.07 million as compared to previous corresponding period's PAT of RM 83.02 million due to higher production costs and higher raw material cost. Higher cost of material in tandem with weakening Ringgit.

16 Material Changes in the Quarterly Results Compared to the Preceding Quarter (31 March 2017)

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

	Quarter Ended		Variance	
	30 June 2017	31 March 2017	RM	%
Revenue	692,458	648,971	43,487	6.7
Loss after tax	<u>(21,450)</u>	<u>(34,622)</u>	<u>13,172</u>	<u>(38.0)</u>

The Group recorded a total revenue RM 692.46 million in the current quarter compared to the preceding quarter of RM 648.97 million due higher demand of refined sugar from the Domestic, Industries and Export market.

The Group recorded a loss after tax of RM 21.45 million for the three (3) months period ended 30 June 2017 compared to the preceding quarter loss of RM 34.62 million in line with the higher sales volume by 8% as a result of festive season. Slightly decline in loss after tax consistent with higher tax adjustment made on deferred tax assets.

17 Current Year Prospects

Notwithstanding the volatility of commodity prices, the Group is expected to be able to perform in line with the industry. The Group is of the view that the results are expected to improve in the near term with the replacement of the stocks of raw sugar material at the current lower raw sugar market price.

18 Variance of Actual Profit from Forecast Profit

The Group did not issue any profit forecast.

19 (Loss)/Profit from Operations

Included in the operating (loss)/profit are:

	Year to Date Ended	
	2017	30 June 2016
Amortisation of intangible asset	1,614	610
Amortisation of prepaid lease payment	41	43
Depreciation of property plant and equipment	10,965	17,741
Property, plant and equipment written off	188	527
Loss on disposal of property, plant and equipment	10	-
Net foreign exchange loss/(gain)	858	(3,899)
Net foreign exchange gain on translation	(8,432)	-
Commodity gain	<u>(24,766)</u>	<u>(64,005)</u>

20 Taxation

	Quarter Ended		Year to Date Ended	
	2017	2016	2017	2016
Current	3,362	(5,416)	5,208	(8,789)
Deferred	<u>3,781</u>	<u>(1,982)</u>	<u>6,875</u>	<u>180</u>
	<u>7,143</u>	<u>(7,398)</u>	<u>12,083</u>	<u>(8,609)</u>

The effective tax rate for the current period ended 30 June 2017 is higher than the Malaysian income tax rate of 24% due to higher taxable income during the second quarter 2017.

While effective tax rate for year to date ended 30 June 2017 is lower than Malaysian income tax rate of 24% mainly due to non taxable income from an overseas subsidiary.

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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 30 June	
	2017	2016
Realised	676,420	747,827
Unrealised	(61,632)	(7,171)
	<u>614,788</u>	<u>740,656</u>
Consolidation adjustments	(122,518)	(131,596)
Total Group retained earnings as per consolidated accounts	<u>492,270</u>	<u>609,060</u>

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 30 June		Year to Date Ended 30 June	
	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)	(21,450)	23,679	(56,072)	83,023
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>
Basic earnings	<u>(3.05)</u>	<u>3.37</u>	<u>(7.98)</u>	<u>11.81</u>

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 30 June 2017 are as follows:

Type of derivatives	Contractual/ Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
		<u>47,251</u>	45
Sugar commodity futures contracts	18,003	132	-
	<u>65,254</u>	<u>177</u>	<u>98</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 30 June 2017.

30 June 2017

	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit and loss				
- Foreign currency exchange forward contracts	-	45	-	45
- Sugar commodity futures contracts	<u>132</u>	-	-	<u>132</u>
	<u>132</u>	<u>45</u>	-	<u>177</u>
Liabilities				
Financial liabilities at fair value through profit and loss				
- Foreign currency exchange forward contracts	-	98	-	98

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:

	As at	
	30 June	
	2017	2016
Borrowings		
Non-current		
Secured:		
Islamic term loans	-	97,821
Current		
Secured :		
Islamic term loans	474,590	-
Unsecured:		
Bankers' acceptances and revolving credits	788,072	195,138
Average interest rate	<u>3.66%</u>	<u>3.87%</u>

As at 30 June 2017, the Islamic term loans are secured against a leasehold land, debenture and certain bank balances of the Group. The Islamic term loans have been reclassified as current borrowings due to non-compliance of certain loan covenants as a result of current period (first half of the year 2017) loss position. The Group is in discussion with the banks to restructure and negotiate a new term loan arrangement, which is expected to be in place during the second half period ending 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

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

Dato' Rosini Abd Samad
Chairman

Kuala Lumpur
29 August 2017