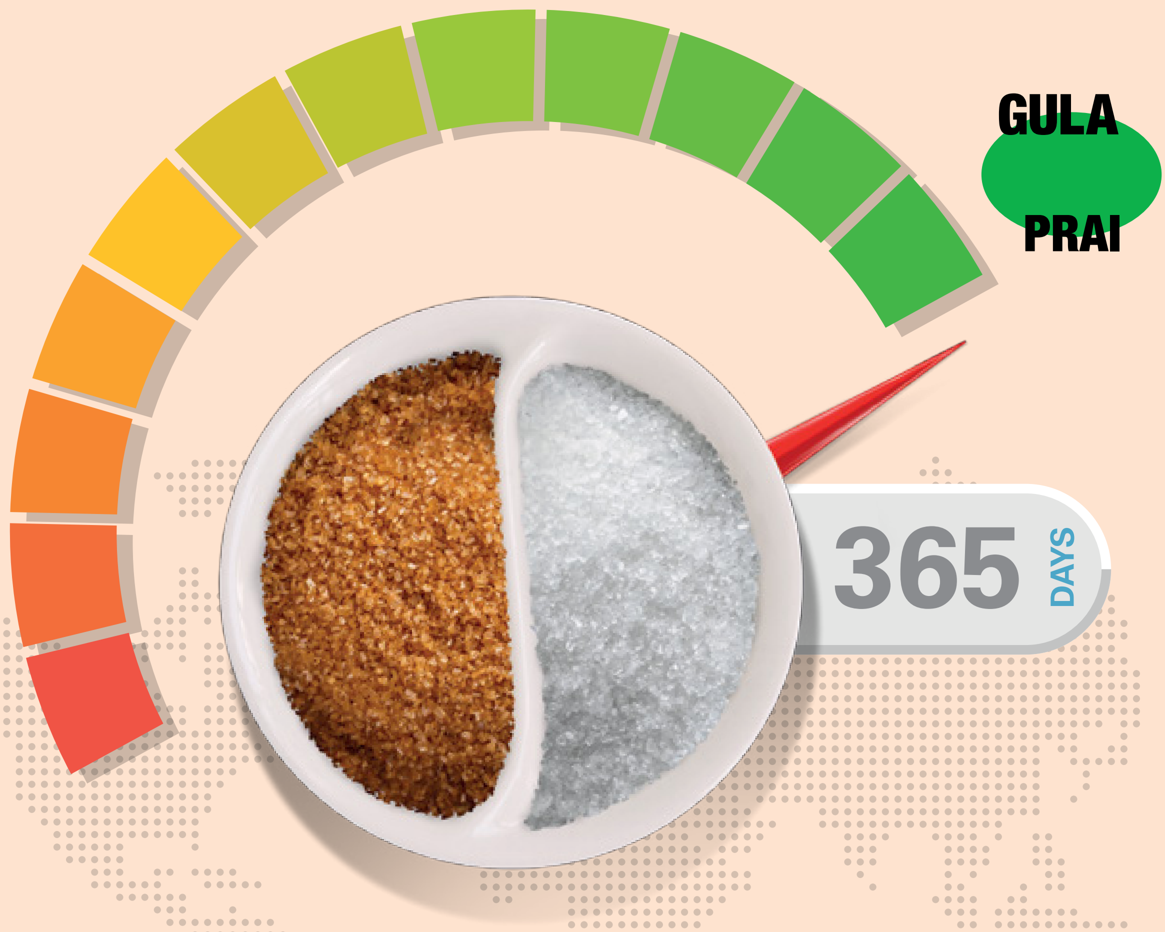
MSM MALAYSIA HOLDINGS BERHAD

REDEFINING THE SUGAR MARKET LANDSCAPE



ANNUAL REPORT **2018**

ABOUT THIS REPORT

This Annual Report is guided by the International Integrated Reporting Council (IIRC) framework, in our bid to present to shareholders and stakeholders the long-term value creation efforts and outcomes for the Financial Year Ended 31 December 2018.

SCOPE AND BOUNDARIES

This report has been compiled in accordance with the concepts, guiding principles and content elements contained in the IIRC framework. This framework employs a reporting approach to create short, medium and long-term value as well as the connectivity and interdependencies of the six capitals, namely human, natural, manufactured, financial, intellectual, and social & relationship capital.

The report provides a complete and balanced review of MSM and its subsidiaries on the Economic, Environmental and Social (EES) performance within the context of its strategy, risks and opportunities for the period of 1 January 2018 to 31 December 2018.

This report adheres to the guidelines laid down within Bursa Malaysia's Main Market Listing Requirements and Sustainability Guidelines. It also complies with requirements for EES reporting as outlined under the Global Reporting Initiative (GRI). Compliance with Malaysian legal requirements under the Companies Act 2016 and Malaysian Code on Corporate Governance 2017 (MCCG 2017) has also been adhered to.

DETERMINING MATERIALITY

The aim of MSM's Annual Report is to provide a transparent, balanced and accessible narrative and analysis of our strategy, performance and prospects in relation to material, financial, economic, social, environmental and governance matters. Our reporting encompasses all material developments concerning MSM up until the approval of the annual financial statements. It focuses on MSM as a Group and encompasses our operating subsidiaries, i.e. MSM Prai Berhad, MSM Perlis Sdn Bhd, MSM Logistics Sdn Bhd, MSM Sugar Refinery (Johor) Sdn Bhd and MSM Trading International DMCC. Financial and non-financial data from our subsidiaries are consolidated for ease of reference. We have also included pertinent information that should assist stakeholders in making an informed assessment of MSM and how we are able to strategically create and sustain long-term stakeholder value.

The material matters and developments which are covered in the report were determined taking into account the following considerations:

- Quantitative and qualitative criteria and factors in relation to MSM's business and operations
- Matters critical to achieving our strategic objectives and creating long-term value for our stakeholders
- Matters covered in reports submitted to the Board of Directors for discussion or approval
- Material risks identified by our risk management process
- Key stakeholders' interests

All material matters and developments thereof for the reporting year under review can be found within Shaping Material Matters on page 14 and Management Discussion & Analysis (MD&A) from page 28 onwards.

ASSURANCE AND APPROVAL

MSM's Board of Directors and Senior Management, has approved the contents of this Annual Report, guided by the requirements of the MCCG 2017, Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Sustainability Guidelines. The financial report and statements have been audited by PricewaterhouseCoopers PLT and is approved free of qualifications. The Board acknowledges responsibility for ensuring the integrity recommendations of the annual report, following recommendation by the Audit Committee, responsible for oversight of the integrated annual report.

FEEDBACK

MSM's integrated reporting process is intended to move beyond compliance to generate meaningful and inclusive discourse with our Stakeholders with the aim of informing our strategy and building trust. We value feedback and welcome questions or comments on our reports. To share feedback, please contact our Investor Relations unit at +603 2181 5018 or e-mail us at investor.relations@msmsugar.com.

FORWARD LOOKING STATEMENTS

Certain statements in this report regarding MSM's operations may constitute forward-looking statements. These statements can be identified by key words such as "believes", "estimates", "anticipates", "expects", "intends", "may", "will", "plans", "outlook" and other words of similar meaning in connection with a discussion of future operating or financial performance. These statements relate to the plans, objectives, goals, strategies, future operations and performance of MSM. Actual results and outcomes may differ materially from those projected in any forward looking statements due to various events, risks, uncertainties and other factors. We neither intend to nor assume any obligation to update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

OUR SIX CAPITALS

A key element of our integrated report is our business model which explains how we leverage our six capitals (as categorised by the IIRC) to create value for our stakeholders. Our six identified capitals are the various relationships and resources we depend on in order to develop, deliver and sustain growth of our business. Our business strategies revolve around maximising positive outcomes within these capitals, being mindful of the trade-offs between capitals, and mitigating negative impacts.

HUMAN CAPITAL

Our skilled employees and experienced management team are our greatest assets. We have 1,405 employees which are considered skilled industry experts who provide us a competitive edge in helping us maintain market leadership. Via training and skill enhancement initiatives such as Staff Mobility Programme, we seek to maintain a good quality talent pool within the Group. In 2018, we achieved average training hours of 12.3.

INTELLECTUAL CAPITAL

Our strong brand, expertise, capabilities and established technologies steer our business success. We have over 50 years of industry expertise and our Gula Prai brand currently ranks as the No. 1 selling sugar brand in Malaysia. These have ensured our domestic market share dominance of 59%. Our production is anchored on quality certified management processes and systems.

MANUFACTURED CAPITAL

We produce the highest quality sugar with assured certifications. We also ensure availability of refined sugar through effective stock management. With our recent opening of the MSM Johor plant, we have increased production capacity to 2.25 million tonnes per annum with potential to deliver up to 1.25 million tonnes of refined sugar.

FINANCIAL CAPITAL

Our financial capital enables us to provide salaries for our employees, dividends for our shareholders and investment in communities while driving sustainable growth through reinvestments to maintain and grow our business. Our investors' funds are wisely invested to increase our operational efficiency as well as to initialise operations in our plants.

NATURAL CAPITAL

Raw sugar and fuel are the natural capitals of our industry. We depend on reliable access to these to maintain smooth operations. Price of raw sugar has a great impact on our profit margin as we have no direct control on pricing. We build trusted relationships with raw sugar suppliers and exercise hedging strategies to optimise on better deals. We are mindful of our impact to the environment and are committed towards conducting business in an environmentally responsible and sustainable manner. We are guided by Environmental Management System by which we continue to record improvements in waste and greenhouse gases emissions as well as water and energy consumption through our investments in green technologies within our Penang and Johor plants.

SOCIAL & RELATIONSHIP CAPITAL

We were established to ensure national self-sufficiency in sugar, and have since become the flagbearers of Malaysia's sugar industry. As such, our social and relationship capital are the relationships of trust we build with our stakeholders – our employees, customers, suppliers, investors, communities, regulators, the government, industry partners and the media. We contribute to national and community development through the payment of taxes and zakat, as well as create employment opportunities by maintaining profitable operations.

Scan this QR code to view the MSM Annual Report 2018 microsite

8th ANNUAL GENERAL MEETING

OF MSM MALAYSIA HOLDINGS BERHAD

VENUE

Banquet Hall 1, Level B2
Menara Felda, Platinum Park
No. 11, Persiaran KLCC
50088 Kuala Lumpur

DATE

Wednesday
19
June 2019

TIME

11 a.m.

INSIDE THIS REPORT

CONTENT HIGHLIGHTS

CHAIRMAN'S STATEMENT

DATUK WIRA AZHAR ABDUL HAMID
Chairman

DEAR VALUED STAKEHOLDERS,

After a turbulent 2017, your Board and Management took a prudent approach to 2018, focusing on two main thrusts:

(i) Business turnaround initiatives to strengthen MSM Malaysia Holdings Berhad's (MSM) position as the leading player in the domestic industry; and

(ii) Strategic repositioning to address mismatch between capacity and demand.

WE SAW THE COMPLETION OF THE MSM SUGAR REFINERY (JOHOR) SDN BHD (MSM JOHOR), WHICH HAS INCREASED OUR CAPACITY BY 1 MILLION TONNES PER YEAR, MAKING US ONE OF THE LARGEST STANDALONE SUGAR REFINERS IN ASIA, IN TERMS OF CAPACITY. WITH THE INCREASED PRODUCTION CAPACITY AVAILABLE TO US, WE ARE TARGETING NEW REGIONAL AND INTERNATIONAL MARKETS TO GROW THIS SEGMENT OF THE BUSINESS AND REDUCE DEPENDENCE ON THE DOMESTIC MARKET.

REVENUE
RM2.2
billion

PROFIT AFTER ZAKAT AND TAX
RM35.6
million

EARNINGS PER SHARE
5.07
sen

2018 TURNAROUND LANDSCAPE: CHALLENGES & HIGHLIGHTS

The need to turnaround the performance of the Group underscored all our initiatives in 2018. We were always mindful of the fact that only 20% of our costs is within our control and that the Group's performance is tied to world raw sugar prices, forex and local government policies, all of which are influenced by external factors not within MSM's control. Thus, your Board and Management worked hand in glove to strengthen MSM's core business, entrench the principles of good governance at all levels, and initiate goal shifting strategies to achieve better and more sustainable performance.

Against this backdrop, we saw the completion of the MSM Johor, which has increased our capacity by 1 million tonnes per year, making us one of the largest standalone sugar refiners in Asia, in terms of capacity. With the increased production capacity available to us, we are targeting new regional and international markets to grow this segment of the business and reduce dependence on the domestic market.

We are also now in a better position to improve efficiency and reduce costs ahead of the anticipated liberalisation of the domestic sugar market. We are mindful of shifting attitudes both in terms of customer demands and government policies, and therefore, the need to hone our competitive edge to seek new growth avenues. We are empowered with new technology and capacity to bring several operational innovations that are sustainable.

REDEFINING GOVERNANCE

Moving forward, as we work on turning around our operational and financial performance, your Board is also driving efforts to instil greater awareness of the principles of good corporate governance at all levels in the organisation. We are strengthening our structures and processes by reviewing all our policies and procedures at the Group level and have put in place a monitoring and evaluation system to ensure they are effective. As at 31 December 2018, we have reviewed, revised and implemented 28 policies.

CHAIRMAN'S STATEMENT

A crane and excavator equipped with grab buckets are used to unload raw sugar.

We place greater emphasis on raising the standards of good governance, compliance and transparency in relation to Board leadership and effectiveness. In 2018, we continued incorporating best practices according to guidelines laid down in the Malaysian Code on Corporate Governance 2017 (MCCG 2017). MSM was listed as one of the Top 100 Companies for Overall Corporate Governance & Performance as well as one of the Top 100 Companies in terms of Disclosures by the Minority Shareholder Watchdog Group (MSWG).

These efforts will help to ensure that our leadership is well-positioned to take the Group forward in an ethical and sustainable manner.

REDEFINING STAKEHOLDER ENGAGEMENTS

Engaging with key stakeholders allows us to deepen understanding on their needs and concern, thus creates opportunities. During the year, we engaged closely with all our key stakeholders, including policy makers and regulators, our customers and industry players. We also sought feedback from our customers on how we could better serve them and meet their changing needs in an increasingly competitive world. Among the key learnings from these engagements were the importance our customers placed on the reliability and consistency of supply, and the assurance of quality.

Management is also engaging regulators and policy makers to ensure that the interests of shareholders is protected even as efforts are underway to reduce the negative impacts of excessive consumption of sugar. We are committed to continuing all these engagements to ensure that we represent our shareholders as best we can.

FUTURE PRIORITIES & POTENTIAL RISKS

Since its establishment in 1959, MSM has played a key role in Malaysia's food industry. We remain one of the largest stand-alone sugar refiners in Asia with a dominant 59% market share in Malaysia. Our Gula Prai brand is well recognised in the domestic market and presents opportunities for further growth regionally in key consumer countries. We have taken the lead in providing technical and business know-how in producing high grade refined cane sugar as we have access to the capital markets for potential expansion. Meanwhile, our port-fronting refinery MSM Johor at Tanjung Langsat Port, allows us to explore opportunities for growth in the industrial segment of the market both in Malaysia and in the region. Our export strategy will be strongly backed by strategic alliances that are being developed in countries within the region. These are key competitive strengths that continue to position us strongly through the medium to long term.

In a nutshell, our opportunities lie in the area of developing the export market through strategic alliances, increasing domestic market share especially in the industrial segment and in new products which we are developing. We are also looking to divest non-core assets and expand our downstream business.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to welcome Dato' Ab Ghani Mohd Ali and Dato' Haris Fadzilah Bin Hassan to the Board. They are joining us at an important part of our journey forward and will be able to contribute positively to our efforts to reposition and strengthen MSM.

I would also like to take this opportunity to thank my fellow Board members for their guidance and oversight through a challenging period. I also commend the management and employees for their commitment and hard work in driving the performance of the Group. By working together, we have overcome the many challenges and are now able to look forward to a better future. This is just the beginning of an exciting future, and I look forward to sharing the journey with you.

DATUK WIRA AZHAR ABDUL HAMID

Chairman
Non-Independent Non-Executive Director

KEY HIGHLIGHTS

MALAYSIA'S CHAMPION

GULA PRAI

NO. 1
SELLING BRAND IN MALAYSIA

APPROXIMATELY
18.6
MILLION
TOTAL CONSUMERS

GOODWILL & BRAND VALUE
RM632.2
MILLION

ONE OF THE
LARGEST
STANDALONE SUGAR REFINERS IN ASIA

FINANCIAL

REVENUE
RM2.2
BILLION

TOTAL ASSETS
RM3.6
BILLION

PROFIT BEFORE TAX
RM60.3
MILLION

OPERATIONAL

2.25
MILLION TONNES
ANNUAL PRODUCTION CAPACITY

THREE
REFINERIES

PRODUCTION OUTPUT
964,739
TONNES

* *total production output is based on MSM Prai and MSM Perlis only*

CAPACITY UTILISATION
77.2%

* *the percentage for capacity utilisation is based on MSM Prai and MSM Perlis only*

SIX CAPITALS

In order to grow inclusively, responsibly and sustainably we depend on various relationships and resources as categorised by the IIRC Framework. These are referred to as our six capitals. Our business model shows how each capital comes into play in achieving our strategic initiatives, creating value and enhancing outputs to create lasting values in the short, medium and long-term basis.

As a commodity-based company, we rely heavily on our **Financial Capital**, making up to almost 80% of our operating cost.

Our overall business goal involves strengthening our presence physically and virtually. This involves high dependency on operational assets and efficient infrastructures which translate to a significant investment in technological advancements – our **Manufactured Capital**.

Running the business successfully requires us to invest and develop our **Human Capital** via training and professional networking – a key aspect of **Social and Relationship Capital.**

We also invest in **Intellectual Capital** to continuously innovate our offerings and process efficiencies to remain responsive and agile in the volatile commodities environment.

We nurture **Natural Capital** by seeking energy, water and waste efficient processes and technology. These mitigate our impact on the environment often optimises cost efficiency too.

Other activities intended to create value for stakeholders adds back value to our inputs in terms of employees benefits, profits, reduced emissions and other material outputs.

Throughout this process, we ensure our business activities are guided by the governance framework and risk mitigation efforts to ease pressure from external market factors.

SIX CAPITALS

Financial Capital

Inputs
- Deposit, cash and bank balance
- Equity capital
- Total assets
- Policy incentives
- Operating costs
- Production costs
- Liability basket

Outputs
- **RM2.2** billion revenue
- **RM3.6** billion total assets
- **RM23.2** million tax contribution
- **1.81%** return on equity
- **5.07** sen earnings per share
- **RM2.79** assets per share

Highlights
- Profit Before Tax of **RM60.3** million
- **196%** increase for return on equity
- **198%** increase for earnings per share

Manufactured Capital

Inputs
- Refineries
- Warehouses/Distribution Centres
- National sugar security
- Property, plant, equipment and infrastructure efficiencies

Outputs
- Increase annual production capacity to **2.25** million tonnes
- Improved distribution planning and processes
- Ensure sufficient sugar stock management for **2.5** months
- **964,739** tonnes annual production output

Highlights
- Wholesale Sales of **434,336** tonnes
- Industries Sales of **391,274** tonnes
- Export Sales of **109,613** tonnes

Intellectual Capital

Inputs
- IT infrastructure
- Software licenses
- Processes
- Brand value
- Product certifications and compliance

Outputs
- **RM3.6** million IT CAPEX expenses
- **59%** domestic market share

Highlights
- Brand value of **RM632.2** million
- Certifications for MSM Johor
  - HALAL MS (Malaysian Standard)
  - QMS ISO 9001:2015
  - KOSHER

Human Capital

Inputs
- Number of Employees
- Job Opportunities
- Women in Management
- Employee Training
- Lost Time Injury
- Incident Rate

Outputs
- **1,405** employees
- More than **200** job opportunities
- **23%** women in management
- **19,588** training hours
- **149** days
- **33.6**

Highlights
- Employment to **230** Malaysian citizens in the new refinery, MSM Johor
- Close to the recommended target of **30%** women at management level
- **ZERO** fatal accidents

Natural Capital

Inputs
- Waste Management
- Water Consumption
- Energy Consumption
- Greenhouse Gas (GHG) Emissions

Outputs
- **19.6** tonnes of hazardous waste
- **14,705** tonnes of non-hazardous waste for landfilled
- **272.7** tonnes of recycled waste
- **495** tonnes of general waste
- **2,908,232** m^3 of water consumed
- **69,435,255** kWh of electricity used
- **4,115,823** mmBTU of natural gas usage
- **713,872** litres of diesel consumed
- **51,451.5** tonnes of CO_2 emissions from electricity consumption
- **66.6** tonnes of CO_2 emissions from air travel

Highlights
- **18.5%** reduction of CO_2 emissions from electricity consumption
- An increase of **13.3%** in natural gas usage due to the commencement of operations at our new refinery, MSM Johor
- **157.3%** increase in diesel consumption due to shutdown for maintenance and testing at MSM Perlis

Social & Relationship Capital

Inputs
- Four school under PINTAR Foundation School Adoption Programme
- Employee volunteer hours
- Spending on CSR Programmes

Outputs
- **2,317** students benefited
- **2,574** volunteer hours
- **RM145,569.50** was spent for CSR Programmes

Highlights
- **29.6%** increase in allocation and **6%** increase in total students benefited for PINTAR Foundation Programme
- MSM Prai Community Program with Seberang Prai Municipal Council (MPSP) since **2013** at Taman Tunku, Butterworth

STRATEGIC PERFORMANCE

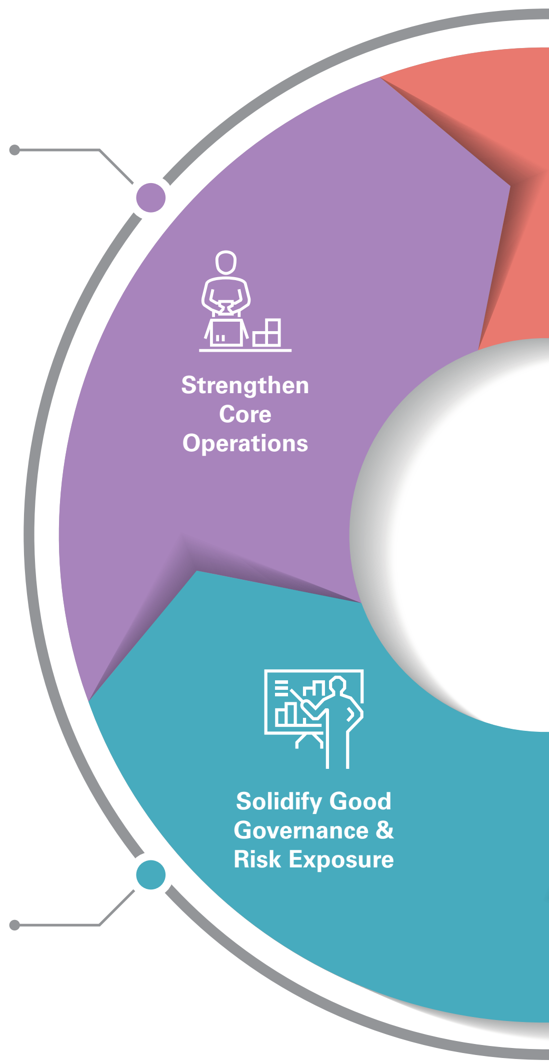
By highlighting our vision to become the Top 10 Global Sugar Player by 2020, our strategic performance for 2018 has been focused on realising value propositions towards strengthening our core operations, strong financial management, solidifying good governance & risk exposure and improving our sustainable values.

Strengthen Core Operations

- Complete and commission MSM Johor's sugar refinery in 2H 2018 - Largest Stand-Alone Refiner in Asia
- Optimise raw sugar stock levels and ramp-up refinery productions to alleviate the shortfall in sugar supply to the local market
- Reduce unplanned factory shutdown time and production downtime
- Achieve safe and reliable operations. Received the Gold Award from The Malaysian Society for Occupational Safety & Health (MSOSH), 2nd place at the FGV President's Award, Grade A workplace certifications by Department of Safety & Health Penang (DOSH)
- Decrease capacity utilisation by 12.6%
- Decrease Loss Time Injury (LTI) by 21 days
  2018 = 149 days
- Achieve zero fatal accidents among employees, contractors and workers
- Maintain leadership through strategic collaboration and volume tie-in with customers
- Increase annual production capacity to **2.25 million tonnes** from 1.25 million tonnes via MSM Johor
- Re-engineer route-to-market strategy
- Continue efforts to increase domestic market share of **59%**

Solidify Good Governance & Risk Exposure

- Identify, evaluate and mitigate 91 risks across the Group and register it in Enterprise Risk Management System (ERMS). The risks consist of future and historical risks and are mitigated based on current situation
- Ensure raw sugar purchased at a desirable and achievable profit target
- To reduce forex exposure tenure to hedge is done on a quarterly basis
- Design a policy to manage market volatility and speculative movement that will affect the prices of raw sugar price globally
- Revise the effectiveness of Business Continuity Management (BCM) framework
- Ongoing corporate exercise to raise funds via the equity market
- As much as possible to award contracts in Ringgit Malaysia currency
- Ensure all departments have their own Policy and Standard Operating Procedures
- Corporate exercise to pare down debt for lower gearing and compliance to financial covenants



MSM's Business Plans (2019-2021) comprise Business Turn Around initiatives formulated to drive MSM's business growth and to achieve sustainability in order to provide continuous returns and values to our shareholders following our poor performance in 2017. In 2018, we underwent a financial turnaround by recording a Profit Before Tax of RM60.3 million against Loss Before Tax of RM19.57 million in 2017. The turnaround was contributed via favourable raw sugar price at an average of US 13 to 14 cents per pound compared to USD18 to 19 cents per pound in 2017 and improved forex at RM4.04 compared to RM4.36 in 2017. Concurrently, Management had been frugal in managing overall Group operations cost and expenditures. This was measured by improvement recorded in our year-on-year Profits from Operations of RM94.4 million in 2018 compared to a loss of RM2.37 million in 2017.

