

RAW SUGAR PRICE AND WEAK RINGGIT DENT MSM'S Q1 PROFITABILITY

KUALA LUMPUR, MAY 31, 2017 – MSM Malaysia Holdings Berhad (MSM), the country's leading refined sugar producer and a subsidiary of Felda Global Ventures Holdings Berhad (FGV), gets the red ink – a first since its listing in 2011, for the financial quarter ended 31 March 2017, largely facing bleak improvements on significant local currency devaluations and late market recovery of international raw sugar prices.

In a statement released today, the Group posted loss from operation (LBT) of RM39.56 million followed by a net loss (LAT) of RM34.62 million for its Q1 2017 due to steep increase in raw sugar cost and other uncontrollable external factors.

Nevertheless, revenue increased by 17.3% from RM553.16 million recorded in Q1 2016 to RM648.97 million in Q1 2017, mainly attributable to an improved sales volume by 22.8% and increase in the average selling price in the overall market segments.

The production cost of refined sugar for MSM continues to increase in Q1 2017 as a result of the weaker Ringgit compared to Q1 2016. In addition, this factor has also translated into MSM paying higher amount in terms of Ringgit per metric tonne of sugar purchased.

Amid the gloomy outlook, in comparing between the period of Q1 2016 and Q1 2017, MSM's cost of procuring raw sugar increased by about 45.51% in terms of ringgit per metric tonne. While in terms of Forex, MSM's weighted average rate of buying USD has also increased by about 4.1% during the same period under review.

Due to the above, MSM's gross profit margin declined by 97.1% compared to the same quarter last year.

"We are closely monitoring the movement of Ringgit-Dollar and hedge our USD exposure on a quarterly basis. Our aim is to average out the Forex volatility and achieve a better control over our imported material costs," said President/Chief Executive Officer of MSM Group, Mohamad Amri Sahari.

Amri Sahari added, "It is important to note that since our establishment, we have always maintained a progressive growth. However, I believe the unfortunate result this quarter is experienced across most sugar commodity markets globally. While there is a late gradual decline of international raw sugar prices, the global sugar commodity is heavily operating at a volatile market environment. We continue to engage with the Government and update them on the global sugar market and is hopeful for a favourable outcome."

Aside from capitalising and leveraging on existing assets and steadily sustain cash flow generation, the Group will focus on its current investments to fortify its trading arm in Dubai and ensure completion of the Johor refinery remains on track - current physical construction is at 45% completed and within the stipulated budget.

MSM has experienced and successfully steered through a range of market cycles throughout its 53-year history and during this challenging period, MSM is banking on its expertise, local market understanding and longstanding customers' needs to steer past the market cycle.

Efforts are intensified to ensure a steady sugar supply particularly in the coming festive season and remains hopeful for a swift recovery.

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About MSM Malaysia Holdings Berhad (MSM)

MSM Malaysia Holdings Berhad (MSM), incorporated on 10 March 2011, is Malaysia's leading refined sugar producer. It was listed on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2011 and is one of the top 50 prominent companies on Bursa Malaysia with a market capitalisation of RM3.55 billion (as at December 2016). It is also a 51% subsidiary of Felda Global Ventures Holdings Berhad (FGV).

Principally, MSM operates the sugar business of FGV. It produces, markets and sells refined sugar products. The company conducts its business principally through two operating subsidiaries, MSM Prai Berhad and MSM Perlis Sdn. Bhd. which were established in 1959 and 1971 respectively. In addition, MSM also operates a logistics company - MSM Logistics Sdn. Bhd. and a trading company - MSM Trading International DMCC, based in Dubai, UAE.

At present, MSM's production capacity is up to 1.25 million tonnes of refined sugar per annum. In 2016, MSM produced its highest output at 1,117,010 tonnes of refined sugar, of which 135,160 tonnes are catered for the export market. Currently, MSM corroborates up to 60% of the domestic market share.

MSM offers a variety of products ranging from white refined sugar of various grain sizes to soft brown sugar. These are marketed and sold in a variety of packaging options under its flagship brand - Gula Prai. MSM also sells molasses, a by-product of the refining process, to distilleries and producers of ethanol, animal feed and yeast, among other products. Aside from household consumers, MSM sells to a wide range of customers in Malaysia and in other countries directly and indirectly through traders, wholesalers and distributors. Its customers include major companies in the beverage and confectionery industries, hotels, restaurants and food outlets.

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