Strong Financial Management

- ✓ Achieve profitability. Positive 360° turnaround with Profit Before Tax (PBT) of **RM60.3 million** after recording Loss Before Tax (LBT) of RM19.6 million in 2017
- ✓ Operational cost-savings of **RM8.6 million**
- ✗ Decrease revenue by 16%
- ✓ Increase total assets by **7%**
- ✓ **196%** increase for return on equity
- ✓ **198%** increase for earnings per share
- ✓ **1.9%** increase for assets per share
- ✓ Decrease CAPEX by **37%**
- ↻ Strengthen balance sheet through capital restructuring and disposal of non-core assets
- ✓ Corporate exercise to raise funds via the equity market

Improve Sustainable Values

- ✓ Efficient Waste Management
  - Hazardous waste collected by licensed contractor for recovery **2018 = 19.6 tonnes**
  - Non-hazardous for waste landfilled **2018 = 14,705 tonnes**
  - Recycled waste **2018 = 272.7 tonnes**
  - General waste **2018 = 495 tonnes**
- ✓ Total CO_2 emissions
  - CO_2 emissions from electricity consumption decrease by **18.5%** compared to the previous year. **2018 = 51,451.5 tonnes**
- ✗
  - CO_2 emissions from business air travel increase by 37.5% compared to the previous year **2018 = 66.6 tonnes**
- ✗ Water consumption
  - **2,908,232 m³** of water consumed (an increase of 20.98% compared to the previous year)
- ✓ Electricity consumption
  - **69,435,255 kWh** of electricity used (a decrease of 18.52% compared to the previous year)
- ✗ Natural gas consumption
  - **4,115,823 mmBTU** of natural gas consumed (an increase of 11.8% compared to the previous year)
- ✗ Diesel consumption
  - **713,872 litres** of diesel consumed (an increase of 157.3% compared to the previous year).
- ✓ Four schools under PINTAR Foundation School Adoption Programme
  - **2,317 students** (primary & secondary schools) benefited from the programme (an increase of 6%)
- ✗ Employee volunteer hours
  - **2,574 hours** (a decrease of 5% compared to the previous year)
- ✓ **77:23** male to female ratio at manager levels and above (close to the recommended target of **30%** women at management levels)
- ✓ Total of **1,405** employees (an increase of **12.6%** compared to the previous year)
- ↻ Put forth right-sizing and HR strategy for HR cost optimisation, talent attraction and retention

Legend:
- ✓ Achieved
- ↻ Ongoing
- ✗ Not achieved

SHAPING
MATERIAL MATTERS

MATERIAL MATTERS *WHY ARE THESE IMPORTANT?*	AFFECTED STAKEHOLDERS	MITIGATION STRATEGY	FOR MORE INFORMATION
MACROECONOMIC CONDITIONS • Exposed towards fluctuations in commodity and raw sugar price • Trading risks involved in futures market • Adverse forex movements • Raw sugar price influenced by global climate, economy and political factors • Legal and regulatory changes • Trade wars and protectionist policies	• Investors, Analysts & Media • Customers & Industry Players • Suppliers/ Business Partners • Employees	• Work closely with regulators and stakeholders to protect the interests of shareholders, customers and partners. • Integrating business model, hedging mechanisms and value chain to diversify earnings risk from the volatility of commodity prices, additional restrictions imposed by other countries and adverse forex movements. • Produce better margins via greater focus on high value markets and niche products. • Proactive monitoring of changes in macroeconomic landscape and development of adaptable response mechanisms. • Market monitoring for global sugar trend and outlook hence minimise the exposure of the volatility by strategic hedging. • Practice back-to-back hedging for industry and export sales and hedging based on budgeted target profit level for local wholesales. • Enhance robust governance framework to manage overall risk exposure	Market Landscape page 40 Key Risks & Mitigations page 34
OPERATIONAL PERFORMANCE • Optimise asset utilisation • Unplanned factory shutdown time and production downtime • Operate in a scalable and sustainable manner • Consistent supply and product quality • Improve manufacturing capability • Efficient production and maintenance practices	• Investors, Analysts & Media • Customers & Industry Players • Suppliers/ Business Partners • Employees • Communities	• Dedicated performance monitoring units to monitor operational performance. • Focus on innovation to improve productivity, optimise efficiency of processes and enhance quality of products and services. • Leverage on MSM Johor refinery for volume growth and increase export sales. • Enhance capacity planning versus demand growth • Continuous monitoring of critical and non-critical equipment upgrades/replacements. • Ensure cost management programme continues with target to become low-cost producer	MSM Strategy page 32 Business Review (Raw Sugar Refining) page 48
FINANCIAL MANAGEMENT • Sustained financial, dividend and share performance • Responsible investment in new business strategy, mergers and acquisition • Strengthening risk and governance policies to ensure financial and trading frameworks are honoured, protected and inculcated as a check and balance mechanism • Optimising our funding strategy and gearing ratio • Prudent capital expenditure (CAPEX) allocation • Maintain healthy cash balance	• Investors, Analysts & Media • Customers & Industry Players • Suppliers/ Business Partners • Employees • Communities	• Disciplined approach in capital allocation and cash flow management. • Optimise our capital structure to ensure competitive cost of capital which includes balancing debt and equity levels by putting in place appropriate dividend and financing policies. • Maintain strong financial position for ready access to capital market. • Diversify revenue streams. • Expand presence in sugar value chain on a value enhancement opportunity in export and upstream. • Ensure cost savings and operational improvements focusing on freight cost, external warehouse for refined sugar, average group refining cost and finance cost.	Group Financial Review page 42

MATERIAL MATTERS *WHY ARE THESE IMPORTANT?*	AFFECTED STAKEHOLDERS	MITIGATION STRATEGY	FOR MORE INFORMATION
MANAGING REGULATORS • Regulated under the Price Control and Anti-Profiteering Act 2011 • Ensure compliance and effective applications of regulations • Protects and enacts the domestic sugar policies and local players	• Government, Regulatory Agencies & Statutory Bodies • Customers & Industry Players • Suppliers/ Business Partners • Communities	• Enhance policies, procedures and risk practices in line with regulatory standards. • Close monitoring of industry and regulatory developments worldwide. • Active engagement with related agencies to collaborate on APs, compliance, smuggling, safety and environmental matters.	Stakeholders Engagement page 36 Key Risks & Mitigations page 34
TALENT DEVELOPMENT • Availability of skilled and adequate manpower in the sugar industry • Increase in minimum wage policies • Succession management plan • Long learning cycle for technical entry level employees	• Investors, Analysts & Media • Employees • Communities	• Invest in our Values Inculcation Programme (VIP) to promote cooperative culture and drive performance. • Supervisory and technical training programmes for executives & non-executives, i.e. Graduate Management Trainee (GMT) programme and Staff Mobilisation programme. • Mechanisation and productivity enhancement initiatives to reduce dependence on labour. • Robust development and training programmes to fill capability gaps in sustaining long-term performance. • Invest in learning and training development.	Social Sustainability page 73 Key Risks & Mitigations page 34
SOCIAL AND ENVIRONMENTAL EMPOWERMENT • Reputational risks concerning issues of integrating Economic, Environmental and Social (EES) and UN-SDGs standards within our operations and throughout our supply chain.	• Government, Regulatory Agencies & Statutory Bodies • Investors, Analysts & Media • Customers & Industry Players • Suppliers/ Business Partners • Employees • Communities	• Flawlessly implement EES sustainability standards in accordance to UN-SDG's • Ensure local and international product certifications and compliance, in line with stakeholder expectations. • Manage supply chain risks by fostering traceability, sustainability and engagement with suppliers. • Engagement and inclusion of stakeholders with collaborations, e.g. PINTAR, volunteerism etc • Foster socio-economic development in Penang, Perlis and Johor	Sustainability Report page 64
OCCUPATIONAL SAFETY AND HEALTH (OSH) PERFORMANCE • Adhering to safety and health industry standards to reduce fatalities, injuries, accidents and illnesses of our employees, their families, contractors and customers.	• Government, Regulatory Agencies & Statutory Bodies • Investors, Analysts & Media • Customers & Industry Players • Suppliers/ Business Partners • Employees • Communities	• Excellent implementation of Occupational Safety and Health (OSH) Systems and Standards. • Continuous improvement of our OSH systems with a goal of achieving Zero Harm and minimal Lost Time Injury (LTI). • Yearly testing of Business Continuity Plan (BCP) and development of Crisis Communications Plan (CCP) to ensure business continuity. • Increase awareness and accountability by implementing and monitoring Health, Safety and Environment (HSE) campaigns and activities. • Develop a proactive HSE culture by ensuring continuous reporting cycle via bi-monthly HSE meetings • Implement mandatory safety briefings	Business Review (Raw Sugar Refining) page 48 Social Sustainability page 73

LINKING THE CAPITALS & MATERIAL MATTERS TO STRATEGY, SUSTAINABILITY & RISKS

STRATEGIC THRUST	IMPACTED CAPITALS	MATERIAL MATTERS	SUSTAINABLE DEVELOPMENT GOALS (SDG)	KEY RISKS
Strengthen Core Operations Rallying our call to focus on growing the core business and utilising our key assets efficiently for a sustainable future.	Manufactured Capital Intellectual Capital	• Operational Performance • Occupational Safety and Health (OSH) Performance	12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS	• Unplanned factory shutdown time and production downtime. • Challenges to operate in a scalable and sustainable manner. • Consistent supply and product quality. • Improve manufacturing capability. • Efficient production and maintenance practices. • Quality issues affecting factory output/production yield. • Safety and health incidences. • Excess supply of refined sugar in the local market.
Strong Financial Management To ensure our financial engine grows sustainably against a resilient and volatile environment through prudent cost management and value enhancing investment benefitting shareholders and stakeholders.	Financial Capital	• Macroeconomic Conditions • Financial Management	8 DECENT WORK AND ECONOMIC GROWTH 17 PARTNERSHIPS FOR THE GOALS	• Market volatility and speculative movement that will affect the price of raw sugar. • Exposure towards volatility of foreign exchange movements. • Managing project cost overruns. • Soda tax on beverages.
Solidify Good Governance and Risk Exposure Together, good governance and risk management will form the bedrock in realising our business discipline in sustaining its positive momentum.	Intellectual Capital	• Managing Regulators • Macroeconomic Conditions	17 PARTNERSHIPS FOR THE GOALS	• APs issuance. • Sugar smuggling via transhipment at local ports. • Industry liberalisation by the Government. • Absence/Weakness of policies and Standard Operating Procedure (SOP). • 100% dependency on raw sugar price influenced by global climate, economy and political factors. • Trade wars and protectionist policies.
Improve Sustainable Values We infuse our thoughts and actions towards achieving excellence in sustainability by integrating sustainable practices in line with the Group's vision, core values and SDGs.	Social & Relationship Capital Natural Capital Human Capital	• Social and Environmental Empowerment • Talent Development	4 QUALITY EDUCATION 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION	• Reputational risks concerning issues of integrating Economic, Environmental and Social (EES) and UN-SDGs standards within our operations and throughout our supply chain. • Fatalities, injuries, accidents and illnesses of our employees, their families, contractors and customers. • Lack of skilled and adequate manpower in the sugar industry. • Increase in minimum wage policies. • Lack of competent employee.

	MITIGATING MEASURES	2018 PRIORITIES	OUTCOMES	PAGE REFERENCES
	• Dedicated performance monitoring units to monitor operational performance. • Focus on innovation to improve productivity and optimise efficiency. • Leverage on MSM Johor refinery for volume growth and export sales. • Enhance capacity planning versus demand growth. • Continuous monitoring of critical and non-critical equipment upgrades/ replacements. • Adhere closely to the principles of ISO:9001. • Continuous improvement towards OSH with a goal of achieving Zero Harm and minimal Lost Time Injury (LTI). • Aggressively penetrate new market/segmentation/products.	• Explore additional revenue stream via Johor refinery upon completion. • New export market penetration through various marketing channels. • Achieving zero fatal accidents and reducing LTI.		Page 75 Page 44-54 Page 34 Page 12
	• Procure at achievable profit target based on the trading guideline. • Continue to hedge on a quarterly basis, limiting exposure to a maximum of three months. • Grow alongside premium export markets with value-added strategic collaboration. • Strategic alliances which can yield synergetic benefits on targeted segments. • Disciplined approach in capital allocation and cash flow management. • Capital restructuring and disposal of non-core assets. • Close monitoring of project cost and payments aside from ensuring tenders are awarded in Ringgit Malaysia (RM) currency. • Explore and invest in non-beverages products/industries. • Responsible investment in new business strategy, mergers and acquisition. • Prudent capital expenditure (CAPEX) allocation.	• Ensuring timely completion of Johor refinery and to remain within stipulated budget. • Prudent management for operational expenses. • Strengthening balance sheet through capital restructuring and disposal of non-core assets.		Page 44-47 Page 30-33 Page 34 Page 12
	• Educate and promote on MSM's compliance concerning 'Halal', quality control and other mandatory certifications. • Continue to collaborate with local authorities and public to curb issue. • Ensure KPDNHEP that local sugar refiners are more than capable to cater for domestic demand. • Develop and revise policy and SOP to reflect current market scenario. • Constantly monitor the world sugar trend and outlook to minimise the exposure of the volatility by strategic hedging. • Constantly monitor the world sugar trend and outlook and maintain good rapport with the Government to eliminate risk of opportunity loss.	• To reduce forex exposure tenure to hedge is done on a quarterly basis. • Design a policy to manage market volatility and speculative movement that will affect the prices of raw sugar price globally. • Ensuring all departments have their own Policy and SOP.		Page 133 Page 44-54 Page 36 Page 12
	• Invest to implement EES sustainability standards in accordance to UN-SDG's and eliminate supply chain risks by fostering traceability, sustainability and engagement with suppliers. • Increase awareness and accountability by implementing and monitoring Health, Safety and Environment (HSE) campaigns and activities. • Supervisory and technical training programmes for executives & non-executives, i.e. Graduate Management Trainee (GMT) programme and Staff Mobilisation programme. • Mechanisation and productivity enhancement initiatives to reduce dependence on labour. • Robust development and training programmes to fill capability gaps in sustaining long-term performance. • Undergo training at existing refinery and appoint subject expert as external consultant.	• Reducing energy consumption and optimisation of water usage. • Continue with Graduate Management Trainee initiative. • Focus on training and development initiative to strengthen core competencies.		Page 66-75 Page 34 Page 12

CORPORATE OVERVIEW

MSM is Malaysia's leading refined sugar producer and is also one of the biggest sugar refiner in Asia.

REVENUE	PRODUCTION CAPACITY	PROFIT BEFORE TAX
RM2.2 BILLION	2.25 MILLION TONNES	RM60.3 MILLION

VISION

TOP 10 GLOBAL
SUGAR PLAYER
BY 2020

MISSION

To excel as a highly competitive and environment friendly sugar producer with exceptional quality recognition.

To be a prominent corporation in the sugar business by providing products and services of superior value so as to sustain consistent long-term growth in volume and profitability.

To achieve consistent and balanced commercial success by:

- Satisfying our customers' needs
- Providing superior performance to our shareholders
- Making available rewarding careers to our people
- Having mutually beneficial relationships with our core business associates
- Participating and contributing effectively towards nation building and the welfare and advancement of the society in which we operate

CORE VALUES

- **S** – **Sense of Belonging**
- **W** – **Winning Attitude**
- **I** – **Integrity**
- **I** – **Innovation**
- **T** – **Teamwork**

MSM SHARE INFORMATION

Company Name	Stock Name	Stock Code	Ticker Code	Financial Year End	Share Registrar
MSM Malaysia Holdings Berhad	**MSM**	**5202** (Bursa Malaysia)	**MSM:MK** (Bloomberg) **MSM.KL** (Reuters)	**31 December 2018**	**Boardroom Symphony Share Registrars Sdn Bhd**

CORPORATE PROFILE

MSM Malaysia Holdings Berhad (MSM) is Malaysia's leading refined sugar producer and one of the biggest sugar refiner in Asia. MSM is involved in producing, marketing and selling refined sugar products under the Gula Prai brand. The company conducts its business principally through three operating subsidiaries, MSM Prai Berhad, MSM Perlis Sdn Bhd, and MSM Sugar Refinery (Johor) Sdn Bhd. In addition, MSM also operates a logistics company – MSM Logistics Sdn Bhd and a trading company – MSM Trading International DMCC, based in Dubai, United Arab Emirates.

At present, MSM's annual production capacity is up to 2.25 million tonnes of refined sugar. In 2018, MSM produced 964,739 tonnes of refined sugar, of which 109,613 tonnes are catered for the export market. Currently, MSM corroborates up to 59% of the domestic market share.

Incorporated on 10 March 2011, MSM has been listed on the Main Market of Bursa Malaysia and has a market capitalisation of RM1.83 billion as at 31 December 2018. MSM combines economic success with environmental protection and social responsibility for a sustainable future.

GULA PRAI – THE NO. 1 SELLING BRAND IN MALAYSIA

For half a century, MSM's flagship product, Gula Prai, has been the premium sugar brand in Malaysia and the most popular choice among consumers.

The 54 year-old iconic home-grown product, which carries an approximate brand value of RM632.2 million, is a testament that its brand values are being passed on from one generation of Malaysians to the next. Thus, Gula Prai certainly lives up to its slogan, "The No.1 Best Selling Brand in Malaysia."

MSM's two most popular sugar products are the high quality PXX sugar for industrial customers and P1 sugar for the general consumers, whereas Caster sugar and Brown sugar are also sought after by industries and consumers alike.

The sugar products are packed in an assortment of packing sizes and types, each tailored to the consumers' requirement and convenience.

MSM offers a variety of products ranging from white refined sugar of various grain sizes to soft brown sugar.

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.

CORPORATE MILESTONES

1959
Establishment of MSM Prai Berhad (MSM Prai) facility in Prai, Penang

1964
MSM Prai commences refining operations in Prai, Penang

1971
Establishment of MSM Perlis Sdn Bhd (MSM Perlis) facility in Chuping, Perlis

1973
MSM Perlis commences milling and refining operations in Chuping, Perlis

1976
MSM Prai embarks on automation of production processes

1980
MSM Perlis commences import of raw sugar operations

1990
Establishment of MSM Logistics Sdn Bhd (MSM Logistics), the logistical arm of MSM Prai

1992
MSM Prai's warehouse in Sungai Buloh commences operations with railway connectivity from MSM Prai in Penang

2002

MSM Prai's warehouse in Johor Bahru commences operations with railway connectivity from MSM Prai in Penang

2007

MSM Prai increases its annual refining capacity to 800,000 tonnes

2010

MSM Prai increases annual refining capacity to 960,000 tonnes. MSM Perlis increases annual refining capacity to 150,000 tonnes

2011

Incorporation of MSM Malaysia Holdings Berhad (MSM) and consequently the successful listing of MSM on the Main Market of Bursa Malaysia

2014

MSM Prai celebrated its 50th Anniversary Golden Jubilee

2015

Establishment of MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor) and MSM Trading International DMCC (MSM Dubai)

2016

- Launching of MSM Dubai
- Ground breaking ceremony for MSM Johor

2018

MSM Johor commences refining operations in Tanjung Langsat, Johor

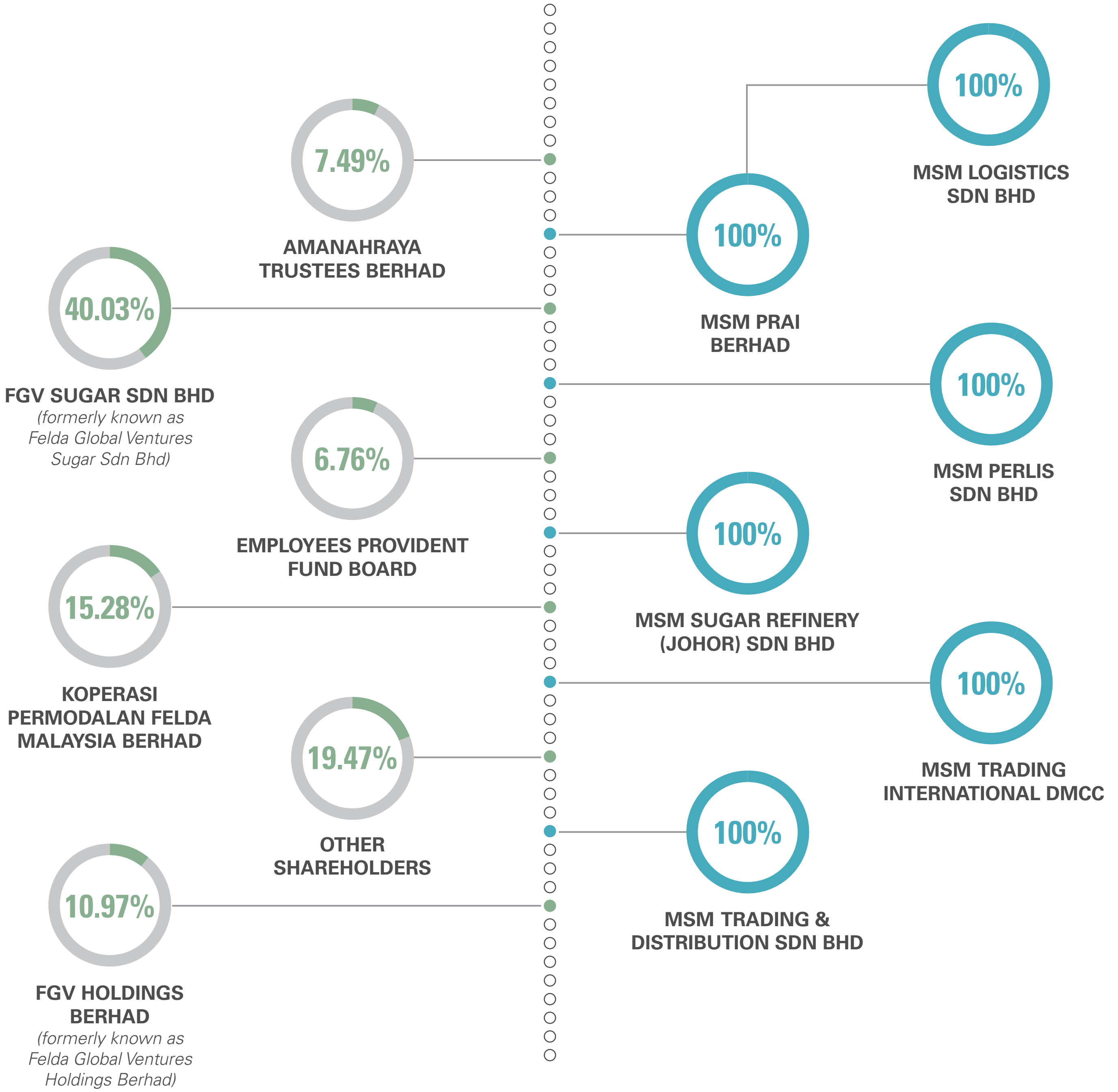
2020

To be the top 10 global sugar player

CORPORATE STRUCTURE

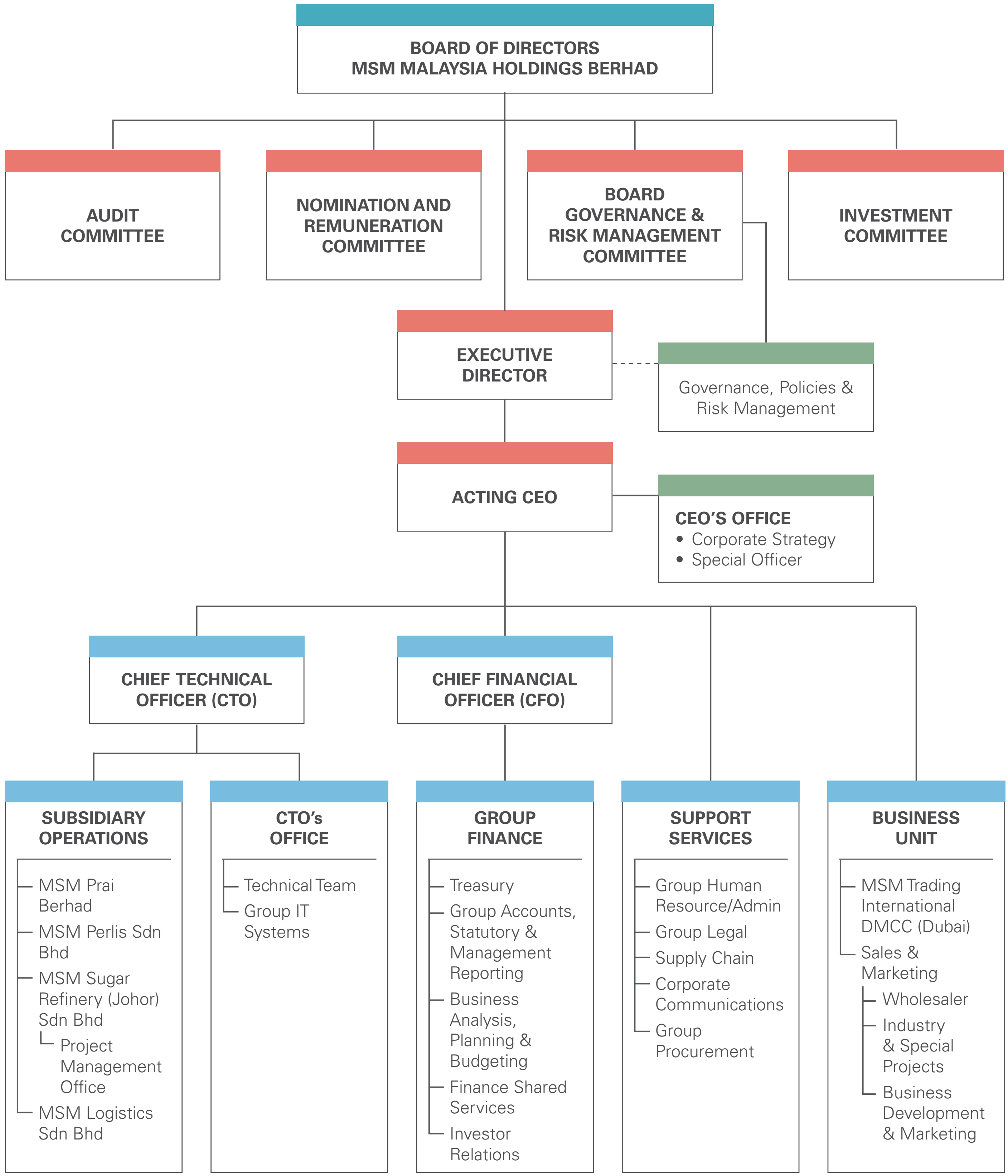
AS AT 20 MARCH 2019

MSM MALAYSIA HOLDINGS BERHAD



ORGANISATIONAL STRUCTURE

AS AT 31 JANUARY 2019



CORPORATE INFORMATION

BOARD OF DIRECTORS

DATUK WIRA AZHAR ABDUL HAMID
Chairman/Non-Independent Non-Executive Director

DATO' ZAINAL HAJI ISMAIL
Independent Non-Executive Director

DATO' HAJJAH ROSNI HAJI ZAHARI
Independent Non-Executive Director

DATO' ROSINI ABD SAMAD
Independent Non-Executive Director

DATUK LIM THEAN SHIANG
Independent Non-Executive Director

DATO' AB GHANI MOHD ALI
Non-Independent Non-Executive Director
(appointed with effect from 26 October 2018)

DATO' HARIS FADZILAH HASSAN
Non-Independent Non-Executive Director
(appointed with effect from 11 February 2019)

DATO' KHAIRIL ANUAR AZIZ
Non-Independent Executive Director

DATO' ZAKARIA ARSHAD
Non-Independent Non-Executive Director
(resigned on 18 September 2018)

DATUK HANAPI SUHADA
Non-Independent Non-Executive Director
(resigned on 26 October 2018)

DATO' MOHAMMAD FAKHRUDDIN HAJI MOHD ARIFF
Independent Non-Executive Director
(resigned on 31 December 2018)

ACTING CHIEF EXECUTIVE OFFICER

Mohd Shaffie Said
(appointed with effect from 22 January 2018)

COMPANY SECRETARY

Koo Shuang Yen
(MIA 7556)

REGISTERED OFFICE

Level 21, Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur
Wilayah Persekutuan, Malaysia

Tel : +603 2789 0000
Fax : +603 2789 0001

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia

Helpdesk : +603 7849 0777
Fax : +603 7841 8151/52
Website : www.boardroomlimited.com
Email : bsr.helpdesk@boardroomlimited.com

AUDITORS

Messrs. PricewaterhouseCoopers PLT
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat
Kuala Lumpur Sentral
50706 Kuala Lumpur, Malaysia

Tel : +603 2173 1188
Fax : +603 2173 1288
Website : www.pwc.com/my

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Listed since 28 June 2011

Stock Code : 5202
Stock Name : MSM

INVESTOR RELATIONS AND ENQUIRIES

Level 44, Menara Felda
Platinum Park
No. 11 Persiaran KLCC
50088 Kuala Lumpur, Malaysia

Tel : +603 2181 5018
Fax : +603 2181 5015
Website : www.msmsugar.com
Email : investor.relations@msmsugar.com

KEY MOMENTS

26 JUNE

7th Annual General Meeting at Menara Felda, Kuala Lumpur

04 - 06 DECEMBER

IBC 24th Asia International Sugar Conference at Ho Chi Minh, Vietnam

17 JULY

Analysts Visit to MSM Sugar Refinery (Johor) Sdn Bhd at Tanjung Langsat, Johor

06 DECEMBER

National Annual Corporate Report Awards (NACRA 2018) at Hilton Hotel, Kuala Lumpur

06 AUGUST

KPDNHEP Minister Visit to MSM Prai, Pulau Pinang

09 AUGUST

MSOSH Award 2017 at Berjaya Times Square Hotel, Kuala Lumpur

11 DECEMBER

Zakat Donation & Visit to Rumah Raudhatul Al-Faeez at Keramat AU4, Kuala Lumpur

AWARDS & CERTIFICATIONS

1. **NACRA AWARD 2018 – CERTIFICATE OF MERIT**

2. **2017 OSH PERFORMANCE OF MALAYSIAN SOCIETY FOR OCCUPATIONAL SAFETY AND HEALTH - GOLD CLASS 2**

3. **HALAL**
   Jabatan Kemajuan Islam Malaysia (JAKIM)
   - To be recognised as Halal brand and to meet customer requirement
   - To identify non-halal hazards and provide a measure to control them

4. **KOSHER**
   Kushrut London Beth Din (KLBD)
   - To be recognised as Kosher brand
   - To meet the requirement of Kosher recognised customer

5. **ISO 9001 (QUALITY MANAGEMENT SYSTEM)**
   - To ensure the quality of the management system within the company and to meet customer requirement
   - To cultivate continuous improvement within the organisation

6. **HACCP (HAZARD ANALYSIS AND CRITICAL CONTROL POINT)**
   - To demonstrate company's commitment to ensure the safety and quality of the product

7. **ISO 22000 (FOOD SAFETY MANAGEMENT SYSTEM)**
   - To enhance food safety management system and product quality
   - To meet customer requirement

8. **FSSC 22000 (FOOD SAFETY SYSTEM CERTIFICATION)**
   - To meet growing customer requirements from GFSI recognised supplier and to ensure that the food safety hazards are able to be identified

9. **PRODUCT CERTIFICATION SCHEME**
   SIRIM
   - To demonstrate that the products are being produced in compliance with national and international standard, eliminating the need of further testing by purchaser or consumer
   - To provide an independent assurance that your products are manufactured under an effective system of testing, supervision and control which should result in improved production efficiency and reduced wastage and rejects

8

9

10

10. OCCUPATIONAL HEALTH & SAFETY ADVISORY SERVICES (OHSAS 18001)

OCCUPATIONAL HEALTH & SAFETY MANAGEMENT SYSTEM (MS 1722)

- To demonstrate company's commitment to ensure the safety and quality of the workplace

11. GMP (GOOD MANUFACTURING PRACTICE)

- To establish a system for ensuring that the products are consistently produced according to a quality standard

EXECUTIVE DIRECTOR REVIEW

"It was a turnaround year as we steadfastly stayed on strategy despite the many challenges faced, to deliver on short and long-term goals. Not only did we get back into profitability, we are now on track to redefine the sugar market landscape with improved capacity and capabilities."

DATO' KHAIRIL ANUAR AZIZ
Executive Director

2018 WAS A DEFINING YEAR FOR MSM MALAYSIA HOLDINGS BERHAD (MSM OR THE GROUP). WE ACHIEVED A PROFIT BEFORE TAX OF RM60.3 MILLION AGAINST A LOSS BEFORE TAX OF RM19.6 MILLION IN 2017. OUR JOHOR REFINERY COMMENCED OPERATIONS, WHICH ALLOWED US TO CAPITALISE ON NEW OPPORTUNITIES. WE EXPANDED OUR OPERATIONAL BOUNDARIES, FOCUSING ON COMMERCIAL COLLABORATIONS AND PRODUCT DIVERSIFICATION. THESE KEEP US ON TRACK TO SUSTAIN MARKET LEADERSHIP AND DRIVE CONTINUOUS GROWTH, IN ANTICIPATION OF AN INCREASINGLY COMPETITIVE FUTURE FOR THE DOMESTIC SUGAR INDUSTRY.

PROFIT BEFORE TAX
RM60.3
million

MARKET SHARE
59%

PROFIT FROM OPERATIONS
RM94.4
million

THE 2018 TURNAROUND LANDSCAPE

An unexpected over-supply of raw sugar impacted global markets in 2018, resulting in the price of raw sugar hovering between US 10 and 14 cents per pound on the New York No 11 (NY#11) trading counter. This in turn affected the refined sugar export market with the London Sugar No 5 trading counter priced between USD312 and USD400 per tonne.

Within Malaysia's controlled environment, unregulated lower quality Thailand sugar entered the market in abundance, undercutting our standard price. The Group's operations were also tested in October 2018 when MSM Prai was undergoing scheduled maintenance which unfortunately coincided with our competitor experiencing supply issues.

MSM has produced a total of 964,739 tonnes of refined sugar in 2018, a decline of 6% compared to 2017. The lower production is attributable to the 6% reduction in sales volume in all sectors and a decrease of 21% in export volumes. This was further compounded by the lower average selling price of 15% due to the issuing of additional Approved Permits (AP) and market price distortions. Despite a challenging year, we stay committed in ensuring national sugar security and implemented a two-and-a-half-month stocks of raw and refined sugar to secure optimum sugar availability in the market.

Building on our turnaround momentum, we managed our raw sugar and forex costs effectively, focused on a performing and winning culture which consequently led to the year's solid results.

Revenue for the year, came in 16.1% lower at RM2.2 billion, versus RM2.6 billion in 2017, due to aggressive competition in the domestic sugar market resulting in lower average selling price. Nevertheless, MSM turned a profit for 2018, buoyed by a stronger ringgit against the US dollar and lower raw sugar cost. Average cost per tonne reduced by 15.6% as a result of the favourable raw sugar price and forex.

Refined sugar products are delivered via railway-wagons to warehouses in Sungai Buloh and Johor Bahru.

REDEFINING THE SUGAR MARKET LANDSCAPE AND RESHAPING THE WAY WE DO OUR BUSINESS IS OUR WAY FORWARD TO ACHIEVE OUR VISION TO BE A TOP 10 GLOBAL PLAYER. WITH OUR JOHOR REFINERY IN PLACE, WE HAVE THE CAPACITY TO FULFIL DOMESTIC DEMAND AND EXPAND OUR MARKET SHARE ON THE EXPORT FRONT.

The journey back to profitability was also supported by our management's increased focus on frugality in managing the overall operations. This improvement was recorded in our year-on-year (YoY) profits from operations which was RM94.4 million in 2018, as compared to loss from operations of RM2.4 million in 2017.

For details on Financial Performance, see Group Financial Review 2018 in MD&A on page 42.

VALUE CREATION IN 2018

We maintain market leadership through continuous engagement with our customers, coupled with the reliability of our supply and quality of service and product offerings. By adhering to the market price and introducing tiered pricing, our strategy in 2018 was to engage with the sugar industry based on fair and equal competition to fortify market stability. This cemented our domestic market share positioning at 59%. Our reliability and focus on delivering high quality sugar, resulted in the Group acquiring new customers in the small and medium industry segment and we also engaged in trade with Thailand, Philippines and Indonesia. Meanwhile, sustainable growth is assured through the completion and commission of our new refinery in Tanjung Langsat, Johor. Its capacity to produce 3,000 tonnes of refined sugar output per day (or 1 million tonnes per year), makes us one of the largest standalone refiners in Asia.

MSM Johor's prospects for the future are underscored by several successful milestones that were achieved in 2018. The sugar refinery has successfully produced ICUMSA 45 refined sugar and is supplying in small quantities to major industries and wholesalers in its initial stage. Additionally, the sugar refinery has successfully conformed to certifications such as HALAL, MS (Malaysian Standard), QMS ISO 9001:2015 and KOSHER ensuring the safety and quality of our sugar products. We are now enhancing our regional market presence to balance the excess capacity due to local market saturation.

Ensuring operational excellence during the year, we implemented a sales demarcation exercise to improve sugar delivery and manage operational costs. Coupled with ongoing energy saving initiatives, this led to sustainable operational improvements that recorded RM8.6 million in annual operational cost savings.

Skilled human resource is a critical factor with the commencement of operations of our Johor refinery. During the year, full capacity could not be achieved due to a slight shortfall in manpower, and a shortage of suitably trained employees. We are enhancing human resource capacity by providing on-the-job training through inter-subsidiary secondments and assignments; as well as through our Graduate Management Trainee initiative. A total of 216 new job opportunities were created in fields of technical and non-technical expertise to support the business needs of our Johor refinery in 2018.

MOVING FORWARD

An increasingly competitive future is expected for the domestic sugar industry given the fast evolving business landscape. The volatility of raw sugar prices as well Ringgit and possible oversupply of global refined sugar are our biggest challenges in 2019 as these directly impact margins.

Though forecasts predict sustained low prices in the short term, unexpected weather conditions and economic policies in sugar producing countries could turn the tables and put pressure on our margins. As we are fully dependent on the import of raw sugar, we have implemented sound mitigating measures by constantly monitoring world sugar trends, enhanced communication and synergy between our trading and procurement teams and strategic hedging to minimise our exposure to price volatility. In 2018, our back-to-back hedging practice for industry and export sales, and hedging based on budgeted target profit levels for local wholesalers ensured our resilience.

We foresee a potential glut of white refined sugar in the domestic market in the first half of 2019 *(see Market Landscape on page 40)*. Furthermore, in the longer term, demand could also be affected by increased global anti-sugar campaigns and tightening of sugar policies. Our current response is to balance operations between our Prai, Perlis and Johor refineries in accordance with market demand. Leveraging on our cost competitive edge and quality advantage, we target to penetrate export markets, and underserved local markets, which are seeking premium sugar. We also intend to engage with key stakeholders to promote responsible consumption of good quality sugar.

Domestically, government policy seems to be leading towards industry liberalisation and a more competitive arena. Our immediate concerns are, the impact of the last quarter drop of RM0.10 in sugar price, impending excise duty (soda tax) for sugar beverages of RM0.40 per litre beginning 1 July 2019, and restricting Approved Permits (AP) for sugar import. As sugar is considered a strategic commodity in most parts of the world and costs of doing business have escalated over the years, government support in limiting new APs is vital. We are managing this via constant engagement with relevant ministries and non-governmental organisations, as well as fast moving consumer goods and food manufacturers.

Another key focus for us in 2019 is to address our reduced cash flow due to high debt repayments. We have initiated a planned capital restructuring to ease our cash flow. This is targeted to be completed in 2019. Concurrently, we are looking into the possible disposal of non-core assets in addition to our continued commitment to deliver on cost saving initiatives, especially freight cost, finance cost, warehousing cost, as well as optimising refining costs by ramping up MSM Johor's production.

UNLEASHING STRATEGIC GROWTH

Redefining the sugar market landscape and reshaping the way we do our business is our way forward to achieve our vision to be a top 10 global player. With our Johor refinery in place, we have the capacity to fulfil domestic demand and expand our market share on the export front.

We are primed and ready to grow our exports, particularly by targeting markets with high premium quality demand. We aim to accelerate our entry via strategic collaborations with reputable industry players. Our ramped up capabilities also open us up to possibilities in diversifying our revenue streams with entry into sugar-based products such as premix blends and new products to meet the expectations of a new generation of customers.

Towards this end, we have embarked on a preliminary cost study, to map out the required CAPEX investments. The results are promising. By installing the sugar blending facility in MSM Johor, MSM could penetrate the large premix market in China and Japan where the current total estimated demand hovers around three million tonnes a year, which could result in a CAPEX payback period of four years. Our research and development collaborations with FGV Applied Technology and local renowned university on Low Glycemic Index (GI) Sugar, is also off to a positive start and we target commercial production of our own Low GI Sugar by 2021.

We remain on the look-out for possible joint ventures as well as mergers and acquisitions that can expand our presence across the sugar value chain. Looking upstream, we hope to gain strength as a fully integrated player in the domestic market. Opportunities downstream could deliver more value and potentially improve our bottom-line. We have opened up channels of communication with local as well as international food and beverage companies for possible partnerships, especially those who use sugar or sweetener as their main ingredient.

With these initiatives and goals in place, MSM intends to sustain our turnaround momentum and focus on execution. We are confident we can withstand the challenges that loom ahead as we are anchored by our experienced employees, our market position, and expanded capacity. We continue to engage positively with our stakeholders and look forward to emerging stronger in 2019. We remain confident in our ability to achieve our short, medium and long-term goals with full support from our board, management and employees, and positive synergies from our shareholders and stakeholders.

YBHG DATO' KHAIRIL ANUAR AZIZ
Executive Director

MSM STRATEGY

Staying agile and responsive to the market environment requires us to review and redefine our strategies. Analysing current risks and challenges, MSM has redefined our business direction since the establishment of Strategic Plan (SP20) (V2). We have since updated new initiatives under the same strategic pillars and this refreshed gameplan has now been renamed Business Plan 2019-2021.

STRATEGIC PLAN (SP20) (V2)

SEGMENTS	KEY STRATEGIES	PRIORITIES 2018	ACHIEVEMENTS 2018
Market Leadership	Maintain Leadership in Domestic Market	• Maintain leadership through strategic collaboration and volume tie-in with customers • Explore additional revenue stream via Johor refinery upon completion	• Achieved 59% market share in 2018, up 1% from 2017 • Identified two product development prospects (R&D for low GI sugar and investment in premix sugar blending facility) in 2018 and finalising the feasibility assessments. Expected to kick start in 2019
Continuous Growth	Capacity Building	• Ensuring timely completion of Johor refinery and to remain within stipulated budget	• Commence operation in July 2018
	Expand Presence in Global Sugar Industry	• New export market penetration though various marketing channels	• Penetrating direct to Singapore, supplying to industry customers as well as supermarkets
Operational Excellence	Optimise Asset Utilisation	• Prudent management for operational expenses	• Various prudent spending initiatives were implemented in 2018 to reduce cost (e.g. control on travelling cost, capex spending, etc)
	Increase Operational Efficiency	• Strengthening balance sheet through capital restructuring and disposal of non-core assets	• Kick started the projects in 2018 and expected to be completed in 2019
Enhancing Human Resource	Develop High Performance Culture	• Continue with Graduate Management Trainee initiative to ensure supply of talent pool in critical skill areas • Focus on training and development initiatives in mandatory and effective curriculum to strengthen core competency • Instil a high-performance culture, focus on responsibility and accountability in achieving business objectives	• An intensive training and development programme allows for new employees through Staff Mobility Programme • Value alignment programme to nurture a culture of shared knowledge and inculcate group unity

BUSINESS PLAN 2019-2021

SEGMENTS	KEY STRATEGIES	PRIORITIES
Market Leadership	Product Diversification & New Product Development	• Export to Asian market • R&D for value added sugar products with target commercialisation by 2021 • Explore sweetener business
Continuous Growth	Commercial Collaboration	• A new JV company to export refined sugar and sugar related products • Advisory in raw sugar and forex hedging • Benchmarking with other efficient sugar refineries
	Explore Upstream M&A	• Identify target companies and plantations by region • To serve local market in sugar deficit countries
Operational Excellence	Disposal of Non-Core Assets	• Monetize non-core assets
	Rationalise Operations	• Potential divestment • Plan balancing operations
	Cost Savings & Operational Improvements	• Raw sugar procurement • Freight cost • External warehouse • Refining cost • Finance cost

KEY RISKS & MITIGATIONS

We continuously monitor the risks that affect us and put in place strategies to manage or mitigate them. Risk Register Procedures is to reinforce a risk-based management culture, supported by an established Enterprise Risk Management Systems (ERMS).

Within MSM's operations, we have identified several risks moving forward. Depending on the nature of the risks and the particular business or functions affected, we employ varying risk mitigation strategies.

Risk Identified	Impact on MSM	Approach
Excess Supply on Refined Sugar is More Than the Quantity Demanded by the Market	• Stock overload and this will lead to increase of cost to rent warehouse	• Revise and improve marketing plan and strategy • Aggressively penetrate new market/segmentation/product
Exposure to Unfavourable Price	• High raw material cost resulting in thin margins or even negative gross margins	• Head of Trading, MSM Trading International DMCC (MTID), Dubai constantly monitors and advise the Governance and Risk Committee (GRC) members on raw sugar movement and prospects for GRC to make favourable decisions to price and fixed invoice price of raw sugar
Forex Exposure to the Group	• Forex exposure results in the risk of relatively higher cost of buying raw sugar	• Closely monitor the market for news/data/events/trends that may affect USD/MYR • A cautious approach to executing forex hedging that the Company limits its exposure to the maximum of 3 months and not to cross quarter unless approval is obtained from GRC
Employee Competency in a New Refinery	• It may affect our daily operation and productivity • It will create dissatisfaction among MSM Johor's customers i.e wholesalers	• All employees are required to attend/complete training at MSM Prai and MSM Perlis for better exposure and real working environment as well as knowledge exchange session and experience with long service and experienced employees
Non-compliance will Trigger an Event of Default (EOD)	• EOD under General Facility Agreement (GFA) will result in financier, accelerating repayment and may trigger cross-default on the other loans at MSM and FGV	• To seek letter of indulgence from the financier for the breach and deferment of the imposition of financial covenants
Project Delays of MSM Johor	• The delay in project completion of MSM Johor will affect MSM Group revenue and business chain	• Ensure official weekly progress report is submitted by all contractors/vendors • Establish meeting and discussion platforms to address any issues • Strict assessment of capable contractors is conducted
Project Cost Overruns of MSM Johor	• High project costs will lead to higher capital amortisation which will leads to lower future profitability • Impact on existing operational cash flows	• The overall project cost is monitored to avoid any increment of capital cost • The evidence is checked through actual work done, actual measurement, meeting specification and performance, Guaranteed Minimum Price (GMP) and/or fixed lump sum contract, etc • Ensure tender document is sufficient to meet performance of process refinery equipment as well as review all tender documents and proposals by designer before awarding tender

Risk Identified	Impact on MSM	Approach
Inconsistency of Quality Issues Affecting Factory Output/Production Yield	• Refined sugar will be reprocessed, additional production cost incurred, production output reduced, failure to meet customer's specifications and delivery schedule, loss of sales and customer confidence	• Address feedback from all customers and external parties • Respond to the feedback from customers and external parties via audit comment

FUTURE RISKS

Risk Identified	Impact on MSM	Approach
Market Liberalisation (Liberalisation of Domestic Market)	• Competition from non-refiners bringing sugar into the domestic market • Varieties of fructose-glucose syrups such as isoglucose or High Fructose Corn Syrup (HFCS) will enter local market	• Ensure that there is optimum capacity of sugar stock for domestic market • Continued discussing with KPDNHEP (Ministry of Domestic Trade and Consumer Affairs) on the effect of market liberalisation
Approved Permit (AP) on Sugar	• Industries and wholesalers may not purchase sugar from MSM as they also purchase directly from other refiners via AP • Sugar surplus in the domestic market	• Increase production of sugar and meet with KPDNHEP to get the understanding that we can cater to domestic demand
Health Campaign by NGOs and Government on Sugar Consumptions	• Consumer will switch to healthy beverages and reduce sugar consumption	• Produce healthy sugar variants • Jointly participate in health campaigns
Increased Demand for Natural and Non-Caloric Sweeteners	• Sugar demand will decline • Surplus of sugar in domestic market	• Produce healthy sugar variants • Explore other business opportunities besides food and beverage industry
China-United States Trade War	• World sugar supply will decline as Brazil farmer change their crops from sugarcane to soybeans • World sugar price will increase	• Constantly monitor world sugar price • Buy raw sugar based on a contract with the customer

STAKEHOLDERS ENGAGEMENT

Consistent engagement with our stakeholders enables us to make informed decisions, paving the way to achieve our vision. We are committed to ongoing stakeholder engagement as it is a core component of our business and sustainability strategies.

1 Government, Regulatory Agencies & Statutory Bodies

Importance
- The Government licences us to operate and provides a supportive regulatory environment, infrastructure as well other means of support to sustain our growth.

Issues Raised
- Pricing structure
- AP's issuance
- Sugar smuggling issues
- Sufficient sugar supply for the domestic market
- Compliance matters
- Environmental emissions and discharges
- Labour practices
- Healthy competition among business
- Occupational Safety & Health

Strategic Response
- Active engagement, dialogue and briefings
- Enhance business framework to adapt to regulatory requirements
- Embed UN - SDG initiatives into core strategies
- Improve Governance, Compliance and Transparency framework

2 Investors, Analysts & Media

Importance
- Provide wider publicity and improve the general understanding of MSM's business among investors and the public.

Issues Raised
- Financial performance
- Business performance and strategy updates
- Governance & Risk standards
- Responsible investments
- Future growth for the business

Strategic Response
- Improve financial performance
- Improve Governance, Compliance and Transparency framework
- Quarterly briefings and annual report
- Pursue value enhancing opportunities

3 Customers & Industry Players

Importance
- We are reliant on customers and potential customers to sustain our revenue-generation and growth.

Issues Raised
- Long-term security of supply
- Consistent supply and quality of products
- Competitive pricing
- Improve manufacturing capability

Strategic Response
- Event and engagement sessions
- Customer care email/satisfaction survey
- Ensure sufficient sugar supply for the domestic market
- Increase annual production capacity with an additional 1 million tonnes per annum

4

Suppliers

Importance
- Provide the materials to produce the products and services aimed for MSM's sustainable growth.

Issues Raised
- Quality service delivery
- Pricing of services and materials
- Sustainable standards
- Efficient payment cycles

Strategic Response
- Transparent and open contract/ tender negotiations
- Integrity assessments
- Courtesy and site visits
- Trainings and briefings

5

Employees

Importance
- Employees are our vital assets and the key to drive performance forward.

Issues Raised
- Career development opportunities
- Competitive benefits, remuneration and welfare packages
- Employment security
- Participation and empowerment
- Workforce transformation
- Occupational Safety & Health

Strategic Response
- Continued investment through training and development
- Strategic transformation targets
- Focused safety programmes
- Internal engagements via townhall, intranet and newsletter
- Management dialogues with employees and Union representative
- Employee engagement survey

6

Communities

Importance
- Building and nurturing existing relationships with the communities where we operate allows us to contribute to transformation, development and various corporate responsibility programmes.

Issues Raised
- Responsive and viable contribution to community interest and needs
- Support for key community developments and activities
- Sponsorship and donations
- Employment opportunities
- Socio-economic operational impact and initiatives
- Volunteerism

Strategic Response
- Continued commitment to CSR programmes
- PINTAR Foundation School Adoption Programme
- Tithe and alms giving

GLOBAL PRESENCE

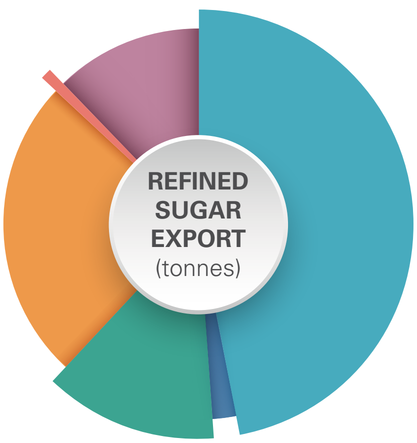
2018 EXPORT ACHIEVEMENTS

- MSM exported a total of 136,497 tonnes of refined sugar to 13 countries around the world.
- The peak export month for the year was March, when 45,196 tonnes of sugar was exported globally.
- A total of 28,664 tonnes of refined sugar was delivered to China - our main export market for the year.
- 84% of our sugar was exported throughout the Asia market, 13% across the Oceania market, and 3% to the rest of the world.

* *the numbers stated above are based on the contract signed in 2018*

TOP 5 KEY EXPORT MARKETS

China	South Korea	Hong Kong	New Zealand	Bangladesh
28,664 Tonnes	16,380 Tonnes	15,015 Tonnes	10,920 Tonnes	9,555 Tonnes



East Asia
47%

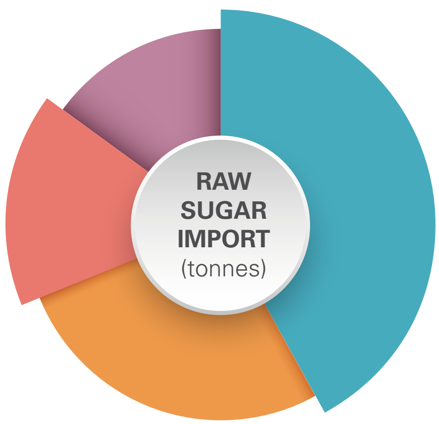
South East Asia
25%

Oceania
13%

South Asia
12%

Rest of the World
2%

MEA
1%

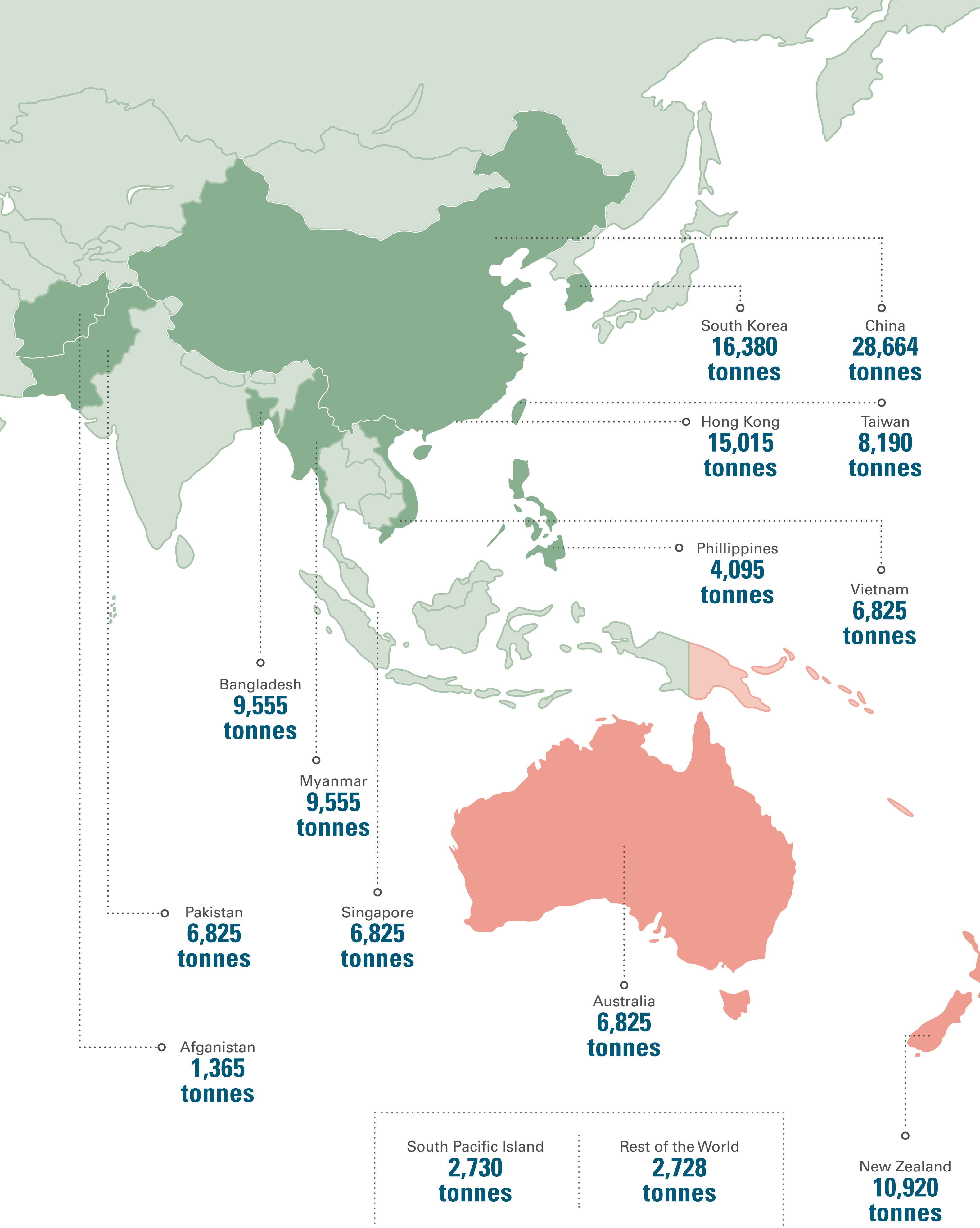


Brazil
484,000

Thailand
308,000

Australia
176,000

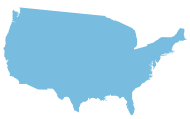
South Africa
176,000


South Korea
16,380
tonnes
China
28,664
tonnes
Hong Kong
15,015
tonnes
Taiwan
8,190
tonnes
Phillippines
4,095
tonnes
Vietnam
6,825
tonnes
Bangladesh
9,555
tonnes
Myanmar
9,555
tonnes
Pakistan
6,825
tonnes
Singapore
6,825
tonnes
Australia
6,825
tonnes
Afganistan
1,365
tonnes
South Pacific Island
2,730
tonnes
Rest of the World
2,728
tonnes
New Zealand
10,920
tonnes

MARKET LANDSCAPE

2018 has been a tough year for the sugar industry, as global raw sugar prices dropped to a single digit mark to US 9.91 cents per pound for the first time in a decade. Production soared in Thailand, India and the European Union (EU). Moreover, the price of white sugar was also experiencing pressure as Indian production touched 35.6 million tonnes for 2017-18 and in order to overcome the oversupply in their domestic market, the Indian government announced an export subsidy of approximately USD135 per tonne consequentially squeezing the market even further. Moving forward in 2019, raw sugar prices are projected to improve as production declines in Brazil and EU.

2018/2019 SUGAR OVERVIEW



UNITED STATES

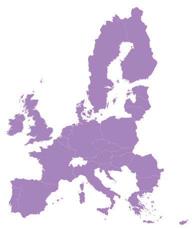
USA production is expected to drop by 3% to 8.2 million tonnes. Imports touched 2.5 million tonnes, a decline of 14.5% based on the current projected quota programme. Consumption growth is relatively flat but stocks are set to decline.

BRAZIL

Brazil's production is estimated to reduce by 8.3 million tonnes to 30.1 million tonnes due to lower sugarcane yields and more sugarcane being diverted towards ethanol production as record global sugar supplies have led to weaker prices. Exports are subjected to drop to 19.6 million tonnes thus lowering Brazil's market share of exports to 34%, a reduction from a 5-year average of 45%.

INDIA

For 2019-2020 Indian production is expected to drop to 30 million tonnes from last season 35.6 million tonnes given the issues of pests and drought in the state of Maharashtra. The country started its season with a stockpile of 10 million tonnes; the highest in 4 years and this should easily cater to its domestic demand for 6 months. To push out excess sugar, the government announced an export subsidy of around USD135 per tonne and expects to export 5 million tonnes in 2018-19.



EUROPEAN UNION

EU sugar production in 2018-19 is expected to drop significantly to 18-19 million tonnes, a drop from last season's 21 million tonnes. Considering a lower crop, exports in 2018-19 may drop to 1.5 million tonnes compared to 3.6 million tonnes exported during Oct17-Sep18. Moreover, farmers in the region are seen to be moving to other crops as EU domestic market is seen to be weakening with serious losses to EU processors.

THAILAND

In Thailand, production surged to 14.5 million tonnes in 2017-18. However in the ongoing season of 2018-19, sugar production is expected to drop to 13.4 million tonnes due to lower cane price in 2018 compared to last season. For 2017-18, the country's export of raw sugar was 17% higher at 4.8 million tonnes; and white sugar export was 11% higher at 3.8 million tonnes; compared to previous year.

CHINA

For 2018-19, Chinese sugar production is expected to drop to 10 million tonnes compared to last season 10.5 million tonnes. The country also maintains a sizeble import of 4 million tonnes annually since 2012-13 while imports of white sugar from unaccounted means touches over 2 million tonnes each year since 2013-14. Domestic prices in the country has also declined up to 5000 Yuan (USD740 per tonne) lower than the production cost of 6000 Yuan (USD888 per tonne) stated by most of the millers.

PAKISTAN

Pakistan sugar production in 2017-18 touched 6.5 million tonnes and is forecasted to drop to 6 million tonnes in 2018-19 due to reduced acreage as farmers shifted to other crops such as cotton and corn due to better prices and faster returns on their investment. Consumption accounts for 5.7 million tonnes and continues to grow modestly with a developing food processing sector and growing population.

MEXICO

Production remains unchanged for the seventh year at 6.4 million tonnes. Exports are projected to be slightly lower with lower expected exports to the United States partially offset by an increase in non-U.S exports of 326,000 tonnes. Consumption and stocks are expected to rise.

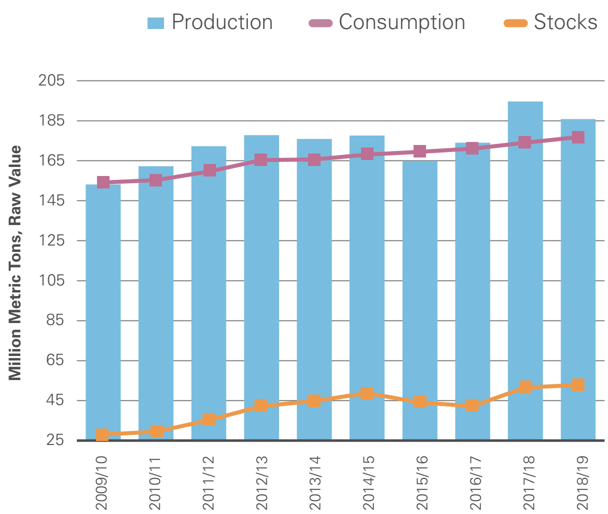
RUSSIA

Production is forecasted to be lower by 400,000 tonnes to 6.1 million tonnes on lower yields. Consumption, exports, and stocks are each forecasted to decline with lower production. Formerly a major sugar importer, Russia has been a net exporter since 2016-17.

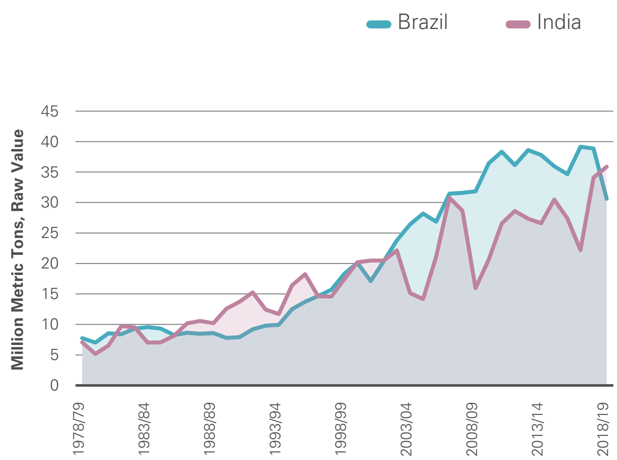
AUSTRALIA

Production is expected to increase by 4% to 5 million tonnes on higher yields due to favourable weather. Consumption is unchanged while major exports are mostly to China, Indonesia, Malaysia, Japan, New Zealand and South Korea.

Record Stocks and Consumption Despite Lower Production



India's Production Exceeds Brazil's for the First Time in 16 Years



** Source: USDA*

GROUP FINANCIAL REVIEW

Working as one, MSM's five key business segments, stayed on strategy towards maintaining market leadership, ensuring continuous growth, achieving operational excellence and enhancing human resource capabilities. The synergy between these divisions, and shared awareness of key risks, drive the Group's performance towards meeting heightened goals and sustainable growth.

IT WAS A TURNAROUND YEAR AS WE RETURNED TO PROFITABILITY, UPON PRUDENT COST MANAGEMENT, CONTINUOUS REVIEW ON ALL CONSUMABLES AND REPRIORITISING OUTSOURCING CONTRACTS ACROSS THE GROUP.

With MSM Johor completed and operationally viable during the year under review, the key financial priorities were to manage borrowings and identify new revenue streams. We continue to implement a proposed capital restructuring to ease MSM's cash flow by partly paring down our borrowing. The gears have been set to motion for this exercise but targeted completion is in 2019 so there is little impact made to our financial performance to date. Groundwork was also laid to prepare MSM for potential industry liberalisation by exploring new growth options such as diversifying our revenue stream and expanding our export footprint. These strategies have been set in motion and we anticipate positive financial impact in the medium term.

Myriad challenges shaped our operating environment during the year under review. Our business continue to be impacted by volatility of global raw sugar price as well as forex market, which fortunately worked to our favour for the full year. Domestically, the government announced a drop in the retail sugar price by RM0.10 (effective 1 September 2018) and introduced a soda tax effective 1 July 2019. Though the fallout from these measures have yet to be seen, sales for the year took a hit from heightened incoming of unregulated sugar and over-supply of refined sugar on the global market.

FINANCIAL PERFORMANCE

These market disruptions caused the average price of sugar at the end of 2018 to be around RM2,200 to RM2,400 per tonne from RM2,600 per tonne in 2017. As a result, revenue dropped 16% to RM2.2 billion from RM2.6 billion in 2017, even as we continue to stabilise the financial foundations for the sustained growth of the Group through stronger risk and governance policies, strategic hedging mechanisms, optimising our funding strategy and gearing ratio.

The game changer for the year was increased profit from operations. This was due to enhanced cost conscious mindset in managing the overall operations cost and expenditures of the Group. Management achieved frugality by prioritising expenditures and conducting open tenders to get the most competitive price.

Year-on-year (YoY) profits from operations for the year ended 31 December 2018 (FY2018) increased to RM94.4 million from a loss of RM2.4 million in 2017. MSM recorded YoY profit after zakat and tax of RM35.6 million, on the back of improvements in operational efficiency and lower average raw sugar price. Raw sugar consumption costs reduced by 15% per tonne in comparison to 2017.

Earnings per share (EPS) stood well at 5.07 sen against a loss of 5.17 sen per share in FY2017. These positive financial influx corresponds well for MSM as we continue a disciplined growth strategy, underpinned with a sustainable and profitable business ahead.

FINANCIAL SCORECARDS

For ease of comparisons and to reflect continuity in reporting framework, our FY2018 financial scorecards are outlined below:

Production Costs

Total cost of goods sold for 2018 reduced by 21% due to lower raw sugar cost and strengthening Ringgit while the average refining cost per tonne has increased by 22% due to upward revision of gas tariff from RM28.58 per MMBtu to RM33.12 per MMBtu and lower production volume.

Assets

Property, plant and equipment increased by 20% due to ongoing progress of MSM Johor refinery which amounts to RM1.1 billion compared to RM0.7 billion in 2017. A more focused approach to debt collection was initiated by the Credit Control Committee since 2016. Our trade receivables show a slight decreased from RM239.8 million in 2017 to RM224.7 million in 2018 due to reduction in sales revenue.

Liabilities

Payables increased by 36% to RM262.2 million compared to 2017, because of the outstanding repayment to suppliers of equipment in MSM Johor.

Capital Resources

MSM's gearing ratio stood at 40% in 2018 from 38% the previous year, resulted primarily from higher external loans during the year for the construction purpose of the new refinery – MSM Johor. This too applies for loan to subsidiary companies for the aforementioned construction.

We continue to manage our costs effectively, focusing on a performing and winning culture which led to our solid results.

GROUP FINANCIAL REVIEW

OPTIMISING OUR ASSETS

During the year, to ensure sustainability of our operations through the long term, we practiced prudent capital expenditure (CAPEX) for the refineries to ensure upkeep and sustainability of operations; executed scheduled repair and maintenance for the refineries; and focused on employee training to elevate their skill set.

A testing and commissioning process of MSM Johor was also initiated after its completion at the end of July 2018. In optimising production at our Prai and Perlis refineries, we achieved a 78.2% and 71.4% utilisation rate respectively in 2018.

RISKS IDENTIFICATION AND MANAGEMENT

Financial and Liquidity Risk

As part of MSM's effort to strengthen its balance sheet through capital restructuring and disposal of non-core assets, we obtained a RM203.5 million bridging loan in 2018. The bridging loan has paved the way for the capital restructuring exercise to commence and is currently ongoing. The bridging loan is payable on quarterly basis and to be fully repaid by October 2019.

Movement of USD against MYR

The continued volatility of forex creates uncertainties in financial performance. To mitigate this risk, hedging contracts will be entered upon USD/MYR exposures being identified to lock-in MSM's margin.

Increase in Borrowing Cost

The execution of MSM's export expansion and product diversification plans exposes us to potentially high borrowing costs. The floating interest rate for long-term loan is currently hedged to cap borrowing cost throughout the loan tenure. We are also exploring a pro-active approach to increase the trade finance facilities with other banks (via FGV Capital) in order to have access to a wider array of trade facilities.

Our sugar packing process for large scale distribution at MSM Prai.

2019 FINANCIAL PRIORITIES

2019 will be a challenging year for MSM as we have set high targets to achieve amidst an environment of continued glut in refined sugar supply. Our target is to achieve revenue of over RM2.8 billion from targeted production of over 1.2 million tonnes.

The over-supply results in lower export premiums at a time when we are looking to grow our business by expanding export opportunities. Domestically, remnants of AP issued by the government in late 2018 and the imposing of an excise duty (soda tax) for sugar beverages of RM0.40 per litre beginning 1 July 2019, could have a bigger than expected impact on sales. Our Malaysia margins are already impacted with the RM0.10 decrease on the price of sugar beginning of September 2018. Johor refinery production costs will also be heightened during the year as the new refinery will need to be ramped up in stages before it can meet its 2019 production target of over 300,000 tonnes.

Raw sugar price and forex risk continue to demand responsive strategies. For 2019, market forecasts USD/MYR to range between RM4.05 to RM4.15, whereas estimated raw sugar price to trade is USD11 to 15 cents per pound.

Unless a major fundamental or macro changes take place, sugar market fundamentals remain unchanged. Moving forward, we expect NY#11 outlook to hover around at US 14 to 15 cents per pound. MSM expects to continue to capitalise on the lower average cost per tonne due to favourable market and currency fundamentals which has reduced our cost in terms of MYR per tonne by 16%.

In spite of the challenges, we remain optimistic and excited on our performance in the sugar business as we turn the gears to increase shareholders value and provide a stable income stream with better returns.

BUSINESS REVIEW

2018 HIGHLIGHTS

Stronger foothold in the South East Asia (SEA) region

2019 KEY PRIORITIES

Analyse raw sugar hedging strategy and align it with the current commodity market scenario

RAW SUGAR SOURCING AND PROCUREMENT

Managing procurement of raw sugar efficiently which is the main feedstock for the production of refined sugar.

OBJECTIVES

- Ensure a sustainable supply of best quality raw sugar stock for our refineries.
- Import raw sugar at optimal pricing in order to maximise margins.
- Manage raw sugar freight and country of origin premium costs which factor for about 8% of the total raw sugar cost.

Performance	2018	2017
Procuring Raw Sugar (tonnes)	1,144,000	967,842
Physical Trading of White Sugar (tonnes)	136,497	132,270
Third Party Trading of White Sugar (tonnes)	4,000	7,270
Paper Trading (USD)	$810,253	$1,290,856

MAINTAINING MARKET LEADERSHIP

The price of raw sugar in global commodity markets continued to be volatile *(see page 40 of Market Landscape)* as two years of sugar deficits were followed by a global surplus in 2018. The surplus was mainly due to an increase in production in India, by about 60% from a drought-reduced crop of around 20 million tonnes during the 2016-17 period. This was followed by a 50% increase in Thailand and 27% increase in the European Union (EU). These higher export numbers contributed to the global surplus.

MSM managed the raw sugar volatility by continuing to hedge all its sales back-to-back with the current raw sugar cost price (NY#11). This strategy resulted in MSM achieving its average raw sugar hedging price between US 13 to 14 cents per pound which is lower than the budgeted figure at US 16 cents per pound.

To ensure that our sugar products are of the highest quality, we continue to carefully select our raw sugar suppliers to ensure minimal compromise in quality for our end product.

ENSURING CONTINUOUS GROWTH

It was a challenging year for the refined sugar business in 2018, as the surplus existence has affected our Dubai trading arm's export plan especially in the Middle East and Africa (MENA) region. In spite of this, the Dubai outfit managed to flow the export sales in MENA market with significant growth by 5% compared to 2017.

Market forecasts expect the world sugar surplus to last until the first half of 2019, and will balance out or even drop to a deficit of 1.5 million tonnes for the second half of 2019 with expectations of non-performance of the Indian and EU export programme due to government control and pricing factors.

Raw sugar delivered by ocean vessels is transferred to lighters and brought to MSM jetty.

Therefore, moving ahead, we will continue to focus on strengthening our position in the SEA region by deploying and sustaining export sales to the existing premium markets such as Hong Kong, South Korea, Australia, New Zealand, Pakistan and Bangladesh for the first half of 2019. Subsequently, we will prepare ourselves to fill possible deficit gaps in the second half of the year.

ACHIEVING OPERATIONAL EXCELLENCE

MSM's in-house policy for raw sugar procurement was diligently adhered to during the year to ensure every raw sugar price was suitably hedged to achieve a positive result for the Group. In general, the raw sugar price was hedged proportionately on a daily basis six months prior to vessel arrival. At the same time, MSM practiced the back-to-back strategy in order to ensure the cost of sales matches with the current cost of raw sugar. For cost efficiency, MSM hedged its raw sugar purchase according to the committed sales contract in order to avoid any losses.

Moving forward, MSM will regularly re-analyse the Group's raw sugar hedging strategy and align it with the current commodity market scenario. The team will continue to closely monitor price movements and hedging risks will be proactively evaluated to ensure coverage against exposure. At the same time, we intend to sustain the transparency of our operational decision-making process with clear internal communication between all refineries and the MSM trading team. This will be key to our success in ensuring that optimum raw sugar stock is sustained at all times.

2018 HIGHLIGHTS

Commencement of MSM Johor in July 2018

2019 KEY PRIORITIES

Develop additional revenue streams, mainly for MSM Johor

Explore possibilities to tie up sugar agreements with strategic partners

RAW SUGAR REFINING

MSM is committed in ensuring the safety and quality of the refined sugar products.

OBJECTIVES

- Refining raw sugar into certifiable food-grade quality white sugar, brown sugar, caster sugar and icing sugar, and optimise potential of by-products such as molasses.
- Supply refined sugar to Malaysia's food and beverage market as well as household consumers.
- Increase production to expand into the export market.

Performance	2018	2017
Production volume (tonnes)	964,739	1,024,931
Raw Melted (tonnes)	1,015,699	1,075,234
Capacity Utilisation (%)	77.2%	89.8%
Cost Saving Initiatives (RM million)	8.58	15
Customer Complain Rate (%)	0.07	0.04

* *The table above is based on MSM Prai and MSM Perlis only*

MAINTAINING MARKET LEADERSHIP

The Group welcomed the operations of its third, and largest, standalone refinery, when MSM Johor joined MSM Prai and MSM Perlis in July 2018. Together, these refineries produced 964,739 tonnes of refined sugar, a reduction from 1,024,931 tonnes in 2017 due to lower budgeted volume as sugar demand fell during the year.

Capacity utilisation for MSM Prai and MSM Perlis were close to target at 78.2% (KPI: 83%) and 71.4% (KPI: 80%) respectively. However, MSM Johor's capacity utilisation was 6.7% against the target of 38% producing only 30,028 tonnes against the expected 380,000 tonnes. This was due mainly to start up challenges such as a lack of experienced manpower during the initial months, with new employees still at learning stage. Nevertheless, this did not hamper the Group performance much as the industry faced a sugar glut during the period.

Moving ahead, a more competitive industry is anticipated, challenged by potential new Approved Permits (AP) being released and lower pricing by competitors. The Group intends to leverage on our operational Johor plant to tap on greater economies of scales for better pricing on bulk raw sugar purchase and lower cost of finished goods to be able to compete in the domestic and export market.

ENSURING CONTINUOUS GROWTH

The commencement of operations of our largest standalone sugar refinery in Malaysia will now enable capacity expansion, and ensure the Group's viable future as a regional supplier of refined sugar. The enhanced capacity also opens up the Group to explore new opportunities in product diversification and commercial collaborations with joint venture partners.

At MSM Perlis, another strategy in place to ensure continuous growth is to leverage on our strength in 1kg coarse grain sugar (CGS) operation and increase production by utilising all machinery and equipment at our Perlis refinery. Plans to supply the sugar into the Thailand market are also in the pipeline.

ACHIEVING OPERATIONAL EXCELLENCE

The year saw marked improvements in safety performance at our refineries. MSM Prai achieved Malaysian Society for Occupational Safety and Health (MSOSH) - Gold Award, FGV President's Award - 2nd place and was awarded Grade A by Department of Occupational Safety and Health (DOSH) Penang for workplace audit as it recorded loss time injury from of 85 man days, lower than the targeted 115. MSM Perlis too saw significant decrease in lost time injury for 2018, recording 20 man days against a target of 93. Due to the challenging start-up phase with safety training still an ongoing initiative, MSM Johor recorded 23 man days against its target of 10. As a whole, the Group is proud of our safety achievements and are committed to continue reducing loss time injury days as we continue to improve operational excellence. More safety awareness programmes are to be rolled out at all refineries in 2019.

Moving forward, in seeking greater operational excellence, we aim to increase yield rate and capacity utilisation, improve system and equipment reliability, as well as to embark on close monitoring of sub-material usage such as chemicals and packing material.

ENHANCING HUMAN RESOURCE

The improvement of manpower strength and expertise is key to our sustainable growth as we seek to increase capacity and production. During the year, we actively promote knowledge transfer and on-the-job training via core competency enhancement through inter-subsidiaries secondments and assignments. MSM Prai and MSM Perlis assigned engineers, operators and technicians on rotation to assist at our MSM Johor plant initial set up and operation. This combined with internal hiring initiatives at MSM Johor ensures our workforce remain competitive and at par with industry growth.

Additionally, we have introduced the Graduate Management Trainee (GMT) initiative, a talent development programme for trainees to focus mainly on the technical aspect of the industry. This is necessary as local talents in this field are scarce. The knowledge transfer ensures consistent levels of production excellence and operating standards are maintained throughout our refineries.

2018 HIGHLIGHTS

Wholesale Sales
434,336 tonnes

Industries Sales
391,274 tonnes

Export Sales
109,613 tonnes

Acquired new customers in SMI segment

2019 KEY PRIORITIES

Proactive engagements with government authorities to gain mutual collaborative solutions

Increase majority market share for the local market

Focus on strengthening relationships with customers and partners

Innovative product development

SALES AND MARKETING

Our refined sugar products are marketed and sold in a variety of packaging options under the brand – Gula Prai.

OBJECTIVES

- To become the preferred sugar supplier due to reliability and consistency of supplying sugar for the past 54 years.
- Improve sales and overall revenue.
- Increase the average selling price to counter the global raw sugar price spike.

Performance	2018	2017
Sales Volume (tonnes)	935,223	997,941
Revenue (RM)	2.2 billion	2.6 billion
Debt Collection	37 days	33 days

MAINTAINING MARKET LEADERSHIP

Sugar sales in 2018 was challenged by issuance of import permits and unregulated sugar from Thailand entered Malaysia in abundance through various brands at cheaper price due to sugar glut scenario globally. These market disruptions are the major cause of the decreased in average selling price for the year.

By adhering to the market price and introducing tiered pricing, our strategy was to engage with the sugar industry based on fair and equal competition in order to fortify market stability. Staying steadfast and resilient, we acquired new customers in the small medium industry segment during the year and engaged in cross border trade with Thailand, Philippines and Indonesia.

Against this backdrop, MSM increased its market share to 59% by enhancing its competitiveness with excellent deliveries. The wholesale segment accounts for 46% of all sales as opposed to the industries segment at 42%, whilst our export capabilities remain an area for further exploration and improvement. In its full year, domestic sales volume accounted for 825,610 tonnes.

Moving forward, we aim to increase distribution touchpoints and penetrate further into rural areas, targeting local sundry shops, revamp our route to market strategy and partner with established wholesaler to increase our market share. We are also mindful that the soda tax introduced by the new government indicates a growing momentum in healthier lifestyle trends. This will heighten our investment in innovative product development of healthier sugar variants.

ENSURING CONTINUOUS GROWTH

During the year, MSM maintained its export commitment at 12% due to the refocus to address the domestic market shortage of sugar that happened at the end of the year. Moving forward, in enhancing continuous growth, sales and marketing activities are gearing up to support the upcoming capacity expansion through MSM Johor, with greater focus now being directed towards the export segment. We are enhancing our sales model to retain and capture new markets. Focus is directed towards expanding our local market share, enlarging cross border business and engaging in a strategic collaboration with strategic partners.

ACHIEVING OPERATIONAL EXCELLENCE

During the year, operational efficiency was enhanced through better demarcation of customer to warehouse, whereby customers from the Northern region drew stocks from our Prai refinery, whilst customers from the Central region were served from the Sungai Buloh warehouse.

Our sugar packing mechanisms are equipped to provide complete support for weighing, packaging and customisation as desired by the customers.

2018 HIGHLIGHTS

Faster delivery time frame

Eliminate idle processes

Improve sugar loss containment

2019 KEY PRIORITIES

Enhance stock management

Develop demand and supply team for proper stock planning

Establish lean supply chain practice

SUPPLY CHAIN MANAGEMENT & DISTRIBUTION

The process of transferring our refined sugar products into the container for delivery.

OBJECTIVES

- Ensure supply chain availability, efficiency and sustainability.
- Optimise supply chain processes whilst maintaining product quality.
- Continuously reduce operational wastages.

Performance	2018	2017
Sales and Distribution (RM)	20 million	20 million
On Time in Full	98%	98%
Demarcated Delivery	n/a	85%
Inventory Record Accuracy	100%	97%
Stock Cover	12 days	8 days

MAINTAINING MARKET LEADERSHIP

Market leadership in this sector was challenged by increased transportation costs and more stringent government regulations. Further mitigation will be conducted in 2019 after a thorough review of current costs of transportation and raw sugar warehouse management. Having contained sugar loss in 2017 through the utilisation of new leak proof grabs, focus for the year was directed towards enhancing stock management in 2018 by implementing dynamic demand and supply planning as well as stock balancing. Stocks for the year were produced based on demand in order to avoid wastages and assure stock freshness.

ENSURING CONTINUOUS GROWTH

We had invested in improving distribution planning and processes by introducing a demarcation exercise and breaking down market segments for smoother replenishment of orders and optimum stock count. This has resulted in significant load improvement, reduction of weekly sales cycles and faster delivery timeframes. During the year, the division enhanced its demarcation distribution delivery for all customers towards further optimisation. Customer service management was also centralised for better order management. These helped to further shorten delivery time to customer and led to greater cost efficiency and reduction of our carbon footprint.

MSM Logisitics robust network links an extensive range of areas and major cities throughout Malaysia.

ACHIEVING OPERATIONAL EXCELLENCE

Upon the completion of MSM Johor refinery in 2018, a market route analysis was undertaken, resulting in reallocation of distribution lines for the Johor area to maximise cost savings. Continued reviews of warehouse management, including both rental and handling costs were also prioritised during the year as we sought to strengthen efficiencies in supply chain management and distribution.

Through regular stock balance monitoring, we enhanced the efficiency of demand and supply planning. An acceptable stock service level was established where minimum and maximum thresholds are monitored to ensure that we are neither over nor understocked.

These initiatives led to increased stock freshness and also a significant reduction in warehousing costs as we eliminated the need for an external warehouse in Nusajaya, Johor Bahru.

ENHANCING HUMAN RESOURCE

Enhanced teamwork within our cross functional units of distribution, warehousing and logistics has resulted in a more robust and synergised value chain. Monthly and quarterly reviews of Supply Chain KPIs has emerged more proactive decision making and allowed faster assessment of gaps. With a common platform that cuts across the value chain, we are able to access operational challenges, outcomes and perspectives of different teams in our value chain which encourages teamwork in terms of identifying actions to reduce, mitigate or avoid foreseeable errors.

In 2018, demand and supply reporting was introduced as an overall group KPI achievement. Moving forward into 2019, we intend to form the demand and supply team to manage and oversee our focus on proper stock planning and stocks management.

2018 HIGHLIGHTS

Prioritised the health and safety of workers by reducing usage of agrochemicals

Achieved Malaysian Standard MS1784:2005 certification for our mangoes produce under MyGAP

2019 KEY PRIORITIES

Controlling costs

Managing production efficiency

PLANTATION

An aerial view of MSM Perlis which comprises our sugar refinery and also plantation.

OBJECTIVES

- Leverage on rubber as a stable and strong commodity.
- Grow long term sustainable value for our shareholders.

Performance	2018	2017
Rubber Replacement (seedlings)	19,696	232,222
Fertiliser Cost (RM)	184/ha	421/ha
Development Cost (RM)	2,736/ha	3,261/ha
Mango Planting Area (ha)	10.7	7.4

MAINTAINING MARKET LEADERSHIP

The commodities market has been challenging in 2018 with Crude Palm Oil (CPO) price and SMR 20 price hovering below RM2,000 per tonne and RM5.20 per kilo respectively. This did not augur well for the financial performance of the current year for MSM's plantation division. In view of the uncertain commodity prices which will likely to persist in the coming year, adverse weather condition coupled with rising production costs resulting from increase in labour cost, fertiliser and agro chemicals, the management will continue the prudent and disciplined approach in controlling cost and managing production efficiency.

Due to efforts taken on these fronts in 2018, the yield per hectare for Fresh Fruit Bunch (FFB) improved to a commendable 23.02 tonne per hectare (as at Nov 2018), 5.34% higher than that of previous year.

On a more positive front, we have obtained the Malaysian Good Agricultural Practices (MyGAP) certification for mango produce since 2017. The implementation and adoption of sustainable agriculture practices has produced good quality mango that are safe for consumption.

ENSURING CONTINUOUS GROWTH

Due to the challenges faced by the plantation division, the Company has been practising the prudent approach in its operation and will remain cautious against the bearish commodity market which is still struggling to recover. Therefore, the Company is not expected to increase the current land bank or replant new trees amid current low commodity prices, but Management will focus on embarking on the process to achieve Malaysian Sustainable Palm Oil Certification Scheme (MSPO). The implementation will become mandatory come 1 July 2019.

With the dedication and commitment of our employees and management, we are endeavouring to meet all the criteria namely environmental, social and economic aspect of oil palm production and hence, achieve the certification before the set deadline.

ACHIEVING OPERATIONAL EXCELLENCE

Continuing on our Seedling Replacement Programme, a total of 19,696 of rubber seedlings were replaced during the year. However, management decided not to proceed with the programme to ensure cost is contained and capped at the lowest possible due to the Group's cost containment initiatives. Mango planting area was achieved as targeted and advances were made in reducing fertiliser costs. This has reduced by 56% as we successfully negotiated competitive rates with our suppliers and conducted bulk purchases of fertilisers.

ENHANCING HUMAN RESOURCE

The Company also organised seminars for the operational employees to be updated with the latest rubber, oil palm and mango plantation development so as to keep abreast with the latest practices and technology. We engaged with independent plantation advisers for training and technical knowledge on agronomy practices relating to rubber, oil palm and mango cultivation, as well as good agricultural practices and field management.

5-YEAR FINANCIAL SUMMARY

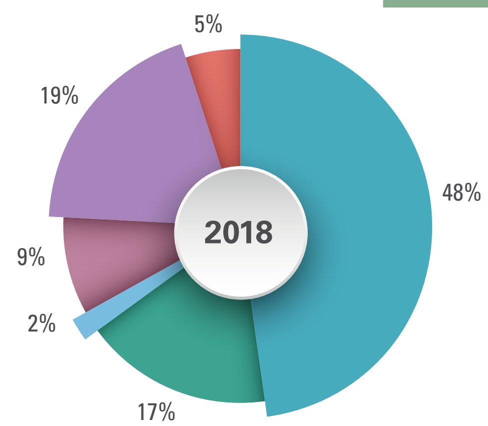
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Revenue	**2,215,465**	2,641,529	2,658,446	2,307,263	2,281,493
Cost of sales	**(2,017,749)**	(2,563,490)	(2,327,896)	(1,818,173)	(1,814,139)
Gross Profit	**197,716**	78,039	330,550	489,090	467,354
Other Operating Income	**1,839**	8,685	6,500	4,686	6,169
Selling and Distribution Expenses	**(20,035)**	(19,741)	(98,406)	(71,914)	(75,402)
Administrative Expenses	**(74,491)**	(61,122)	(80,081)	(70,734)	(53,122)
Impairment of Receivables	**(2,938)**	-	-	-	-
Other Operating Expenses	**(4,809)**	(7,005)	(5,570)	(5,085)	(5,527)
Other (Losses)/Gains – Net	**(2,887)**	(1,223)	3,428	25,769	(4,345)
Profit From Operations	**94,395**	(2,367)	156,421	371,812	335,127
Finance Income	**4,057**	5,293	5,511	7,862	12,891
Finance Costs	**(38,145)**	(22,500)	(13,417)	(7,546)	(3,719)
Profit Before Zakat and Taxation	**60,307**	(19,574)	148,515	372,128	344,299
Zakat	**(1,500)**	-	(2,000)	(5,000)	(4,500)
Taxation	**(23,201)**	(16,767)	(25,793)	(91,832)	(82,786)
Profit for the Financial Year	**35,606**	(36,341)	120,722	275,296	257,013

FINANCIAL RATIOS

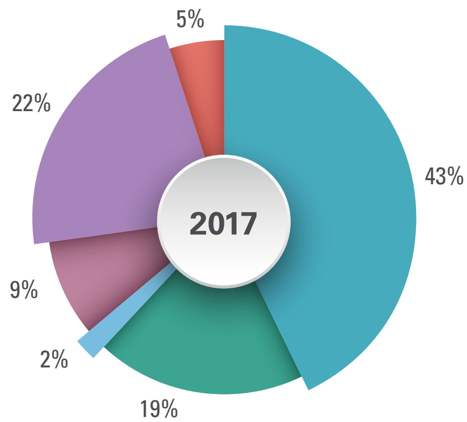
	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000
Return on shareholder's equity	**1.8%**	(1.9%)	6.1%	13.5%	13.2%
Return on total assets	**1.0%**	(1.1%)	3.7%	10.1%	10.2%
Debt equity ratio	**0.9**	0.8	0.6	0.3	0.3
Dividend Cover	**-**	(1.3)	0.7	1.5	1.5
Total assets	**3,648,195**	3,404,782	3,225,428	2,722,405	2,518,203
Net assets per share	**2.79**	2.74	2.83	2.90	2.77
(Loss)/Earnings per share (sen)	**5.07**	(5.17)	17.17	39.16	36.56

STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



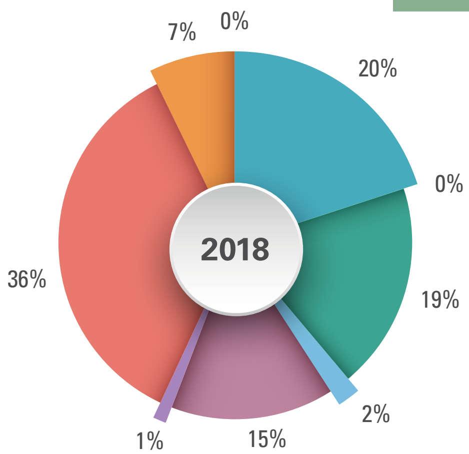
- Property, plant & equipment
- Intangible assets
- Other assets
- Receivables
- Inventories
- Cash and cash equivalents



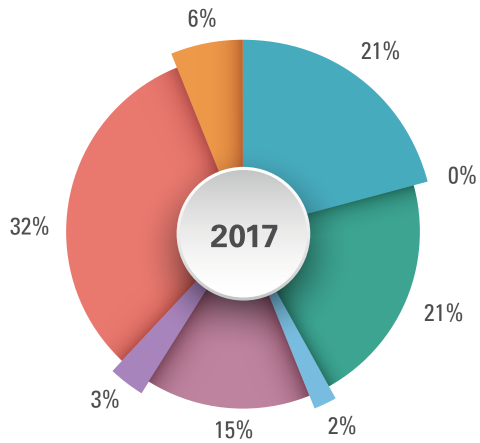
Assets Type	Amount RM'000
Property, plant & equipment	1,742,369
Other assets	78,890
Intangible assets	640,160
Receivables	316,167
Inventories	679,046
Cash and cash equivalents	191,563

Assets Type	Amount RM'000
Property, plant & equipment	1,457,282
Other assets	76,752
Intangible assets	644,572
Receivables	323,407
Inventories	732,242
Cash and cash equivalents	170,527

TOTAL LIABILITIES



- Share capital
- Other reserves
- Deffered tax liabilities
- Retained earnings
- Loan to a related company
- Borrowing
- Payables
- Derivative financial liabilities



Liabilities Type	Amount RM'000
Share capital	718,255
Other reserves	696,848
Retained earnings	547,607
Deferred tax liabilities	83,458
Payables	274,287
Loan due to a related company	30,365
Borrowings	1,296,745
Derivative financial liabilities	630

Liabilities Type	Amount RM'000
Share capital	718,255
Other reserves	696,103
Retained earnings	512,001
Deferred tax liabilities	78,675
Payables	194,671
Loan due to a related company	108,826
Borrowings	1,096,251

QUARTERLY FINANCIAL PERFORMANCE

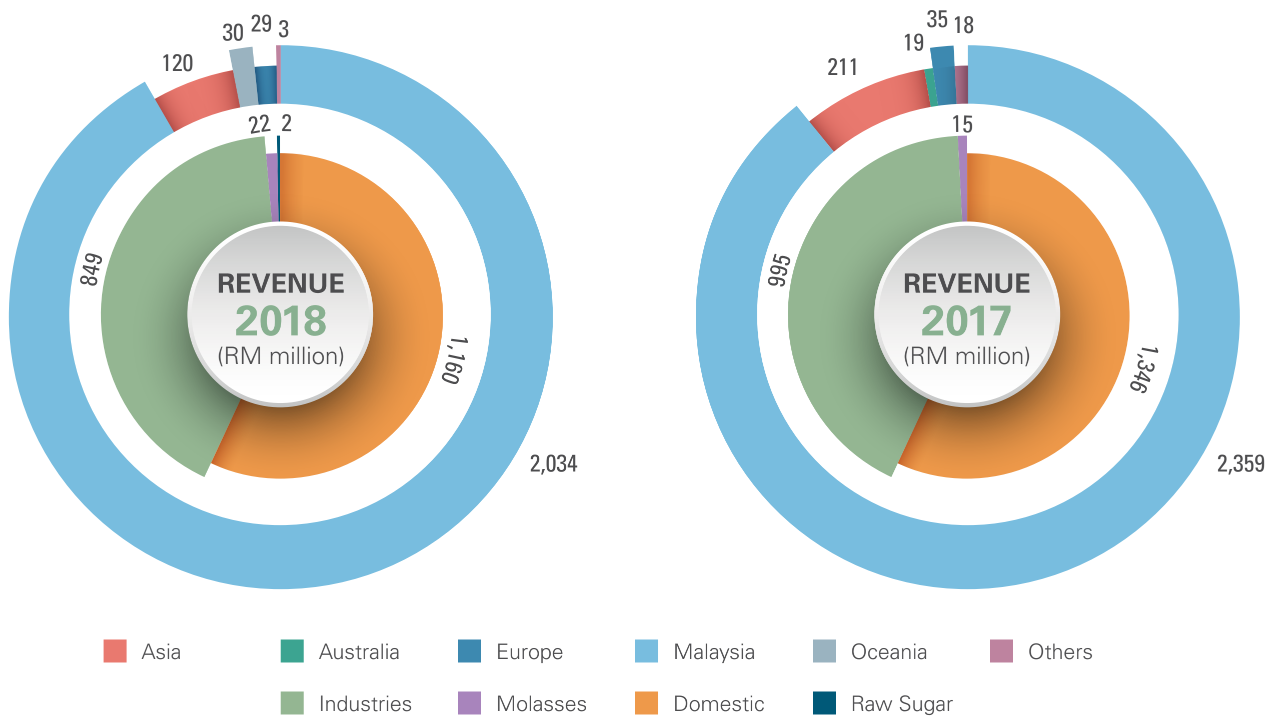
2018	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Revenue	**549,061**	**573,223**	**562,054**	**531,127**
Profit from operation	**28,303**	**23,768**	**22,309**	**20,015**
Profit before taxation and zakat	**20,944**	**20,095**	**19,181**	**87**
Profit/(Loss) attributable to equity holders of the Company	**15,806**	**14,330**	**15,876**	**(10,406)**
Basic earnings/(loss) per share (sen)	**2.25**	**2.04**	**2.26**	**(1.48)**
Single-tier dividend per share (sen)	**-**	**-**	**-**	**-**

2017	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Revenue	644,993	692,458	668,515	635,563
(Loss)/Profit from operation	(38,086)	(26,431)	34,498	27,652
(Loss)/Profit before taxation and zakat	(39,562)	(28,593)	25,312	23,269
(Loss)/Profit attributable to equity holders of the Company	(34,622)	(21,450)	10,416	9,315
Basic (loss)/earnings per share (sen)	(4.93)	(3.05)	1.48	1.33
Single-tier dividend per share (sen)	-	4.0	-	-

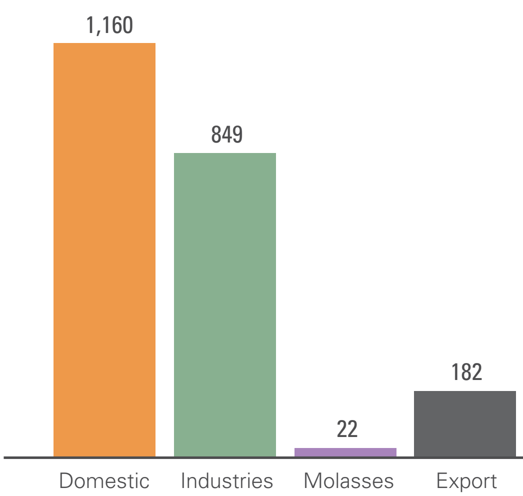
STATEMENT OF VALUE ADDED

2018	2018 RM'000	2017 RM'000
VALUE ADDED		
Revenue	2,215,465	2,641,529
Purchase of goods and services	(1,973,060)	(2,527,831)
Value added by the Group	242,405	113,698
Other operating income	1,839	8,685
Other (losses) – net	(2,887)	(1,223)
Impairment of receivables	(2,938)	-
Finance income	4,057	5,293
Finance cost	(38,145)	(22,500)
Value added available for distribution	**204,331**	**103,953**
DISTRIBUTION		
To Employees		
Employment cost	79,312	69,193
To Government/Approved Agencies		
Taxation and Zakat	24,701	16,767
To Shareholders		
Dividends	-	28,119
Retained for reinvestment and future growth		
Depreciation and amortisation	64,712	54,334
Retained profits	35,606	(64,460)
Total distributed	**204,331**	**103,953**

SEGMENTAL ANALYSIS



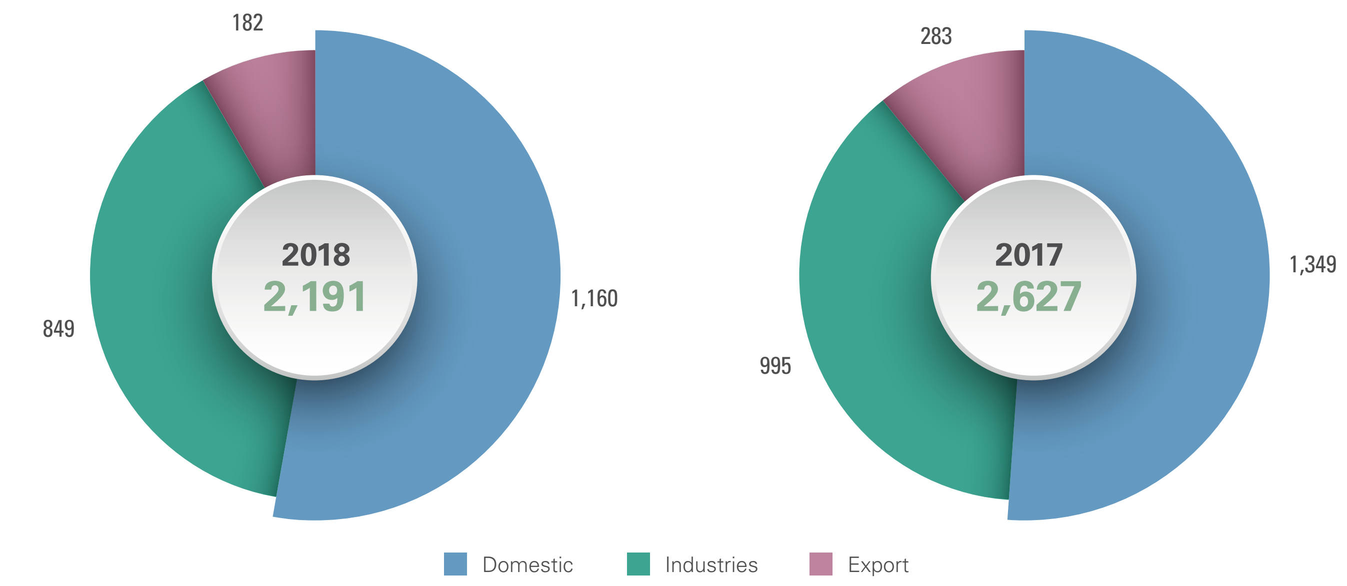
REVENUE 2018
(RM million)



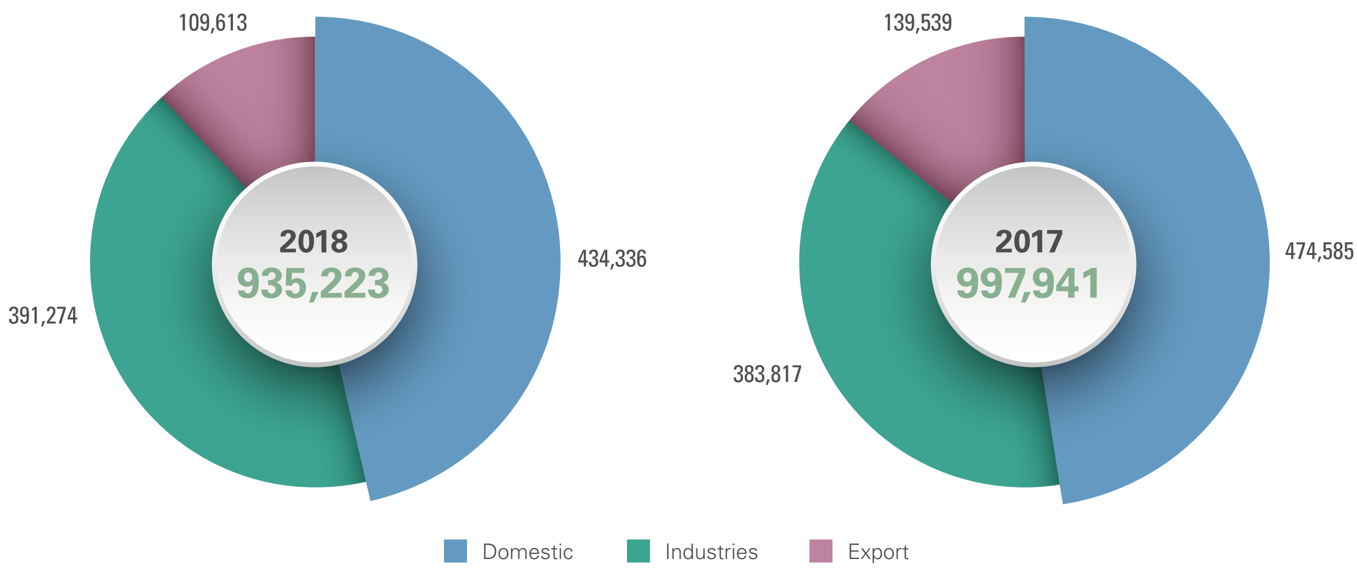
REVENUE 2017
(RM million)

SALES ANALYSIS

SALES REVENUE (RM MILLION)



TOTAL SALES (TONNES)



Notes :

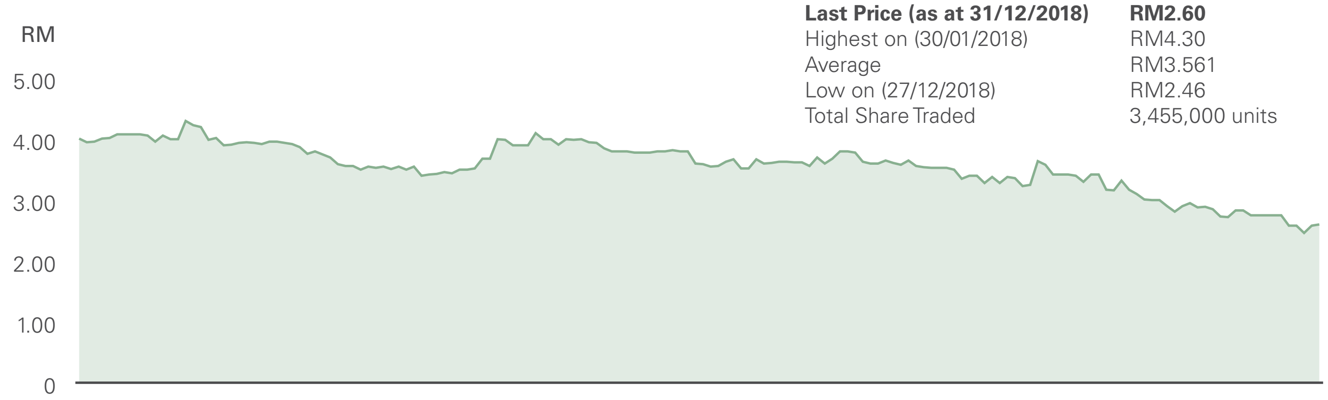
1. *Sales figure is AFTER consolidation adjustment*
2. *The sales figure excludes the sales of molasses & raw sugar*

INVESTOR RELATIONS

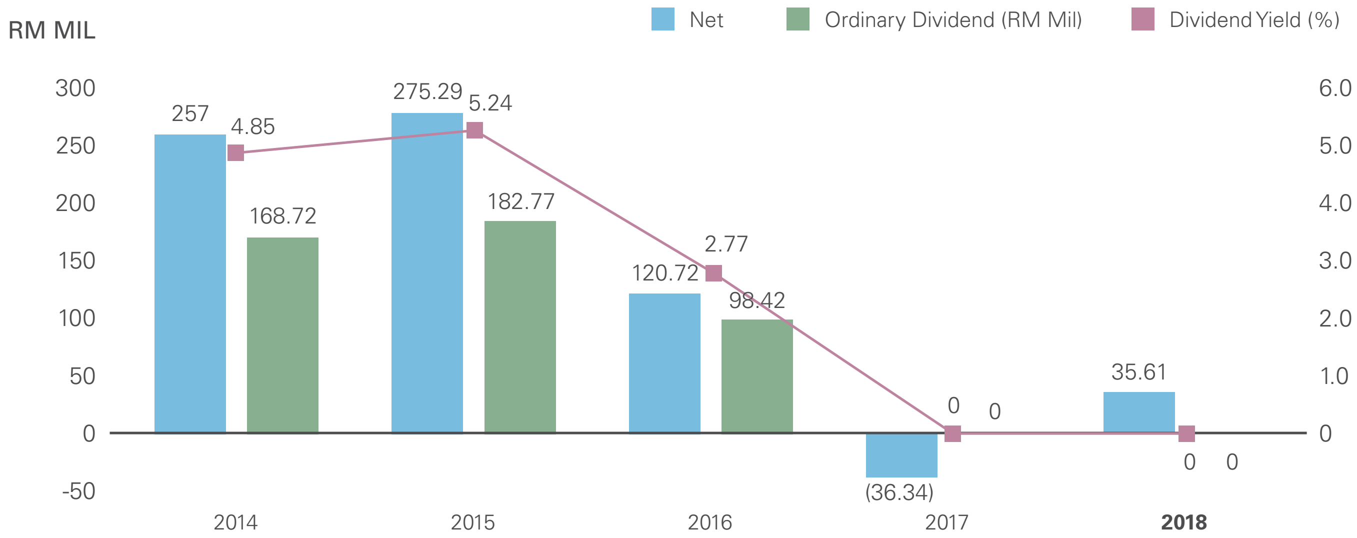
MSM shares opened at RM4.10 on 3 January 2018 and closed the year at RM2.60 having traded approximately 3,455,000 lots. The highest price for the year was recorded on 30 January 2018 at RM4.30.

Share Performance 2018

Open on 3 January 2018	RM4.10
Last Price (as at 31/12/2018)	**RM2.60**
Highest on (30/01/2018)	RM4.30
Average	RM3.561
Low on (27/12/2018)	RM2.46
Total Share Traded	3,455,000 units



Return to Shareholders



Equity Research Coverage

1. CIMB
2. Affin Hwang Investment Bank
3. MIDF Research
4. KAF-Seagroatt & Campbell Bhd
5. RHB
6. AmInvestment Bank

FINANCIAL CALENDAR

ANNOUNCEMENT ON UNAUDITED CONSOLIDATED RESULTS

2018

21 February 2018
4th quarter ended 31 December 2017

23 May 2018
1st quarter ended 31 March 2018

24 August 2018
2nd quarter ended 30 June 2018

21 November 2018
3rd quarter ended 30 September 2018

2019

20 February 2019
4th quarter ended 31 December 2018

ANNUAL GENERAL MEETING

7th Annual General Meeting

23 April 2018
Notice of meeting

23 April 2018
Issuance of Annual Report

26 June 2018
Meeting date

8th Annual General Meeting

26 April 2019
Notice of meeting

26 April 2019
Issuance of Annual Report

19 June 2019
Meeting date

SUSTAINABILITY REPORT

OUR SWEET EES JOURNEY

ECONOMIC SUSTAINABILITY

- Socio-economic Development
- Sustainable Value Chain Practice
- Engaged & Ethical Marketplace Practices
- Knowledge Sharing with Industry Members

ENVIRONMENTAL SUSTAINABILITY

- Waste Management
- Water Usage
- Energy Optimisation
- Greenhouse Gas (GHG) and Other Emissions
- Plantation Management
- Paper Consumption & Printing

SOCIAL SUSTAINABILITY

- Respecting Human Rights
- Responsible Employment
- Staff Mobility Programme
- Employee Engagement
- Corporate Responsibility
- Product Quality
- Occupational Safety and Health

Sustainability is an integral part of MSM's business philosophy and corporate culture. As the leading sugar refiner and brand ambassador for Malaysia, we infuse our thoughts and actions in aspiration to achieve excellence in sustainability by integrating sustainable practices into every one of its business activities in line with the Group's vision and core values.

Meanwhile, we continually advance the means by which we measure and report on the progress we make on our sustainability journey.

This Sustainability Statement covers MSM Group of Companies throughout Malaysia only.

INGRAINING SUSTAINABLE STRATEGIES HOLISTICALLY

Human Capital

Employment for **230** employees in the new refinery in Tanjung Langsat, Johor

Increased 0.3%

96.1% suppliers are Malaysian registered companies

Natural Capital

Electricity Consumption
69,435,255 kWh

Reduced 18.5%

CO_2 Emissions from Electricity
51,451.5 tonnes

Social & Relationship Capital

Increased 6.7%

2,317 students benefitted from MSM's collaboration programme with **PINTAR Foundation**

Decreased of 21 days

149 days lost time injury

Our Sustainability Development Governance Structure

To govern, manage and regulate industry-specific sustainability matters that are considered more critical from economic, environmental and social perspectives.

Board Governance & Risk Management Committee (BGRMC)

^

Chief Executive Officer

^

To communicate, develop and drive the implementation of sustainability strategies and policies.
To review and report the progress.

^

Head of Operations

^

Subsidiaries

ECONOMIC SUSTAINABILITY

Our new refinery in Tanjung Langsat, Johor is set to expand the Group's employment to over 200 Malaysian citizens.

We are listed in the 2018 MSWG-ASEAN Corporate Governance Top 100 Company List

Nation building is a fundamental part of our organisational purpose. Our establishment five decades ago was fundamentally a national thrust towards gaining self-sufficiency in sugar production. Today, as the country's leading refined sugar producer, we continue to align ourselves with the Government's efforts towards achieving developed nation status.

Our focus on meeting regulatory compliance, governance and risk management standards is targeted to promote the most responsible best practices. This improves our integrity and accountability, which impacts our business success, and consequently enhances our ability to sustainably contribute to the national economy.

SOCIO-ECONOMIC DEVELOPMENT
GRI-203: Indirect Economic Impacts

MSM plays a key role in stimulating job creation within the communities we operate in, particularly in our operational, warehousing facilities and refineries. Our business operations spur socio-economic development within Penang, Perlis, Johor and Klang Valley; generating a lively and vibrant local economy enriched with employment opportunities and a catalyst for secondary industries.

Our refineries currently employ about 1,398 Malaysian citizens and support a diverse value chain of service providers, suppliers, maintenance companies and related industries throughout Malaysia.

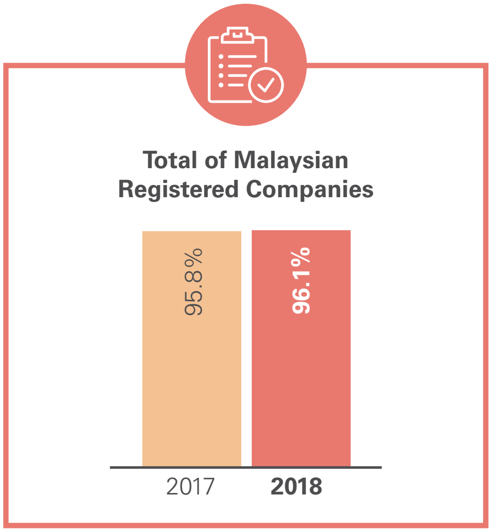
MSM's focused training and development programmes also build capabilities, enhances knowledge and promulgate productive, efficient and up-to-date refining practices; expanding the horizons, prospects and potential of our local employees.

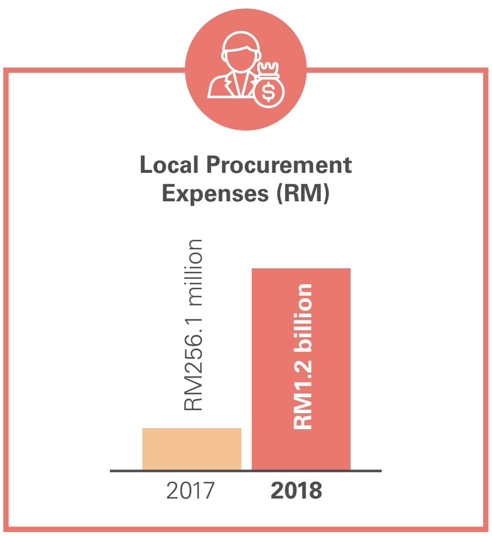
SUSTAINABLE VALUE CHAIN PRACTICE
GRI-204: Procurement Practices

MSM's ongoing commitment to ethical supplier management practices ensures fair and undiscriminatory practices for our stakeholders with regards to the enhancement of ethical business practices in our business dealings that safeguards ethical, open and sustainable sourcing within our supply, manufacturing and distribution value chain.

These ensure our vendors and suppliers abide by high ethical standards, fair business practices; compliance with company policies, national laws and industry regulations; and other requirement factors such as environmental compliance and impacts, health and safety aspects, availability of ethical standards, integrity plan, non-compromise with child labor or forced labour practice and technology capability.

MSM employees are required to strictly comply with our procurement processes in the selection of suppliers and vendors to ensure an accountable and transparent business operations free from bribery and corruption. We regularly update our suppliers and contractors pertaining to our company requirements, including environmental obligations in order to do business mutually. Effective mechanisms of checks and balances are embedded into our framework to ensure accountability and transparency within the selection process. Even after selection, we regularly monitor the EES aspects of our vendors' and contractors' businesses.





MSM JOHOR

230
employees

MSM PRAI

501
employees

MSM PERLIS

Factory
362
employees

Plantation
197
employees

MSM HOLDINGS

62
employees

MSM LOGISTICS

46
employees

In 2018, MSM participated in the following events:

- Sugar & Ethanol Sugar Conference (Bangkok, Thailand)
- IBC 24th Asia International Sugar Conference (Saigon, Vietnam)
- Optimising Supply Chain Seminar (Kuala Lumpur)

ENGAGED & ETHICAL MARKETPLACE PRACTICES

A high level of customer satisfaction is vital for our ongoing success and growth. Therefore, MSM has put in place processes to ensure efficient and responsive support services to our customers. Efforts in this sphere encompass informing customers of our service delivery commitments, reliable product deliveries conducted in an ethical and professional manner, engaging with customers to assess their satisfaction with our levels of service and business ethics, and acting on feedback to continually enhance customer service.

We conduct regular onsite visits to our customer premises, in order to engage with them personally and our team is always open to iron out any issues or complaints through our dedicated online customer service email at consumer@msmsugar.com.

MSM as one of the panel for the Sugar & Ethanol Sugar Conference in Bangkok, Thailand.

KNOWLEDGE-SHARING WITH INDUSTRY MEMBERS

MSM actively engages in events and discussions pertaining to industry challenges and the wider economy as a whole as part of our desire to contribute towards the development of a fundamentally sound and informed industry knowledge base. Our participation and sponsorship of topical panel discussions, conventions and conferences help forge strong and meaningful relationships regionally and globally as we advance on our vision to become the top 10 global sugar player by 2020.

Sharing session with Malaysia Competition Commission (myCC).

ENVIRONMENTAL SUSTAINABILITY

MSM Prai Berhad operates the sugar refinery in Penang.

MSM's refining operations has a high impact on the environment being an energy intensive process that releases waste and emissions. Mitigating this impact via smart management of Water, Energy, Waste and Emissions is a key contributor towards our strategic initiative to maintain leadership, optimise asset utilisation and increase operational efficiency.

As a step forward in our journey to inculcate environmental sustainability, MSM has incorporated a comprehensive Environmental Management System (EMS) to operate responsibly across the value chain. It encompasses our refineries in Penang and Perlis, as well as our regular work practices at the head office, warehouses and plantations. The EMS states clear lines of monitoring along the following parameters: Water consumption, Energy consumption, Waste pollutions/emissions and Greenhouse Gas (GHG) emissions.

2020 GOALS:

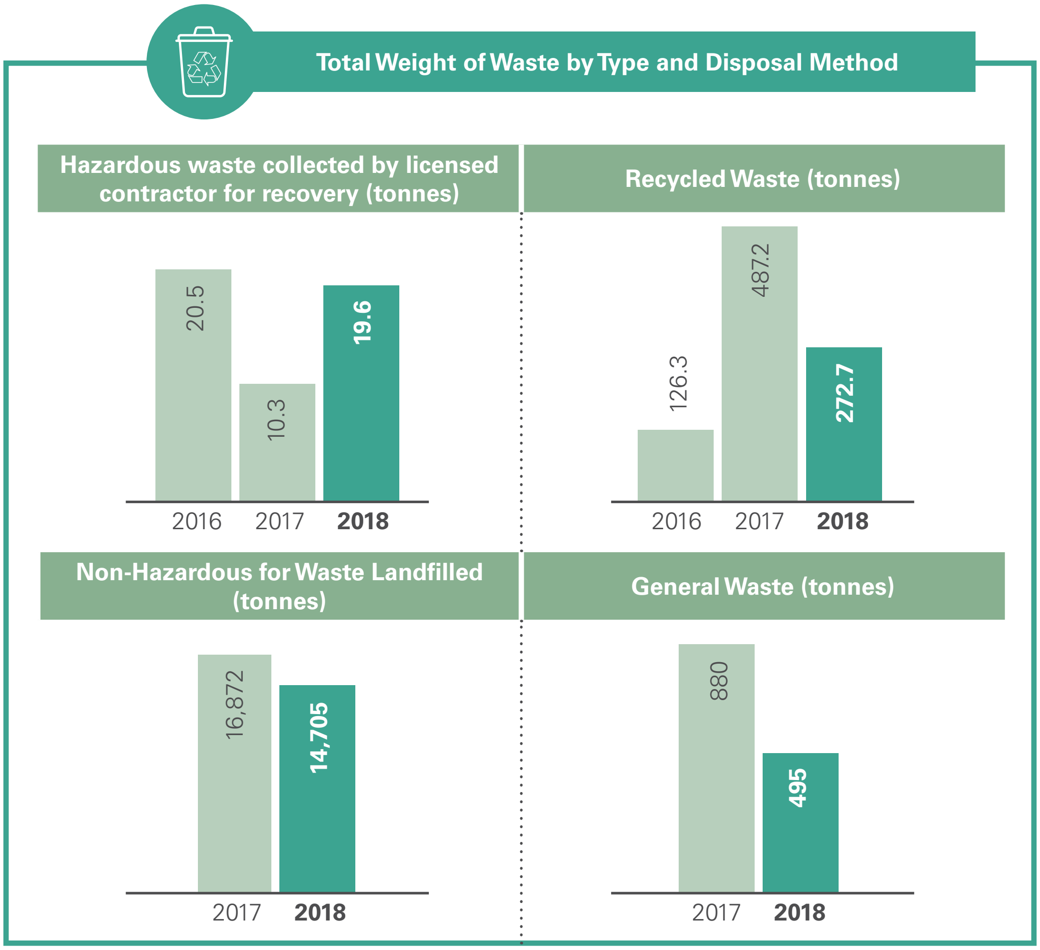
Optimising 2% of water usage
(reduction of 0.0508 m^3 per tonne)

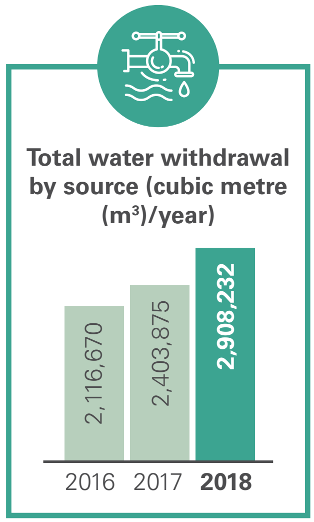
Reducing 3% of energy consumption
(reduction of 0.8778 GJ per tonne)

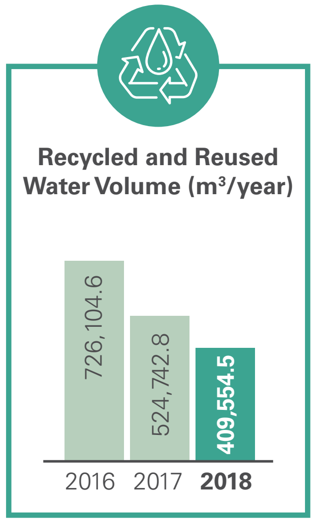
GRI 306

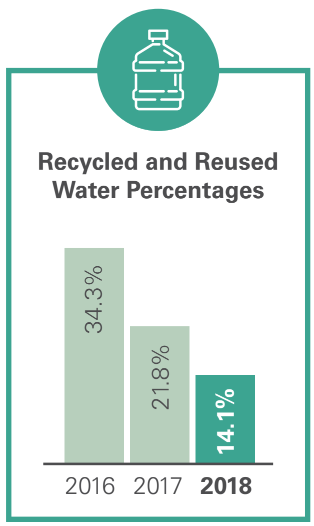
WASTE MANAGEMENT
GRI-306: Effluents and Waste

MSM's refineries are fitted with cutting-edge nano-filtration waste treatment system that enables us to process the discharge produced by our Ion Exchange Resin (IER). Within the sugar refining process, the resulting salt residue can be reused for resin regeneration, while the rest of the residue is filtered and cleaned before being discharged. To manage waste stream, we outsource to a supplier which is licensed by the Environmental Department to collect, transport, process and dispose wastes in accordance with local regulations and standards.









GRI 303

WATER USAGE
GRI-303: Water and Effluents

MSM has in place sustained water management measures to ensure the efficiency of water usage within our operations, bearing in mind the vast water quantities used in the sugar refining process. To ensure best practice of water management, we regularly track the water usage and water reused in our daily operations.

ENERGY OPTIMISATION
GRI-302: Energy

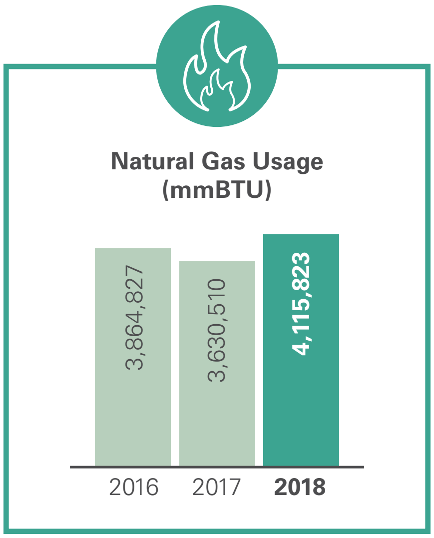
We have adopted an energy savings approach to monitor the progress of carbon footprint reduction, waste management and utilisation of clean and renewable energy sources within our operations.

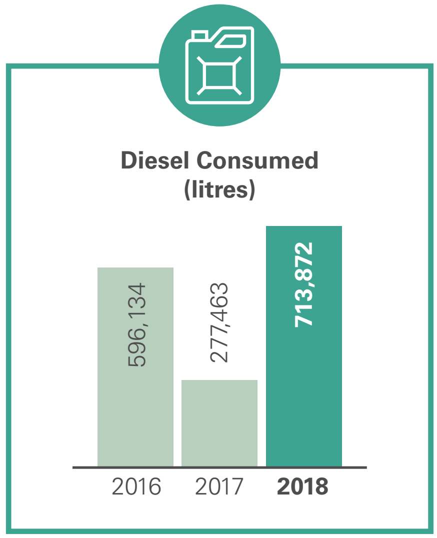
Natural Gas

Mindful of our energy intensive operations, MSM has invested heavily in back pressure turbines. These generate approximately half of our energy requirements by channeling exhaust steam back to the heating process. Additionally, we also recycle our process condensate for boiler steam generation.

Where necessary, we use natural gas, the cleanest burning fossil fuel available as an energy source at both refineries to mitigate the environmental impact of our operations as the usage of this resource effectively reduces production of carbon soot and sulphur emissions from our boiler flues. In addition, we employ an innovative system that combines functionalities of our Mechanical Vapour ReCompressor (MVR) evaporator and Vertical Crystallisation Tower (VKT) to dramatically reduce the amount of steam required during the sugar-boiling processes.

All these efforts have reduced our energy and natural gas consumption significantly year on year. Though there was an 11.6% increase charted in 2018, this was due to the commencement of additional operations at our new refinery in Tanjung Langsat, Johor. Comparing efficiency of natural gas usage for every tonne of sugar produced, it was a slight increase from 3.542 mmBTU in 2017 to 4.218 mmBTU in 2018.

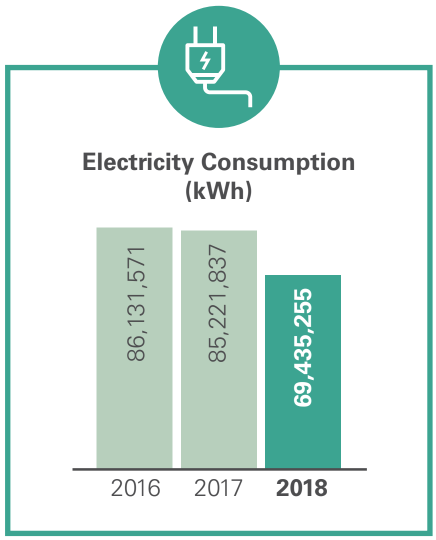




Diesel

The base of our refining operations have been fitted with energy saving initiatives, and investments in new boilers have been made in recent years to help reduce the Group's carbon footprint during normal operations.

Due to a scheduled maintenance shutdown and the usage of more diesel engines for testing at MSM Perlis, we recorded a significant 157.3% increase in our diesel consumption in 2018. The shutdown was necessitated by a Department of Occupational Safety and Health (DOSH) annual machinery inspection to verify the integrity of all machinery such as boilers, air compressors and pressure vessels. Moving forward, we will continue to diligently monitor our energy use, identifying and implementing more energy savings initiatives wherever possible.

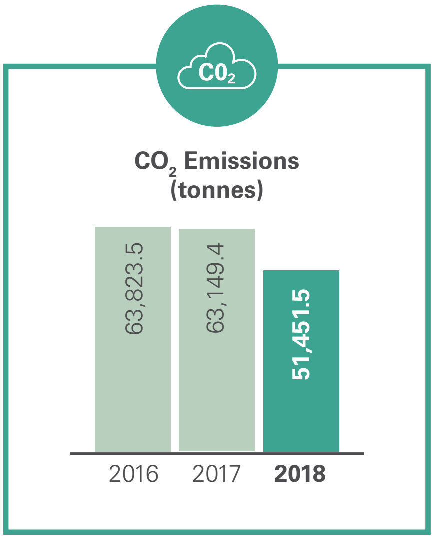


Electricity

MSM's electricity usage is calculated primarily on our electricity bills based on consumption at our office buildings, refineries and warehouses. In 2018, we managed to generate electricity internally amounting to 11,588,475 kWh which significantly reduced our purchased electricity consumption to 57,846,780 kWh.

The reduction in consumption was attributable to the various energy saving initiatives which include Co-Generation (COGEN) system that recycle steam to generate electricity in the sugar melting process. Compared to the year 2017, we managed to significantly reduce the CO_2 emissions from electricity consumption by 18.5%.

- CO_2 emissions from electricity consumption:

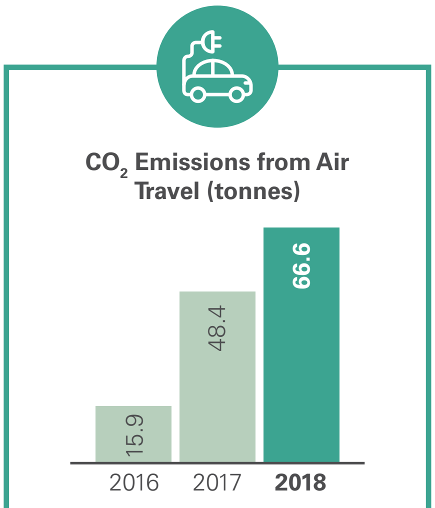


GREENHOUSE GAS (GHG) & OTHER EMISSIONS
GRI-305: Emissions

Business Air Travel

Mindful of the transport-related emissions produced via business air travel, MSM encourages customers, suppliers and employees to adopt the usage of teleconferencing facilities. On the road, our employees are encouraged to car pool when more than two of them are travelling whether to the head office, refineries and other meeting functions. To ensure cost efficiencies, we utilise a centralised system to process booking for the majority of our short and long-haul flights.

In 2018, MSM employees took a total of 1,095 individual flights (compared to 562 in 2017), which produced an estimated 66.6 tonnes of CO_2 emissions. This represents an increase of 37.5% from the previous year when MSM employees produced 48.4 tonnes of CO_2 emissions. The increase is due to frequent traveling from within our domestic business operations for the new refinery in Tanjung Langsat, Johor in lieu of support (within the Group). As sugar related experience and knowledge is very niche, it will be more expensive to bring external talents from South East Asia.



Note: Our calculation method for GHG emission mainly for business air travel is based on the International Civil Aviation Organisation (ICAO) Carbon Emissions Calculator, whereas carbon footprint is computed for each man-trip made.

Plantation Management

MSM has embedded the principles of sustainability in its plantation operations and management through the Group Sustainability Policy. In line with the policy, MSM implemented the Malaysian Good Agricultural Practice (MyGAP) for the mango project and successfully obtained the certification scheme based on Malaysian Standard MS1784:2005 launched by the Ministry of Agriculture and Agro-Based Industry.

MyGAP is an agricultural practice which emphasises on environmental, economic and social aspects to ensure the produce is safe and of good quality. The use of agrochemicals is greatly reduced under MyGAP which ensures the production of high quality mangoes which are safe for consumption. The reduced usage of agrochemicals also minimises environmental pollution, along with ensuring the health and safety of our plantation workers.

Paper Consumption & Printing

Another way of managing our resources effectively is via the reduction of paper consumed. We have identified areas which requires large amounts of paperwork and moved towards digitisation to reflect our embrace in new technology and actions such as double-sided printing, centralising colour printing to specific printers, accessible by authorised personnel only and promoting electronic communication between colleagues and clients, resulted to a significant decline in administrative cost.

Our Procurement tender announcements have been uploaded onto our website under the Tender Announcement page at http://www.msmsugar.com/tender and linked with FGV's e-procurement portal.

Others

MSM's refineries and warehouses are designated as smokefree zone areas in line with our efforts to provide employees and customers the respect and comfort they deserve. In recognition of our smoke-free policies and efforts, MSM Prai was among the first 15 establishments in Malaysia to be awarded the Blue Ribbon Certificate initiated by MySihat, a statutory body under the Ministry of Health, Malaysia.

SOCIAL SUSTAINABILITY

All good actions begin at home. Similarly, MSM's principle of social sustainability is firmly grounded in the development of a vibrant and sustainable local community eco-system that begins with ensuring the wellbeing of our employees at the workplace. We believe that creating stability and loyalty at the workplace by serving our employee interests well is a pre-requisite to effectively reach out and aid community causes.

NURTURING OUR WORKFORCE

The development and welfare of our employees within the workplace is a priority that MSM has consistently invested in over the past 50 years. As fundamentals, we maintain safe and inclusive workplaces, support and nurture our employees' potential, and ensure the highest standards of health and safety.

Our multicultural workforce represents our strong stance on harnessing diversity in opinions, perspectives and backgrounds of the employees, adding on to the strength of the company. We operate in an environment of open communication that fosters unwavering trust, respect, fairness and loyalty. We ensure everyone receives equal opportunity to perform at the best of their ability.

We encourage our employees to air their grievances, gather feedback and identify amiable solutions should they feel violated, disrespected or treated unfairly. As part of our Whistleblowing Policy, we have in place structured grievance and complaints process to encourage employees to report these potential violations without fear of reprisal. *(see page 99 of Corporate Governance)*.

Respecting Human Rights

MSM values and respects diversity and inclusion, within a workplace free from discrimination and harassment. These values are promoted and inculcated as guidelines outlined as Employee Work Policies, and are communicated in the employee handbook. These policies champion an inclusive culture and an environment that protects the rights of all employees and addresses discrimination among the workforce.

GRI 405

GENDER DIVERSITY
GRI-405: Diversity and Equal Opportunity

MSM's workforce within our refineries tends to be male dominated, in light of factory, machinery and work shift demands. However, our concerted efforts through the years to promote women to management level positions has seen us achieve significant improvements in this area. In 2018, we recorded a 77:23 male to female ratio at manager level and above, which is significantly close to the recommended target of 30% female representation at management level.

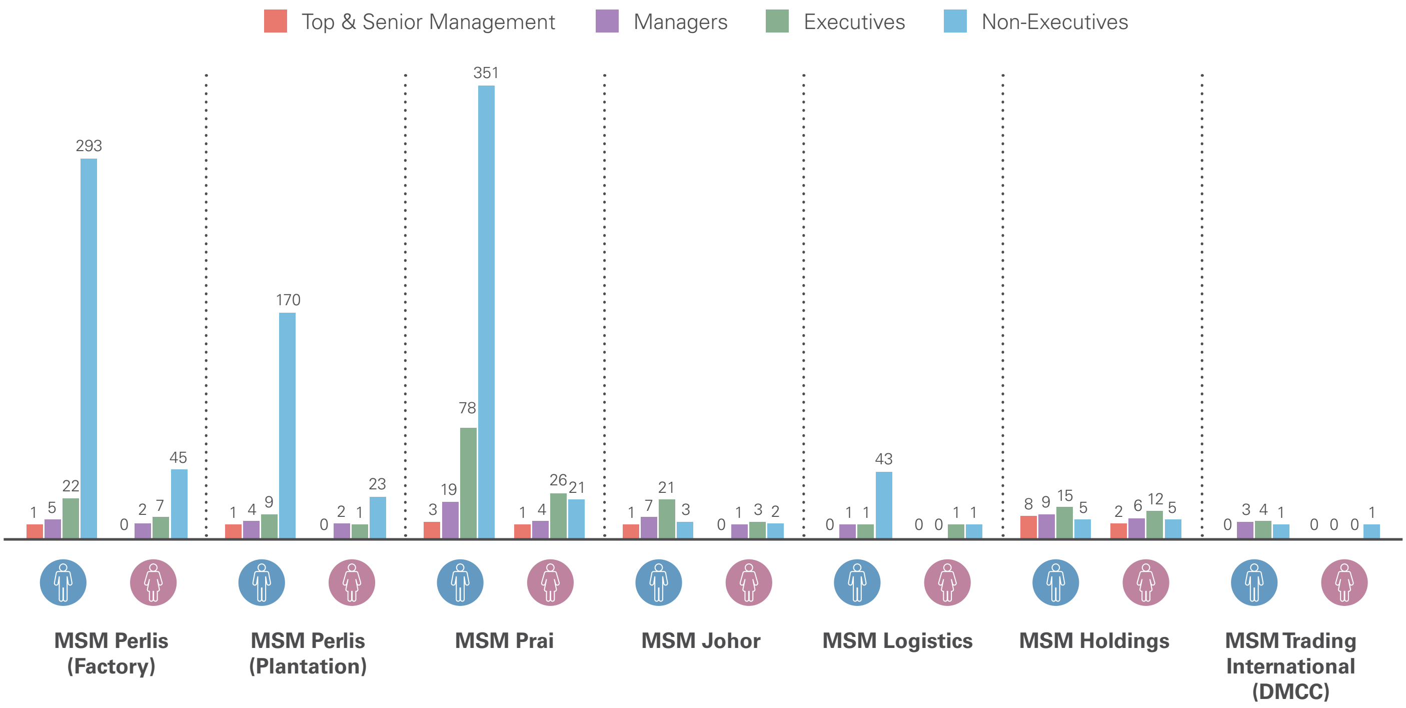
Employees Gender Diversity

Year	Total	Male	Female
2017	1,244	1,078	166
2018	1,405	1,220	185

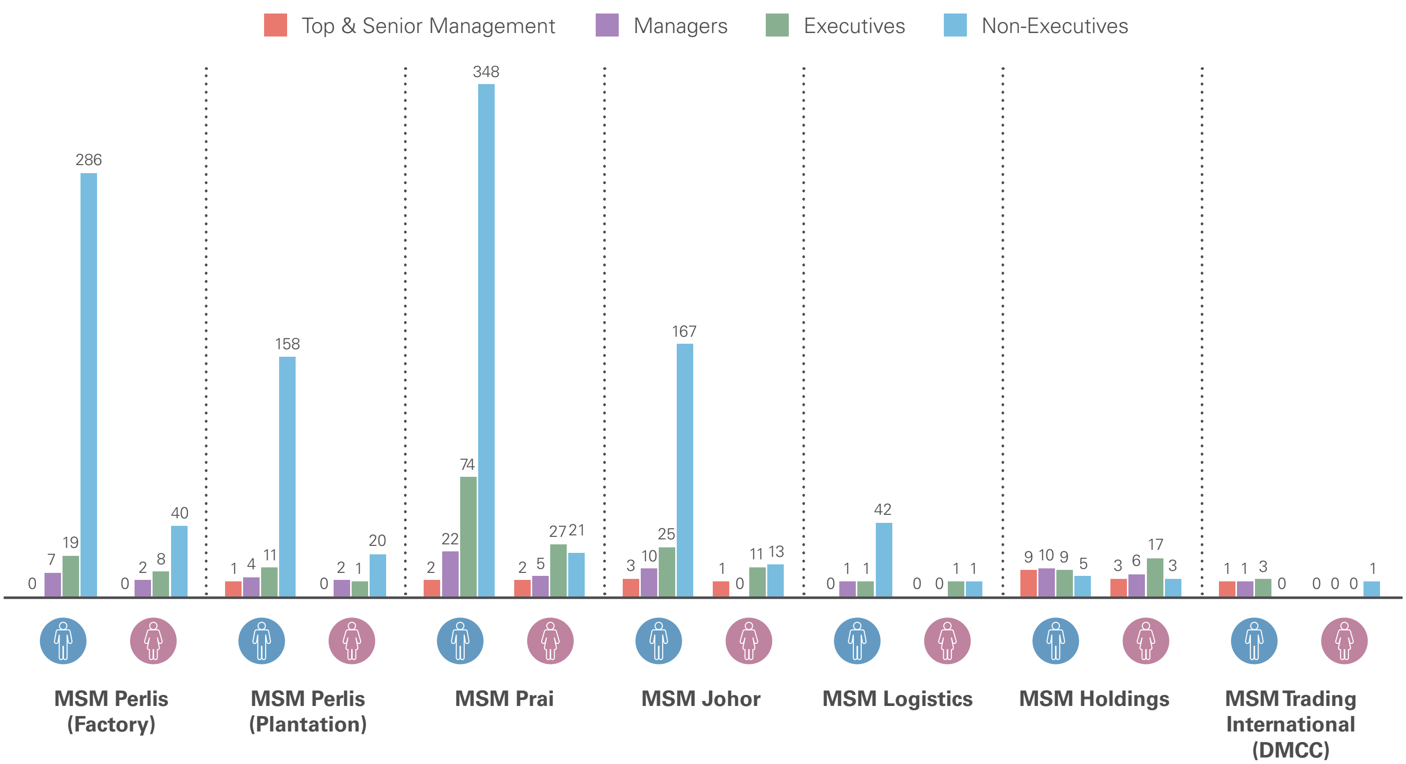
Gender Diversity Categorisation

Entity	Year	Total	Male (%)	Female (%)	Male	Female
MSM Perlis (Plantation)	2017	210	87.6%	12.4%	184	26
MSM Perlis (Plantation)	2018	197	88.3%	11.7%	174	23
MSM Perlis (Factory)	2017	375	85.6%	14.4%	321	54
MSM Perlis (Factory)	2018	362	86.2%	13.8%	312	50
MSM Prai	2017	503	89.7%	10.3%	451	52
MSM Prai	2018	501	89%	11%	446	55
MSM Johor	2017	38	84.2%	15.8%	32	6
MSM Johor	2018	230	89.1%	10.9%	205	25
MSM Logistics	2017	47	95.7%	4.3%	45	2
MSM Logistics	2018	46	95.7%	4.3%	44	2
MSM Holdings	2017	62	59.7%	40.3%	37	25
MSM Holdings	2018	62	53.2%	46.8%	33	29
MSM Trading International (DMCC)	2017	9	88.9%	11.1%	8	1
MSM Trading International (DMCC)	2018	7	85.7%	14.3%	6	1

Total Employees by Gender and Category 2017



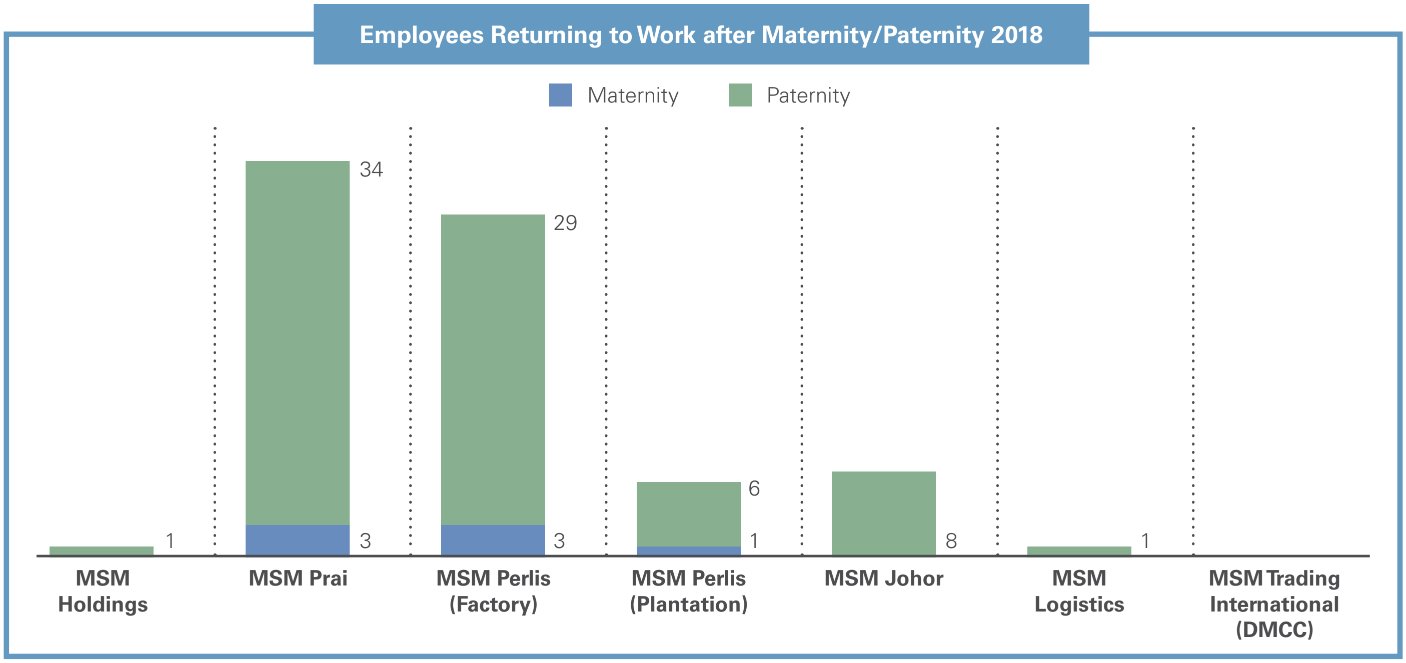
Total Employees by Gender and Category 2018

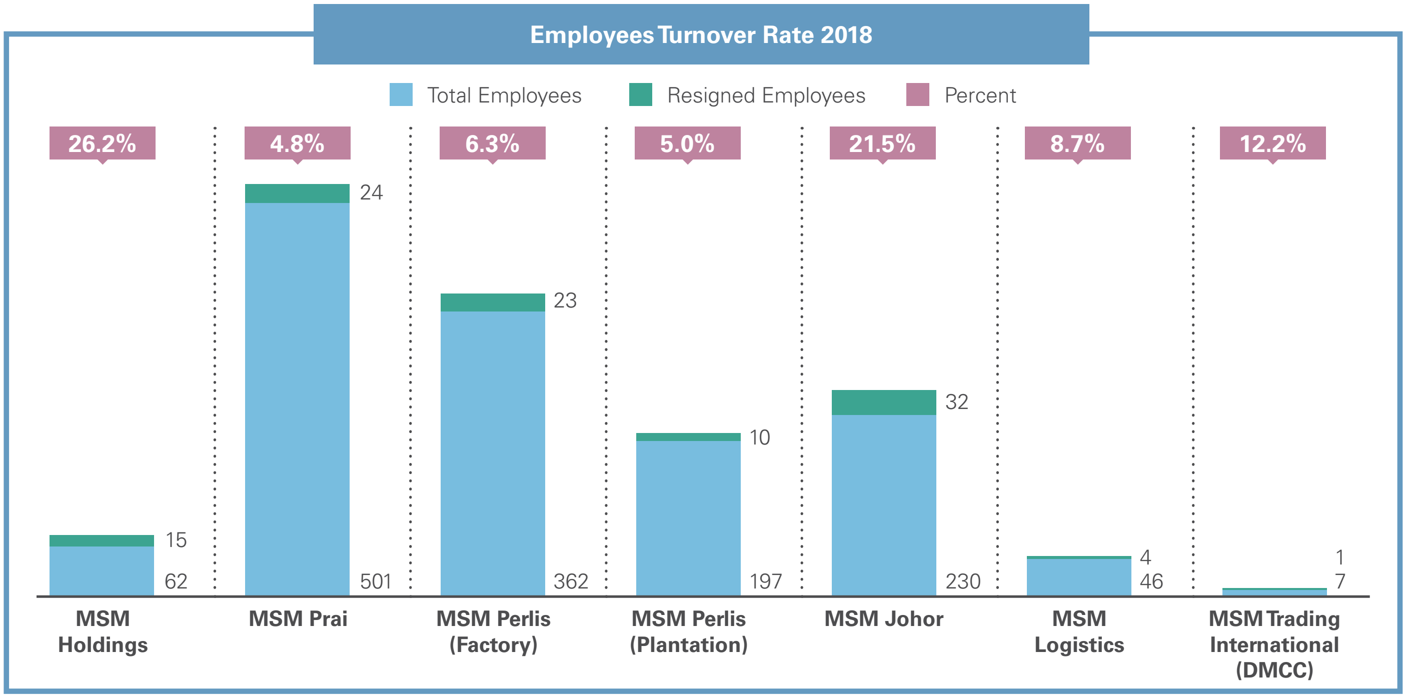


GRI 401

BUILDING LOYALTY
GRI-401: Employment

To be ranked amongst the top employer of choice, MSM maintains a range of competitive benefits and entitlements for its employees to convey appreciation for their consistent efforts towards elevating MSM as the leading refined sugar producer in the country.





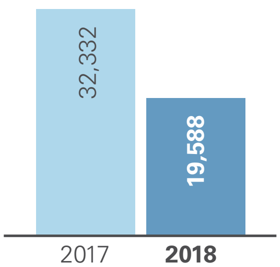
GRI 404

STAFF MOBILITY PROGRAMME
GRI-404: Training and Education

We build a talent pool through Staff Mobility programme, an intensive training and development programme that allows for new employees to speed up their learning curve, as they pick up the know-how required for the efficient start-up of operations at our new Johor refinery. To support the implementation of the Staff Mobility Program, MSM has employed local graduate trainee under its Graduate Management Training Programme, that focuses on engineering on-job and management training, allowing ready deployment when required.

In 2018, MSM has also embarked on a values alignment programme to nurture a culture of shared knowledge and inculcate Group unity. The values enhancement programme, well into its second phase, garnered more than 90% of MSM employees participation across various job levels.

Total Training Hours

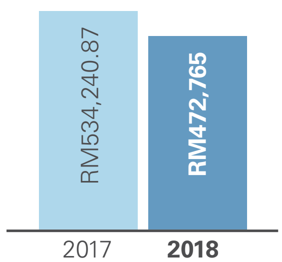


Average Training Hours

Male	Female
12.5 hours	11.9 hours

Executives & Above	Non-Executives
13.5 hours	11.4 hours

Total Spent on Training & Development

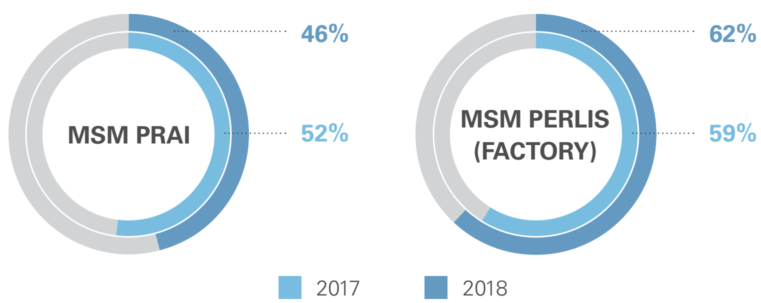


GRI 407

EMPLOYEE ENGAGEMENT
GRI-407: Freedom of Association and Collective Bargaining

We regard loyalty as the catalyst in forming long lasting and meaningful relationships that transcend work. Through the listed employee engagement activities, we foster opportunites to build rapport, teamwork and inculcate a culture of shared values. These also promote work-life balance by spanning the spectrum of sports, charity, learning and sheer fun.

Percentage of Employees Covered by Collective Bargaining Agreement



Employee Engagement 2018

21 April 2018
Ladang MSM Perlis
Perlis Fun Ride 2018

April – August 2018
Bukit Merah Laketown Resort
Value Inculcation Program

May – June 2018
MSM Holdings, MSM Perlis, MSM Prai, MSM Johor
Semarak Iftar Ramadhan MSM

7 June 2018
MSM Perlis
Bubur Lambuk Cooking & Distribution

25 June 2018
MSM Perlis
Volley Ball Tournament

5 July 2018
Menara Felda
MSM Potluck Aidilfitri

22 July 2018
D'Futsal Centre @ Kangar
Futsal Tournament

23 July 2018
MM Superbowl @ Kangar
Bowling Tournament

1 August 2018
Menara Felda & Sungai Buloh Warehouse
BCM Simulation Test

3 August 2018
Langkawi
CA Signing Ceremony

19 September 2018
FGV Academy
Leadership Talk with Dato' Khairil Anuar Aziz

CORPORATE RESPONSIBILITY
GRI-413: Local Communities

Our employees are encouraged to be part of our commitment to aid the community through our Corporate Responsibility (CR) initiatives such as promoting volunteerism, providing financial and material contributions for the underprivileged and supporting educational institutions initiatives. In 2018, MSM has stepped up these community engagement efforts in support of the local communities, focusing in the local areas where the MSM Group of Companies operates.

COLLABORATING WITH PINTAR FOUNDATION

Through collaboration with PINTAR, MSM has worked closely with four schools in under-served communities in Penang and Perlis since 2017. These schools lack the necessary means and resources to enhance their teaching methods for a well-rounded education. By providing the financial resources and support for these schools to access PINTAR programmes, we help to raise the academic and curriculum performance of these students.

During the year, MSM heightened our contribution to support a total of 18 new programmes for our four adopted schools, benefitting about 2,317 students. The success of these programmes was evidenced by the increase in school attendance to over 90% for all four schools; both primary schools achievement of finally having a student each scoring 6As for UPSR; and a SMK Dato' Jaafar Hassan student attaining 6As for PT3.

MSM adopted four schools

Perlis		Prai	
Primary	**Secondary**	**Primary**	**Secondary**
SK Batu Bertangkup	SMK Dato' Jaafar Hassan	SK Juara	SMK Prai

Total students benefitted

2017	2018
2,171 students	2,317 students

Budget Allocation

2017	2018
RM81,047.00	RM110,969.50

Total programmes initiated

2017	2018
14	18

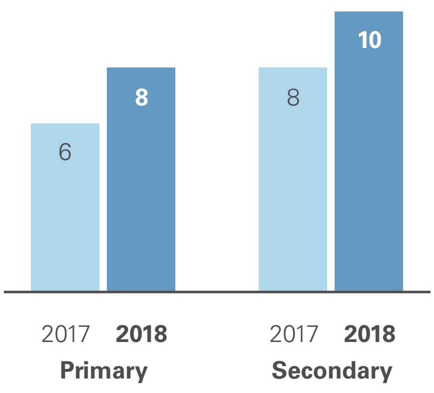
Programme highlights

Programme	Purpose
Jalinan Pembudayaan & Muafakat by SK Batu Bertangkup	Motivation and team building programme for teachers
Program Suluhan Jiwa by SMK Dato' Jaafar Hassan	
Bengkel Teknik Menjawab Kertas Peperiksaan UPSR by SK Batu Bertangkup	Preparation for students to sit for their UPSR, PT3 and SPM examination
Program Gilap Permata PT3 & SPM by SMK Prai	
Program Pembangunan Ragbi by SK Juara	To provide facilities and encourage student to participate in sports activities
Program Pembangunan Memanah by SMK Prai	
Program 3K by SK Juara	To encourage student attendance to school
Program Sahsiah Cemerlang by SMK Dato' Jaafar Hassan	

Highlights of our 2018 PINTAR programme

More than
90%
attendance to school

Number of activities/ programmes organised



9A's PT3

2017	2018
0	**1**

6A's UPSR

SCHOOL	2017	2018
SK Juara	0	**1**
SK Batu Bertangkup	0	**1**

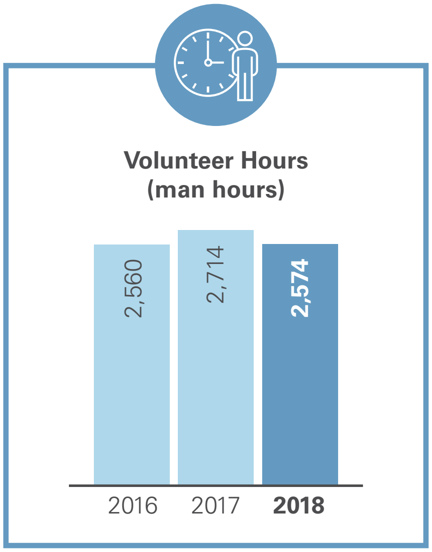
Zakat and Alms Giving

Zakat, one of the five pillars of Islam, is based on the Islamic principle that Muslims should ease the economic burden for others, especially the less fortunate, in the journey towards eliminating inequality in the world. At MSM, we view our zakat contributions as a fundamental way in which we can contribute towards a more just and equitable society.

Throughout 2018, MSM continued with our zakat contributions to the underprivileged, comprising the poor and destitute, single mothers, senior citizens and orphans.

List of Zakat Contributions 2018:

RECEPIENT	AMOUNT	REMARKS
Rumah Raudhatul Al-Faeez, Gombak	RM10,000	Contribution to cover essential expenses of 30 resident orphans when the orphanage was destroyed in a fire incident.
Yayasan Felda	RM9,000	Financial support for 20 underprivileged students to attend educational courses
Pusat Hemodialisis Felda	RM15,600	Financial support for dialysis treatment for 2 persons



Assistance & Volunteerism

Every year, volunteer programmes and activities are organised to expose our employees to marginalised groups and provide avenue of engagement on how they can assist communities. In 2018, MSM Prai employees continued to chalk up over 2,000 man-hours performing volunteers services as listed in the table below.

List of Volunteer Programmes/Activities

5 Jun 2018
Masjid Prai, Penang
Majlis Iftar & Tarawih 2018
- Sponsoring meals for Iftar

18 April 2018
Pengkalan Hulu, Perak
Visit to Rumah Anak Yatim At-Taqwa

10 July 2018
Pengkalan Hulu, Perak
Donation Giving to Rumah Anak Yatim At-Taqwa

11 August 2018
Pengkalan Hulu, Perak
Konvoi Amal Rumah Anak Yatim At-Taqwa

11 August 2018
Pengkalan Hulu, Perak
Konvoi Amal Rumah Anak Yatim Abu Nor

29 December 2018
Tikam Batu, Kedah
Derma Kilat Pekerja MSM

Jan – Dec 2018
Taman Tunku, Butterworth
Community Programme with Seberang Prai Municipal Council (Established since 2013)
- Maintain the cleanliness of the recreational public park
- Lawn mowing, cleaning the area & facilities

PRODUCT QUALITY
GRI-416: Customer Health and Safety

Product and Service Quality

One of MSM's key competitive strength is our consistent delivery of the highest quality of sugar products to our customers, both locally and abroad. This has built the sterling reputation of our brand - Gula Prai, the number one best-selling sugar brand in Malaysia.

To maintain our market leading position, our refineries are constantly audited to ensure that our processes are in full compliance and certified with the Food Safety System Certification (FSSC 22000 - Manufacturing), Food Safety Management System (ISO22000), Good Manufacturing Practice (GMP) and the Hazard Analysis and Critical Control Point (HACCP) Certification from the Ministry of Health, Malaysia.

We also have in place a comprehensive spectrum of product quality processes and controls by SIRIM and BSI Services Malaysia which are audited on an annual basis. These are regularly monitored through performance indicators that drive continuous improvement and are In line with industry expectations for transparency and accountability.

As a global exporter, MSM complies with international standards such as the Halal and Kosher certifications. All our products are Halal-certified under MSM 1500:2009 and Kosher-certified by the London Beth Din Kashrut Division. Our Occupational Health and Safety Standards fulfill the requirements by the Occupational Health and Safety Advisory Services (OHSAS 18001) and the Malaysian Occupational Health and Safety Management Systems (MS1722).

Additionally, our key suppliers are certified to supply quality materials as part of complying with rigorous quality inspection standards. In line with industry expectations for transparency and accountability, the certifications are clearly displayed on our sugar packaging and the MSM website for easy identification and reference.

(Refer to page 26 – Awards & Certifications)

OCCUPATIONAL HEALTH & SAFETY
GRI-403: Occupational Health and Safety

Safety at the Workplace

At our workplaces, we adhere and comply to industry requirements in health and safety standards and guidelines. We view health and safety at our facilities as a crucial enabler to ensure the Group's long-term growth, as any hold-ups in operations due to a failure in health and safety requirements ultimately contributes negatively to our bottom line.

Adhering to International and Local Health and Safety Industry Standards

MSM employs industry certified full-time Health Safety Officers or representatives at all our factories, warehouses, distribution and packing centres as well as office premises. A Health Safety Committee is also setup at all locations, tasked with the responsibility of addressing all issues pertaining to safety, with active participation from Management, Executives and Non-Executive employees.

In order to maintain a safe and healthy work environment, we have implemented the following two standards at all our facilities:

- **Malaysian Standard - MS 1722 Occupational Safety and Health Management Systems (OSHMS)**

  This is a national standard that provides requirements on OSHMS and a basis for the development of Occupational Safety and Health (OSH) systems in an organisation.

- **International Standard - OHSAS 18001:2007 Occupational Health and Safety Management Systems**

  The Occupational Health and Safety Assessment Series (OHSAS) is a standard that is developed by the OHSAS, an association that includes government agencies, certification bodies, national standards, industry associations and consultants. OHSAS 18001 assists organisations to establish a management system to manage and control their health and safety risks and improve their occupational health and safety performance.

Monitoring & Measurement of HSE Performance

To ensure we meet all our safety goals and targets, MSM implements a continuous schedule of activities and programmes that monitors and measures our Health, Safety and Environment (HSE) performance. This includes a monthly workplace inspection at all our locations conducted by the respective Health Safety Committee. Our extensive list of activities and outcomes are laid out below.

Creating an Ecosystem of Health & Safety Awareness

Through targeted engagement with stakeholders, we have developed and maintained an acute awareness of health and safety issues at the workplace:

- Weekly Toolbox Meetings conducted in MSM Johor with all contractors who works on the construction
- At the other locations, Toolbox Meeting are conducted prior to any major maintenance/ repair/ installation/ construction works by external contractors or employees
- Implemented mandatory safety briefings by SHO or representatives for all external contractors and new employees
- Random Contractors and Safety Team walk-about on site
- Implementation of work permits for non-routine work

Internal Audits

- MS 1722
- OHSAS 18001:2007

Structured and Regular Internal and External Health & Safety Audits

External Audits

- FGV HSE Management Audit
- OHSAS 18001:2007 and MS 1722 audit by SIRIM – for certification and surveillance audits
- Fire Certification – BOMBA
- Department of Safety and Health (DOSH)
- Department of Environment (DOE)
- Client Audits

Maintaining A Continuous Reporting Cycle

MSM raised the stakes on its reporting abilities by collating data from our main operations facilities. Within MSM Prai and MSM Perlis, a new and more robust reporting system was established, paving the way for MSM Prai (Sg Buloh) and MSM Johor to adopt this new reporting mechanism.

MSM Malaysia Holdings Berhad is also contributing data to our new reporting system, which has increased the Group's capacities to hone in on areas which needs to be improved with access to more comprehensive data sets covering all our manufacturing, packing and distributing activities.

MSM Reporting Cycle

- Monthly Reports to MSM Malaysia Holdings Berhad and our parent company, FGV HSE
- Monthly JKKP reporting 6 and 9 to JKKP Penang (by MSM Prai) and JKKP Perlis (by MSM Perlis)
- Quarterly Safety Meeting Report
- Online Accident reporting to FGV HSE via Sistem Pemantauan Keselamatan dan Kesihatan (SPKK)
- Yearly report JKKP 8 to Department of Safety and Health (DOSH) headquarters
- 5 years Chemical Health Risk Assessment (CHRA) reporting to DOSH

Monitoring Our Accident Statistics

The year saw marked improvements in safety performance at our refineries. MSM Prai achieved MSOSH-Gold Award and FGV President's Award-2nd place and workplace Audit by DOSH Penang awarded Grade A. As a whole the Group's was proud of our safety achievements and are committed to continue reducing loss time injury days as we continue improving operational excellence. More Safety Awareness programmes are to be rolled out at all refineries in 2019.

Lost Time Injury (LTI)

	2016	2017	**2018**
Cases	35	34	39
lost to injury	146 days	170 days	149 days
Incident Rate	41.98	34.18	33.60

Health and Safety Training Activities and Programs

AREA OF TRAINING	TRAINING PROGRAMS
Emergency Preparedness Trainings	• Emergency Preparedness Natural Gas – 30 Aug 2018 | MSM Perlis • Authorised Entrant and Standby Person (AESP) for Confined Space – NIOSH Penang • Authorised Gas Tester/Entry Supervisor (AGT/ES) Training by NIOSH Penang • Fire Drill – 15 Nov 2018 | MSM Prai
HSE Awareness and Trainings	• Basic Occupational Health & Safety Tips – 26 July 2018 | MSM Perlis • Accident Reporting, Investigation & Prevention – 30 July 2018 | MSM Perlis • Fire Prevention System Course – 29 Mac 2018 | MSM Perlis • Fire Prevention System Course – 28 Feb 2018 | Jaggery Plantation • Effective Safety & Health Committee – 27 Mac 2018 | MSM Perlis • Motorcycle Training - NIOSH & SOCSO • Quarterly Internal Forklift Inspection – 14 Feb 2018 | Warehouse Sg Buloh
Competency Trainings	• Forklift Safety Training – 24 Dec 2018 | MSM Johor • EXS-PORT DRILL 2018 organised by TLPT – 19 Nov 2018

AREA OF TRAINING	TRAINING PROGRAMS
Emergency Response Team (ERT)	• First Aid Training – 31 Oct 2018 – 1 Nov 2018 | MSM Johor • First Aid Training – 30 Jan 2018 | MSM Perlis • ERT Training – 16 April 2018 | Sg Buloh Fire Station • ERT Briefing by Group HSE FGV – 24 Jan 2018 | Sg Buloh Warehouse
Noise Pollution Control	• Hearing Conservation – 19 & 25 Jan 2018 | MSM Perlis • Sound & Its Effects – 10 Aug 2018 | Klinik Faezah @ Perlis
HSE Efforts and Initiatives (Campaigns)	• Earplug Wearing Campaign – 11 Jan 2018 | MSM Perlis • OSH Day (Toolbox Mega) – 27 Apr 2018 | MSM Perlis • Bomba Competition 2018 – MSM Prai
Others	• Audiometric test by our panel for employees working at high decibel noise area/ workplaces • Personal Hygiene – 17 Jan 2018 | MSM Perlis • Medical Surveillance – 24 & 25 Sept 2018 | MSM Prai

OSH Certifications, Awards & Recognitions

CERTIFICATION/AWARD/RECOGNITION	ASPECT	EVALUATOR/PROVIDER
Anugerah Cemerlang Keselamatan & Kesihatan Pekerjaan (KKP) Peringkat Negeri Perlis 2017 Kategori Pengilangan Industry Besar Pada 30 Oktober 2018	Safety and Health Occupational	DOSH PERLIS
OHSAS 18001:2007 & MS 1722:2011	Occupational Safety & Health Management Systems - Requirements	SIRIM
Perakuan Bomba	Akta Perkhidmatan BOMBA 1988	BOMBA
Grade "A" - 2018	Workplace Inspection	DOSH
Gold Class 2	Very Good OSH Performance	MALAYSIA SOCIETY FOR OCCUPATIONAL SAFETY & HEALTH - MSOSH
President's Award for Safety	Best Safety Project	FGV
President's Award for Safety	Merit Performance	FGV

Key Highlights: HSE Performance 2018

ZERO
Fatal Accidents

21 days
reduction in number of days lost time injury compared to the previous year

We Value Your Feedback

We aim to develop our sustainability goals and strategies further with the benefit from collaborative discussions and engagements with our stakeholders. Therefore, once our reports are published, we listen carefully to stakeholders' feedback where more clarifications and explanations are desired within our disclosure topics. We welcome all comments, suggestions and critiques on our sustainability practices and reporting. Please send us a message via email to **corpcomms@msmsugar.com**.

PROFILE OF DIRECTORS

DATUK WIRA AZHAR ABDUL HAMID

Chairman, Non-Independent Non-Executive Director

Age: 57
Gender: Male
Nationality: Malaysian

Appointment to the Board:
26 September 2017

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
26 June 2018

Qualification(s):

- A Fellow Member of the Association of Chartered Certified Accountants, United Kingdom
- Member of the Malaysian Institute of Accountants

Directorship of Public Companies (if any):

- Chairman, FGV Holdings Berhad
- Icon Offshore Berhad
- Hume Industries Berhad

Board Meeting Attendance:

8/8

Working Experience and Occupation:

- Chairman, FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) (2017 - present)
- Group Managing Director, Malakoff Corporation Berhad (2016 - 2017)
- Chairman, Tradewinds Corporation Berhad (2016 - 2017)
- President/Group Managing Director, Tradewinds Corporation Berhad (2015 - 2016)
- Chief Executive Officer, Mass Rapid Transit Corporation Sdn Bhd (2011 - 2014)
- Chairman, Malaysian Palm Oil Association (2007 - 2010)
- Sime Darby Group as Business Development Director in Sime Plantations Sdn Bhd, Managing Director of Tractors Malaysia Holdings Berhad, Sime Darby Group's Divisional Director for the Heavy Equipment Division for Asia Pacific, covering China, Hong Kong, Malaysia, Singapore and the Philippines, Managing Director, Sime Plantations Sdn Bhd, Sime Darby Group's Divisional Director for Plantations & Food Division, Sime Darby Berhad, Managing Director, Sime Darby Plantation Sdn Bhd, EVP/Head of Sime Darby's Plantation & Agri-business Division (2003 - 2010)
- Group Chief Executive, Pernas International Holdings Berhad (2001 - 2002)
- Sime Darby Group serving Sime Tyres International Sdn Bhd as Financial Controller, Sime Conoco Sdn Bhd as Business Development Director and the Group's Engineering, Oil & Gas Division as Group General Manager (1994 - 2001)
- Head of Internal Audit and Head of Finance, Malaysian Cooperative Insurance Society Ltd. (1992 - 1994)
- Internal Audit Manager, British Telecom Plc, United Kingdom (1989 - 1991)

DATO' ZAINAL HAJI ISMAIL

Independent Non-Executive Director

Age: 75
Gender: Male
Nationality: Malaysian

Appointment to the Board:
25 March 2011

Length of Tenure as Director:
7 - 9 years

Date of Last Re-election:
15 May 2017

Board Committee Membership:

- Chairman of the Nomination and Remuneration Committee
- Member of the Investment Committee

Qualification(s):

- Diploma in Public Administration, University of Malaya
- Bachelor of Arts (Hons.), University of Malaya

Directorship of Public Companies (if any):

Nil

Working Experience and Occupation:

- State Finance Officer, State of Pahang (1993)
- General Manager, Yayasan Pahang (1985 - 1988)
- State Development Officer Sarawak (1977 - 1985)
- Director, Sarawak Development Department (1984)
- Director of Training & Career Development, Lembaga Kemajuan Pahang Tenggara (DARA) (1972 - 1977)
- Public Leadership Course, East West Centre, USA (1972)

Board Meeting Attendance:

8/8

Board Committee Attendance:

NRC:

9/9

IC:

7/7

PROFILE OF DIRECTORS

DATO' HAJJAH ROSNI HAJI ZAHARI

Independent Non-Executive Director

Age: 57
Gender: Female
Nationality: Malaysian

Appointment to the Board:
25 March 2011

Length of Tenure as Director:
7 - 9 years

Date of Last Re-election:
15 May 2017

Board Committee Membership:

- Chairman of the Investment Committee
- Member of the Nomination and Remuneration Committee
- Member of the Audit Committee *(appointed as member effective from 25 March 2019)*

Qualification(s):

Master in Law, University of Technology MARA specialising in Shareholder Remedies, Corporate Governance, International Trade Laws and Public Accountability

Directorship of Public Companies (if any):

Nil

Board Meeting Attendance:

8/8

Board Committee Attendance:

NRC:

9/9

IC:

7/7

AC:

-

Working Experience and Occupation:

- Director of State Government Link Company Warisan, Jengka Holdings Sdn Bhd (2003 - present)
- Director, Perkasa Sutera Sdn Bhd (2009 - present)
- Chairman and Executive Director of RFK Technologies Sdn Bhd (2018 - present)
- Syariah Lawyer, Messrs Rosni, Francis Tan & Co (1990)
- Advocates & Solicitor, High Court of Malaysia (1990)

DATO' ROSINI ABD SAMAD

Independent Non-Executive Director

Age: 64
Gender: Female
Nationality: Malaysian

Appointment to the Board:
7 January 2015

Length of Tenure as Director:
4 - 6 years

Date of Last Re-election:
26 June 2018

Board Committee Membership:

- Chairman of the Audit Committee
- Member of the Board Governance & Risk Management Committee

Qualification(s):

- Honorary Fellow CPA Australia
- Member of the Malaysian Institute of Accountants
- Master in Business Administration, University of Cardiff, UK
- Bachelor of Economics, Accounting (Hons.), University of Malaya
- Postgraduate Diploma in Accounting, University of Malaya

Directorship of Public Companies (if any):

Nil

Working Experience and Occupation:

- Independent Non-Executive Director of the Board of IIUM Holdings Sdn Bhd (2015 - present)
- Audit Committee Chairman, IIUM Holdings Sdn Bhd (2016 - present)
- Member of Nomination and Remuneration Committee, IIUM Holdings Sdn Bhd (2016 - present)
- Remedial Grievances and Disciplinary Committee, IIUM Holdings Sdn Bhd (2016 - present)
- Member of the Disciplinary Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Member of the Tender Committee, Percetakan Nasional Malaysia Berhad (2010 - 2014)
- Member of the Nomination and Remuneration Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Chairman of the Audit Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Board Member, Percetakan Nasional Malaysia Berhad (2007 - 2014)
- Accountant General's nominee, Council of Malaysia Institute of Accountant (MIA) (2011 - 2014)
- Deputy Accountant General (Corporate), Accountant General's Department Malaysia (2010 - 2014)

Board Meeting Attendance:

7/8

Board Committee Attendance:

AC:

7/7

BGRMC:

5/5

DATUK LIM THEAN SHIANG

Independent Non-Executive Director

Age: 47
Gender: Male
Nationality: Malaysian

Appointment to the Board:
23 August 2013

Length of Tenure as Director:
4 - 6 years

Date of Last Re-election:
15 May 2017

Board Committee Membership:

- Chairman of the Board Governance & Risk Management Committee
- Member of the Audit Committee

Qualification(s):

- Bachelor of Business Administration, University Utara Malaysia
- Bachelor of Law, University of London

Directorship of Public Companies (if any):

- Daya Materials Berhad

Board Meeting Attendance:

6/8

Board Committee Attendance:

BGRMC:

5/5

AC:

7/7

Working Experience and Occupation:

- Chairman, Tropicana SJII Education Management Sdn Bhd (2018 - present)
- Independent Non-Executive Director, Tropicana Corporation Berhad (2017 - 2018)
- Executive Vice Chairman/Group Chief Executive Officer, Daya Materials Berhad (2015 - present)
- Executive Chairman, Port Klang Free Zone (2008 - 2009)
- Director, WWE Holdings Berhad (2004 - 2006)
- General Manager, Port Klang Authority (2008 - 2009)
- Director, EI Medical Systems Sdn Bhd (2001 - 2008)
- Director, Latimax Engineering Sdn Bhd (2001 - 2008)
- Director, Focus Indera Sdn Bhd (2001 - 2008)
- Director, Tripro Engineering Sdn Bhd (2001 - 2008)
- Director, Glotel Sdn Bhd (2001 - 2008)

DATO' AB GHANI MOHD ALI

Non-Independent Non-Executive Director

Age: 61
Gender: Male
Nationality: Malaysian

Appointment to the Board:
26 October 2018

Length of Tenure as Director:
< 3 year

Date of Last Re-election:
-

Working Experience and Occupation:

- Chairman, Koperasi Permodalan Felda Malaysia Berhad (2018 - present)
- Acting Director General, FELDA (2017 - 2018)
- Deputy Director General (Economic Development), FELDA (2015 - 2017)
- Deputy Director General (Community Development), FELDA (2012 - 2015)
- General Manager, Wilayah Raja Alias, FELDA (2006 - 2012)
- General Manager, Wilayah Sahabat, FELDA (2005 - 2006)
- Administrative Officer, FELDA (1981 - 2002)

Board Meeting Attendance:

1/1

Board Committee Attendance:

BGRMC:

1/1

Board Committee Membership:

Member of Board Governance & Risk Management Committee

Qualification(s):

Bachelor of Arts (Psychology), Universiti Kebangsaan Malaysia

Directorship of Public Companies (if any):

Nil

DATO' HARIS FADZILAH HASSAN

Non-Independent Non-Executive Director

Age: 51
Gender: Male
Nationality: Malaysian

Appointment to the Board:
11 February 2019

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
-

Board Committee Membership:

- Member of Nomination and Remuneration Committee
- Member of Investment Committee

Qualification(s):

- Advanced Management Program, Columbia Business School, Columbia University, New York
- Senior Management Development Program, Harvard Business School Alumni of Malaysia
- Master of Business Administration (MBA), University of Miami, Coral Gables, Miami, Florida, U.S.A
- Bachelor of Business Administration (BBA), University of Miami, Coral Gables, Florida, Miami, U.S.A

Directorship of Public Companies (if any):
Nil

Board Meeting Attendance:
N/A

Working Experience and Occupation:

- Group Chief Executive Officer of FGV Holdings Berhad (Jan 2019 - present)
- Director, Commercial & Land Management of Mass Rapid Transit Corporation Sdn Bhd (Jan 2016 - Jan 2019)
- Acting Chief Executive Officer of Mass Rapid Transit Corporation Sdn Bhd (Dec 2013 - Feb 2014)
- Director, Stakeholder Relations & Land Management of Mass Rapid Transit Corporation Sdn Bhd (1 Apr 2012 - Jan 2016)
- Senior Vice President 1, Downstream Operations of Sime Darby Plantation Sdn Bhd (Aug 2008 - Apr 2012)
- Senior Vice President 2, Strategy & Business Development of Sime Darby Plantation Sdn Bhd (Nov 2007 - Aug 2008)
- Head, Project Management Office (PMO) Plantation of Synergy Drive (Nov 2006 - Nov 2007)
- General Manager, Corporate Strategy & Business Development of Golden Hope Plantations Berhad (May 2006 - Nov 2007)
- Head, Strategy Development & Corporate Planning of Proton Holdings Berhad (1 May 2005 - May 2006)
- Head of Iran Project, International Business Division of Proton Marketing Sdn Bhd (Nov 2003 - May 2005)
- Concurrently acting as Head, Domestic Operation and Head, Public Relations Department of Perusahaan Otomobil Nasional Berhad (PROTON) (Dec 2000 - May 2002)
- Head, Corporate Planning Division of Perusahaan Otomobil Nasional Berhad (PROTON) (Dec 2000 - Nov 2003)
- Head, Strategic Investment Unit, International Business Division of Perusahaan Otomobil Nasional Berhad (PROTON) (Nov 1999 - May 2002)
- Market Strategist, International Business Division of Perusahaan Otomobil Nasional Berhad (PROTON) (Aug 1998 - Nov 1999)
- Senior Consultant, Finance of Waterfield-Portola (May 1997 - Aug 1998)
- Senior Executive, Corporate Planning & Business Development of Petroliam Nasional Berhad (PETRONAS) (Mar 1994 - May 1997)
- Executive, Systems Development, Information Resources Division of Petroliam Nasional Berhad (PETRONAS) (Sep 1992 - Mar 1994)
- Systems Engineer, Information Technology of Matsushita Television Co (M) Sdn Bhd (1990 - 1992)

DATO' KHAIRIL ANUAR AZIZ

Non-Independent Executive Director

Age: 51
Gender: Male
Nationality: Malaysian

Appointment to the Board:
22 November 2017

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
26 June 2018

Board Meeting Attendance:

8/8

Board Committee Membership:

Nil

Qualification(s):

BA (Hons.) in Business Administration majoring in Marketing Management, Coventry University, UK

Directorship of Public Companies (if any):

- Pelaburan Mara Berhad

Working Experience and Occupation:

- Chief Operating Officer, Sugar Sector (2018 - present)
- Executive Director, MSM Malaysia Holdings Berhad (2017 - present)
- Chief Operating Officer of Logistics & Other Sector (Jan 2017 - Dec 2017)
- Executive Vice President, Head of TML Cluster (2014 - 2017)
- Chief Operating Officer of Domestic Business Operation (2012 - 2014)
- Member of the Programme Advisory Committee (PAC) "Technical Promotion & Market Development Sub-Committee" by Malaysian Palm Oil Board (MPOB) (2017 - present)
- Non-Executive Director, Pelaburan MARA Berhad (PMB) (2014 - present)
- Non-Executive Director of Sinergi Perdana Sdn Bhd (a consortium formed by FELDA, the Rubber Industry Smallholders Development Authority (RISDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA), under the auspices of the Ministry of Rural & Regional Development and Prime Minister's Department) (2010 - present)
- Executive Chairman, GSSB Consulting Sdn Bhd (2009 - 2014)
- Director, International Business and Chief Marketing Officer, SCAN Associates Berhad (2006 - 2009)
- Chief Executive Officer of MLABS Systems Bhd (an associate company of Universiti Sains Malaysia) (2004 - 2006)
- Head of Marketing and Sales Division, JARING Communications Sdn Bhd (a subsidiary of MIMOS Bhd) (2001 - 2004)
- Time Engineering Bhd (TEB) (1999 - 2000)
- Cement Industries of Malaysia Bhd (1996 - 1998)
- United Engineers Malaysia Bhd (UEM) (1994 - 1995)
- Renong Management Trainee, Renong Group Bhd (1993 - 1994)
- Systems Analyst, Resource Management Division at the National Health Service (NHS) in Wakefield, UK (1992 - 1993)

Additional Information

1. None of the Directors has family relationship with and is not related to any Director and/or major shareholder of MSM Malaysia Holdings Berhad.
2. None of the Directors has any conflict of interest with MSM Malaysia Holdings Berhad.
3. None of the Directors has
   (i) been convicted of any offence (other than traffic offences)
   (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year
4. The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2018 are set out in the Corporate Governance statement on page 104 of this Annual Report.
5. The full profiles of every Director is available online at http://www.msmsugar.com/our-company/msm-group/board-directors.

PROFILE OF COMPANY SECRETARY

KOO SHUANG YEN

Company Secretary

Age: 56
Gender: Female
Nationality: Malaysian

Appointed:
20 May 2011

Qualification(s):

- Associate of the Chartered Institute of Management Accountants, United Kingdom
- Chartered Accountant with Malaysian Institute Accountants

Directorship in MSM and its related companies:

Nil

Working Experience and Occupation:

- Company Secretary of FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) (FGV) and its Group of Companies (since 2014 - present)
- Company Secretary of MSM Malaysia Holdings Berhad and its Group of Companies (since 2011 - present)
- Senior Vice President in FGV Group President/CEO Office (2016)
- Head of FGV Budgeting Unit (2015)
- Head of Cluster Finance & Accounting Unit for FGV (2013)
- Senior General Manager of Felda Holdings Bhd Group Finance (2011)
- Group Accountant of Felda Holdings Bhd Downstream Division (2009)
- Head of Finance of Felda Enterprises Sdn Bhd (2007)
- Company Secretary of Felda Holdings Bhd and its Group of Companies (1995 - 2012)
- Head of Finance of Felda Engineering Services Sdn Bhd (1991)

PROFILE OF SENIOR MANAGEMENT

DATO' KHAIRIL ANUAR AZIZ

Executive Director

Nationality:	Age:	Gender:
Malaysian	52	Male

Date of Appointment:
22 November 2017

Details of any interest in the securities of the listed issuer or its subsidiaries:

Nil

Directorship in MSM Group of Companies:

All subsidiaries of MSM

Directorship of Public Companies/ Listed Issuers:

Pelaburan Mara Berhad

Qualification(s):

- BA (Hons.) in Business Administration majoring in Marketing Management, Coventry University, UK

Working Experience and Occupation:

- Chief Operating Officer, Sugar Sector (2018 - present)
- Executive Director, MSM Malaysia Holdings Berhad (2017 - present)
- Chief Operating Officer of Logistics & Other Sector (Jan 2017 - Dec 2017)
- Executive Vice President, Head of TML Cluster (2014 - 2017)
- Chief Operating Officer of Domestic Business Operation (2012 - 2014)
- Member of The Programme Advisory Committee (PAC) "Technical Promotion & Market Development Sub-Committee" by Malaysian Palm Oil Board (MPOB) (2017 - present)
- Non-Executive Director, Pelaburan MARA Berhad (PMB) (2014 - Present)
- Non-Executive Director of Sinergi Perdana Sdn Bhd (a consortium formed by FELDA, the Rubber Industry Smallholders Development Authority (RISDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA), under the auspices of the Ministry of Rural & Regional Development and Prime Minister's Department) (2010 - Present)
- Executive Chairman, GSSB Consulting Sdn Bhd (2010 - 2014)
- Director, International Business and Chief Marketing Officer, SCAN Associates Berhad (2006 - 2009)
- Chief Executive Officer of MLABS Systems Bhd (an associate company of Universiti Sains Malaysia) (2004 - 2006)
- Head of Marketing and Sales Division, JARING Communications Sdn Bhd (a subsidiary of MIMOS Bhd) (2001 - 2004)
- Time Engineering Bhd (TEB) (1999 - 2000)
- Cement Industries of Malaysia Bhd (1996 - 1998)
- United Engineers Malaysia Bhd (UEM) (1994 - 1995)
- Renong Management Trainee, Renong Group Bhd (1993 - 1994)
- Systems Analyst, Resource Management Division at the National Health Service (NHS) in Wakefield, UK (1992 - 1993)

PROFILE OF SENIOR MANAGEMENT

MOHD SHAFFIE SAID

Acting Chief Executive Officer
MSM Malaysia Holdings Berhad

Nationality:	Age:	Gender:
Malaysian	55	Male

Date of Appointment:
22 January 2018

Details of any interest in the securities of the listed issuer or its subsidiaries:

Nil

Directorship in MSM Group of Companies:

Nil

Directorship of Public Companies/ Listed Issuers:

Nil

Qualification(s):

- Bachelor of Science in Engineering (Electrical), University of Aberdeen, Scotland
- Diploma in Electrical Engineering (Power), UiTM Shah Alam

Working Experience and Occupation:

- Acting Chief Executive Officer, MSM Malaysia Holsdings Berhad (2018 - present)
- Chief Technical Officer, MSM Malaysia Holdings Berhad (2016 - present)
- Project Director, MSM Sugar Refinery (Johor) Sdn Bhd (2017 - present)
- Assistant General Manager, MSM Malaysia Holdings Berhad (2016)
- Corporate Engineering Manager, Gandour Saudi Arabia (2012 - 2016)
- Director Plant Operation, Gandour Malaysia, N. Sembilan (1998 - 2012)
- Manufacturing Manager, Mutiara Chocolates Sdn Bhd, Perak (1995 - 1998)
- Maintenance Engineer, MEMC Sdn Bhd, Silicon Wafer Mfg, Selangor (1994 - 1995)
- Engineer, Pacific World Sdn Bhd, Pasir Gudang (1991 - 1994)
- Electrical Engineer, Pasir Gudang Edible Oils Sdn Bhd, Pasir Gudang (1989 - 1991)

RAJA FARIDAH RAJA AHMAD

Chief Financial Officer
MSM Malaysia Holdings Berhad

Nationality:	Age:	Gender:
Malaysian	55	Female

Date of Appointment:
1 June 2017

Details of any interest in the securities of the listed issuer or its subsidiaries:

Nil

Directorship in MSM Group of Companies:

All subsidiaries of MSM

Directorship of Public Companies/ Listed Issuers:

Nil

Qualification(s):

- Bachelor of Accounting (Hons.), University of East Anglia, UK
- Associate of the Chartered Institute of Management Accountants, United Kingdom
- Chartered Accountant with Malaysian Institute Accountants

Working Experience and Occupation:

- Chief Financial Officer, MSM Malaysia Holdings Berhad (2017 - present)
- Group Accountant, Plantation Sector, Felda Global Ventures Holdings Berhad (2015 - 2017)
- Chief Financial Officer, MSM Malaysia Holdings Berhad (2010 - 2015)
- Executive Director, Group Finance, Felda Holdings Bhd (2009 - 2011)
- Consultant (secondment), PwC Capital Sdn Bhd (2008 - 2009)
- General Manager, Group Plantation Division, Felda Holdings Bhd (2004 - 2008)
- Manager/Head of Finance/Senior Finance Manager, Felda Holdings Bhd (1993 - 2005)
- Perak State Development Corporation (1990 - 1991)

CHEAH POH LYE

Head of Operations
MSM Prai Berhad

Nationality:	Age:	Gender:
Malaysian	50	Male

Date of Appointment:
1 December 2018

Details of any interest in the securities of the listed issuer or its subsidiaries:

Nil

Directorship in MSM Group of Companies:

Nil

Directorship of Public Companies/ Listed Issuers:

Nil

Qualification(s):

- Bachelor's Degree in Engineering (Mechanical) 1992 from Universiti Teknologi Malaysia
- Registered Electrical Energy Manager with Energy Commission 2017

Working Experience and Occupation:

- Head of Operations, MSM Prai Berhad (Dec 2018 - present)
- Asst. General Manager Engineering, MSM Prai Berhad (Dec 2009 - Nov 2018)
- Assistant Manager/Manager Mechanical, MSM Prai Berhad (Feb 2000 - Nov 2009)
- Mechanical Engineer, MSM Prai Berhad (July 1993 - June 2000)
- Mechanical Production Engineer, Sony Electronic Malaysia (July 1992 - June 1993)

ASMAWY ARIFFIN

Head of Operations
MSM Perlis Sdn Bhd

Nationality:	Age:	Gender:
Malaysian	40	Male

Date of Appointment:
1 December 2018

Details of any interest in the securities of the listed issuer or its subsidiaries:

Nil

Directorship in MSM Group of Companies:

Nil

Directorship of Public Companies/ Listed Issuers:

Nil

Qualification(s):

- Bachelor of Science (Chemistry), University Sains Malaysia

Working Experience and Occupation:

- Head of Operations, MSM Perlis Sdn Bhd (Dec 2018 - present)
- Manager/Senior Manager, Production, MSM Perlis Sdn Bhd (2016 - present)
- Assistant Manager, Production, MSM Perlis Sdn Bhd (2011 - 2016)
- Production Shift Chief, MSM Perlis Sdn Bhd (2004 - 2011)
- Management Trainee, MSM Prai Berhad (2003 - 2004)

PROFILE OF SENIOR MANAGEMENT

MOHAMMAD HAZMANN EMUS ABDULLAH

Head of Operations
MSM Sugar Refinery (Johor) Sdn Bhd

Nationality:	Age:	Gender:
Malaysian	49	Male

Date of Appointment:
1 December 2018

Details of any interest in the securities of the listed issuer or its subsidiaries:

Nil

Directorship in MSM Group of Companies:

Nil

Directorship of Public Companies/ Listed Issuers:

Nil

Qualification(s):

- Bachelor in Education (Hons.) in Electrical Engineering from Open University of Malaysia
- Diploma (Distinction) in Engineering Business Management from Universiti Teknologi Malaysia
- Certified Energy Manager by AEMAS (Asian Energy Management Scheme & Green Tech Malaysia)

Working Experience and Occupation:

- Head of Operation in MSM Sugar Refinery (Johor) Sdn Bhd (Dec 2018 - present)
- General Manager (Engineering Department) in MSM Sugar Refinery (Johor) Sdn Bhd (2017)
- Project Site Manager in MSM Sugar Refinery (Johor) Sdn Bhd (2017)
- E & I Snr Manager Cum Mech. Manager in MSM Sugar Refinery (Johor) Sdn Bhd (2016)
- E & I Senior Manager in MSM Sugar Refinery (Johor) Sdn Bhd (2016)
- Head of Maintenance/Purchasing/Warehouse & cum Energy Manager in Idemitsu (M) Sdn Bhd (2014 - 2016)
- Head of Maintenance/Purchasing/Warehouse in Idemitsu (M) Sdn Bhd (2012 - 2014)
- Maintenance Manager in Idemitsu (M) Sdn Bhd (2007 - 2012)
- Electrical & Instrument Superintendent in Idemitsu (M) Sdn Bhd (2006 - 2007)
- Electrical Supervisor cum High Voltage Chargeman in Idemitsu (M) Sdn Bhd (1999 - 2006)
- Electrical Supervisor in Idemitsu (M) Sdn Bhd (1998 - 1999)
- Electrical Supervisor in Showa Denki (M) Sdn Bhd; Idemitsu Project (1995 - 2008)
- Electrical Supervisor in Showa Denki (M) Sdn Bhd; AMOCO Chemical Project (1995)
- Electrical Supervisor in Showa Denki (M) Sdn Bhd; MLNG & MTBE Project (1994 - 1995)
- Electrical Supervisor in Showa Denki (M) Sdn Bhd; Melaka Refinery project (1993)

Additional Information

1. None of the Senior Management has any family relationship with and is not related to any Director and/or major shareholder of MSM Malaysia Holdings Berhad.
2. None of the Senior Management has any directorship in public companies and listed issuers.
3. None of the Senior Management has any conflict of interest with MSM Malaysia Holdings Berhad.
4. None of the Senior Management has
   (i) been convicted of any offence (other than traffic offences) within the pass five(5) years; and
   (ii) been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of MSM Malaysia Holdings Berhad ("MSM" or "Company") is pleased to present the Corporate Governance Overview Statement ("Statement" or "CGOS") which provides the highlights on how MSM complied with the principles and best practices recommended under the Malaysian Code on Corporate Governance 2017 during the financial year ended under review 31 December 2018 ("FYE 2018").

This Statement is prepared in compliance with Bursa Malaysia Securities Berhad Main Market Listing Requirements and it is to be read together with the Corporate Governance Report FYE 2018 ("CG Report 2018") of MSM.

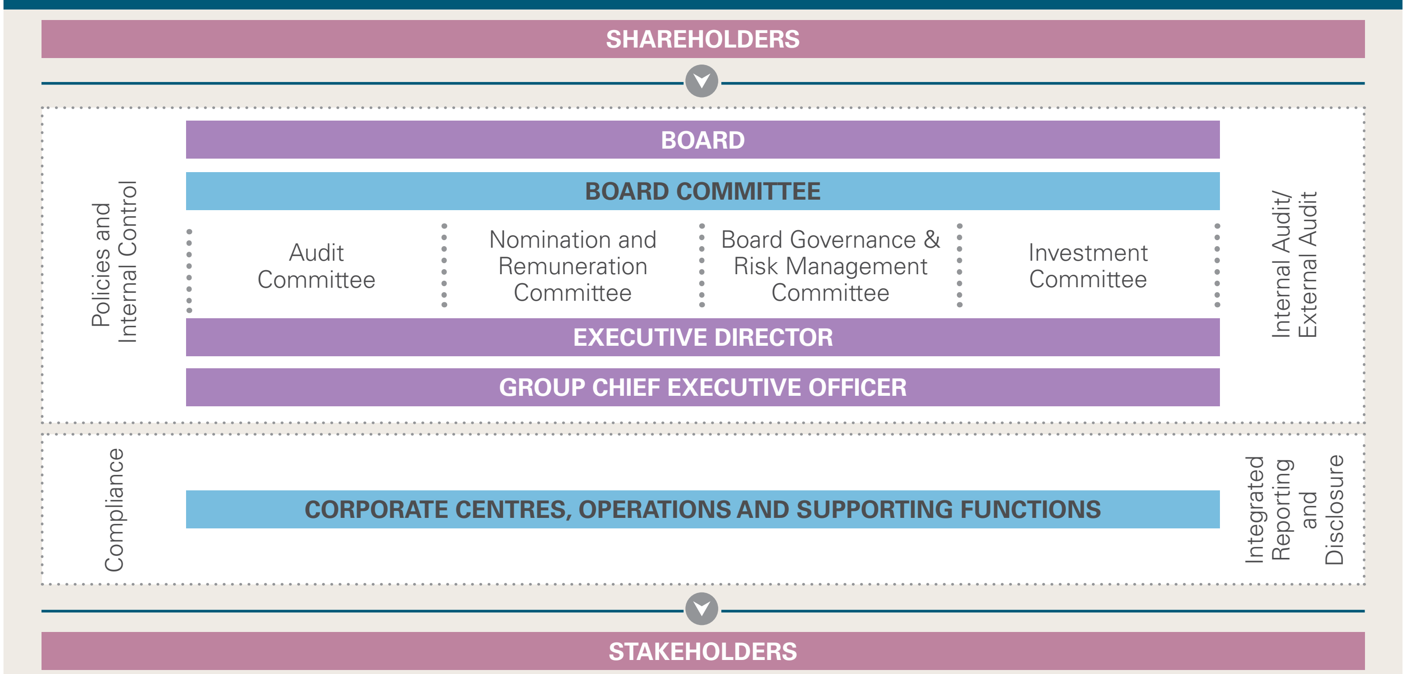
MSM is cognisant of the importance of operating within a strong governance framework towards enhancing business success and corporate accountability to protect the interests of its shareholders and stakeholders. This commitment is evidenced by the ongoing formulation of policies and processes that adopt the substance behind good governance practices for embedment in the operating procedures of MSM and its Group of Companies ("Group") and the establishment of the relevant Board Committees.

MSM, having a clear governance framework aims to operate with integrity in all actions. It is vital to maintain the trust of investors, customers, employees and other stakeholders in an environment where expectations, as well as regulations, continue to evolve.

MSM's Corporate Governance Framework is consistent and complies with the following best practices and guidelines :

- Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") 2017
- Malaysian Code of Corporate Governance 2017 ("MCCG 2017") published by the Securities Commission
- Corporate Governance Guide – 3rd Edition 2017 ("3rd CG Guide") published by Bursa Malaysia

MSM's Governance Framework



CORPORATE GOVERNANCE OVERVIEW STATEMENT

MSM's governance in practice is in accordance with the principles and best practices following the three (3) key principles of good governance outlined under the MCCG 2017 :

Principle A		**Board Leadership & Effectiveness**	• Board Responsibility • Board Composition • Remuneration
Principle B		**Effective Audit & Risk Management**	• Audit Committee • Risk Management & Internal Control Framework
Principle C		**Integrity in Corporate Reporting & Meaningful Relationship with Stakeholders**	• Communication with Stakeholders • Conduct of General Meeting

Detailed explanation on how MSM has applied the practices are provided in the CG Report 2018 which is made available on the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

Our Board

As at the date of this report, the Board consists of a strong team of experienced seven (7) Non-Executive Directors and an Executive Director. Out of seven (7) Non-Executive Directors, four (4) are Independent Directors in accordance with the definition prescribed in the MMLR and the remaining three (3) are Non-Independent Directors.

The composition of the Board is reviewed annually by the Nomination and Remuneration Committee to ensure effective balance diversification of gender, skill-sets, experience and knowledge. Further biographical details on each Director can be found on page 86 of this Annual Report.

The Board is collectively responsible for :

- the proper stewardship of the Group's business and the creation of long term shareholder value, whilst taking into account interest of other stakeholders
- establishing and maintaining of corporate governance standards, including but not limited to the standards prescribed by the applicable laws and regulations from time to time
- the business strategy and the financial robustness of the Group, for monitoring performance and for establishing a governance structure and practice which facilitates effective decision making and good governance

The Board members ensure that high ethical standards are applied in the discharge of their responsibilities, through compliance with relevant rules and regulations, directives and guidelines in addition to adopting the best practices in the MCCG 2017 and the 3rd CG Guide, and act in the best interest of MSM Group and its shareholders. Board members observe the Code of Ethics and Conduct ("CoEC") and Code of Business Practice ("CoBP") applicable to all Board of Directors. The CoEC and CoBP outline the ethical standards of behaviour and conduct expected from all Directors of MSM Group.

Datuk Wira Azhar Abdul Hamid who was appointed on 26 September 2017, helms the Board of Directors of MSM as Chairman. In his capacity as Chairman of the Board, Datuk Wira Azhar is responsible for the effective overall functioning of the Board.

Dato' Khairil Anuar Aziz, the Executive Director ("ED") is responsible for the day-to-day operations of MSM Group and has direct support from Encik Mohd Shaffie Said, the Acting Chief Executive Officer ("Acting CEO") who assumed the roles and responsibilities of the Group CEO and responsible for the overall operational activity of the Group and the implementation of the Group's business strategy.

Details of information on the Board's roles and responsibilities together with the Board's reserve matters can be found in the Board Charter which is made available on the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

Our Board Committees

To assist the Board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the Board delegates certain responsibilities to its four (4) Board Committees namely :

- Audit Committee
- Nomination and Remuneration Committee
- Investment Committee
- Board Governance & Risk Management Committee

Membership of these committees consists of a balance of Independent Non-Executive Directors alongside the Non-Independent Non-Executive Directors.

Even though there is delegation of responsibilities from the Board to the Board Committees, ED and Acting CEO, there are still a number of matters reserved solely for the Board's undertaking.

Committee	Key Responsibilities
Audit Committee ("AC") **Chairman** • Dato' Rosini Abd Samad **Members** • Datuk Lim Thean Shiang • Dato' Mohammad Fakhruddin Haji Mohd Ariff *(resigned as member on 31 December 2018)* • Dato' Hajjah Rosni Haji Zahari *(appointed as member with effect from 25 March 2019)*	• Assess the risks and control environment • Oversee the financial reporting • Review the internal and external audit process • Review related party transactions • Undertake any such other functions as may be determined by the Board from time to time Details of the AC Report is set out on pages 112 to 117 of this Annual Report.

Committee	Key Responsibilities
Nomination and Remuneration Committee ("NRC") **Chairman** • Dato' Zainal Haji Ismail **Members** • Dato' Hajjah Rosni Haji Zahari • Dato' Zakaria Arshad *(resigned as member on 18 September 2018)* • Dato' Haris Fadzilah Hassan *(appointed as member with effect from 11 February 2019)*	• Review the composition of the Board, the Board Committees, the directorship in the Group and the Group Top Management • Review the processes for nomination and election, appointment, re-appointment and re-election • Evaluate the contribution and commitment of Directors • Induction and continuing education programme • Review the Board assessments/Audit Committee term of office and performance • Review succession planning • Review the Remuneration Policy, all remuneration matters and other general remuneration matters across MSM Group • Review remuneration of the Executive Director, Group Chief Executive Officer and the Group Top Management Details of the NRC Report is set out on pages 118 to 123 of this Annual Report.

Committee	Key Responsibilities/Meetings Held & Activities in 2018
Investment Committee ("IC") **Chairman** • Dato' Hajjah Rosni Haji Zahari **Members** • Dato' Zainal Haji Ismail • Dato' Zakaria Arshad *(resigned as member on 18 September 2018)* • Dato' Mohammad Fakhruddin Haji Mohd Ariff *(resigned as member on 31 December 2018)* • Dato' Haris Fadzilah Hassan *(appointed as member with effect from 11 February 2019)*	• Review the annual business plans and budgets for recommendation to the Board • Review investments in sugar midstream (sugar refinery) and downstream (consumer products) activities only • Evaluate proposals on new investments and divestments of significant value to ensure consistency with MSM Global Strategy and returns in excess of a hurdle rate adjusted for risk and performance premium • Approve investments up to a prescribed amount as determined by the Board from time to time, beyond which a recommendation will be made to the Board • Review financial investment portfolios of the Group. This includes and is not limited to the existing and new merger & acquisitions, new partnerships, divestments and large capital expenditure projects • Oversee current and future capital and financial resource requirements and monitor fund raising activities of the Group • Conduct annual performance evaluation of the Group's investment activities • Review the foreign exchange and raw sugar hedging policies and procedures The Committee had seven (7) meetings during 2018 and summary of key matters discussed among others are : • Reviewed the Progress Update on Johor Sugar Refinery Project • Reviewed the MSM's Strategic Blueprint for the Next Five Years (2018 - 2022) • Reviewed the MSM Trading International DMCC's Operations

Committee	Key Responsibilities/Meetings Held & Activities in 2018
Board Governance & Risk Management Committee ("BGRMC") **Chairman** • Datuk Lim Thean Shiang **Members** • Dato' Rosini Abd Samad • Dato' Ab Ghani Mohd Ali *(appointed as member with effect from 26 October 2018)* • Datuk Hanapi Suhada *(resigned as member on 26 October 2018)*	• Governance • Ethics & Integrity • Risk Management The Committee had five (5) meetings during 2018 and summary of key matters discussed among others are : • Reviewed the disclosures in the following reports for inclusion in the 2017 Annual Report : i) Statement on Risk Management and Internal Control ii) Corporate Governance Overview Statement iii) Sustainability Reporting on Economic, Environmental and Social • Reviewed the Quarterly Report on Group Risks Register • Reviewed for revision and adoption of MSM Group Policies and Procedures Manual • Reviewed for revision the Discretionary Authority Limits version 5.0 for MSM Group • Reviewed the Legal Authority Limit and Signing Protocol for MSM Group • Reviewed the Corporate Governance Report for the financial year ended 31 December 2017 • Reviewed the Status of Compliance based on the requirements of MCCG 2017

The Board Committees are governed by their respective Terms of References which are published in the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

Our Company Secretary

The Board is supported by a qualified and competent Company Secretary and has unrestricted direct access to the advice services of the Company Secretary to facilitate them to discharge their duties and responsibilities. Ms Koo Shuang Yen is currently the Company Secretary of MSM Group who has been appointed since 20 May 2011.

The details of information on the roles and responsibilities of the Company Secretary can be found in the CG Report 2018 and Board Charter at Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

Our Board and Board Committee Meetings and Attendance

The Board meetings conducted in 2018 were scheduled ahead and approved by the Board in November 2017. The meeting schedule together with the draft agendas were structured to address the Board's collective responsibilities in relation to strategy, performance and governance.

There were eight (8) Board meetings held during the FYE 2018. Out of the number, two (2) were unscheduled meetings held on 17 January 2018 and 25 January 2018. Board agendas are set by the Chairman in consultation with the ED and the Acting CEO and assisted by the Company Secretary.

The agenda and supporting papers were distributed at least seven (7) days prior to Board and Board Committee meetings to allow sufficient time for appropriate review to facilitate discussion at the meetings objectively and effectively.

Upon conclusion of each of the Board and Board Committee meeting, minutes were prepared with all issues raised, discussion, deliberations, decision and conclusions including dissenting views made at Board and Board Committee meetings along with clear action to be taken by responsible parties were accurately recorded. The completed minutes of the Board and Board Committee meetings were then circulated to the Board members (including ED, Acting CEO and Chief Financial Officer) on a timely basis. This has allowed the Board to comment and seek clarifications of the minutes or request for any necessary corrections prior confirming the minutes as true and correct record in the next following respective meetings.

The Board and Board Committee meetings held in 2018 together with the attendance are set out below :

Board and Board Committee Meetings and Attendance in 2018

Directors	Board		Board Committee			
	%	No.	AC	NRC	BGRMC	IC
Datuk Wira Azhar Abdul Hamid	100	8/8	-	-	-	-
Dato' Zainal Haji Ismail	100	8/8	-	9/9	-	7/7
Dato' Hajjah Rosni Haji Zahari	100	8/8	-	9/9	-	7/7
Dato' Rosini Abd Samad*	88	7/8	7/7	-	5/5	-
Datuk Lim Thean Shiang*	75	6/8	7/7	-	5/5	-
Dato' Ab Ghani Mohd Ali[1]	100	1/1	-	-	1/1	-
Datuk Hanapi Suhada[2]	86	6/7	-	-	4/4	-
Dato' Zakaria Arshad[3]	86	6/7	-	7/8	-	6/6
Dato' Mohammad Fakhruddin Haji Mohd Ariff[4]	63	5/8	4/7	-	-	4/7
Dato' Khairil Anuar Aziz	100	8/8	-	-	-	-

Notes :

* *Dato' Rosini Abd Samad and Datuk Lim Thean Shiang were absent from one (1) unscheduled meeting held in January 2018.*

[1] *(a) Appointed as Board member, and (b) BGRMC member with effect from 26 October 2018.*

[2] *(a) Resigned as Board member, and (b) ceased as BGRMC member on 26 October 2018.*

[3] *(a) Resigned as Board member, and (b) ceased as NRC and IC member on 18 September 2018.*

[4] *(a) Resigned as Board member, and (b) ceased as IC and AC member on 31 December 2018.*

Based on the above, all Directors have complied with the minimum requirement of 50% attendance at Board meetings as stipulated in the MMLR, Paragraph 15.05(3)(c).

Key Activities During 2018

Below are among the key matters considered by the Board throughout the eight (8) meetings held during the FYE 2018 :

Board Structure

- Upon appropriate recommendation from the NRC, the Board considered and approved for re-appointment/ re-election of Directors retiring at the 2018 Annual General Meeting ("AGM"), appointment of new directors and revised the composition of MSM Board Committee members and MSM Subsidiaries Board members.
- Acceptance of the final report of the Annual Effectiveness Evaluation of the Board, Board Committees and Individual Directors. The Board also agreed on the highlighted improvement areas and mandated NRC to follow through.

Financial

- Reviewed and approved the 2017 quarterly results and the Financial Statements for the financial year 2017
- Assessed and approved the re-appointment of external auditors in accordance with MSM External Auditor Policy

- Reviewed the Quarterly report on :
  - MSM Group Recurrent Related Party Transactions
  - MSM Group Capital Expenditure
  - Recoverability and Trade Receivables
  - Financial Covenants
  - Cashflow Projection
- The Board deliberated and approved the Strategic Plan 2020 and budget for MSM Group for FYE 2018.

Remuneration and Human Resource

- The Board considered and approved several matters pertaining to remuneration and Human Resource including employees bonus and yearly increment, remuneration package and Key Performance Indicator ("KPI") of Top Management.

Company and Group Operations

- To ensure effective operation, the Board also focused on MSM Trading International DMCC's operations.
- The Board put a lot more attention and oversaw the progress of Johor refinery project to ensure the completion and commencement of full commercial production according to the targeted timeline.

Other Key Matters

- The Board also reviewed, deliberated and approved among other reports for disclosure in 2017 Annual Report, policies and procedures and matters related to the 2018 AGM.
- The Board, in alignment with the new Companies Act, 2016 has reviewed and approved the new Constitution for adoption. The new Constitution was tabled and approved by the shareholders at 7th AGM held on 26 June 2018 and it is made available in the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

Priorities in 2019

- Continue to monitor the execution of MSM Strategic Business Plan over the short, medium and long-term.
- Operational turnaround of MSM Group will continue to be a key focus.
- Targeted revenue of over RM2.8 million based on the targeted production of refined sugar of over 1.2 million tonnes.
- Improvement on profitability and cashflow by capturing higher domestic and export market shares.
- Overseeing the implementation of cost optimisation.
- Continue enhancing the internal policies and procedures and strengthen compliance.
- Development of Board KPIs, succession planning and implementation of improvement programme.

Whistleblowing Policy

The Board, in promoting healthy corporate culture encourages employees to report genuine concerns in relation to breach of a legal obligation, miscarriage of justice, danger to health and safety, has put in place a Whistleblowing Policy ("Policy") that provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process and protection to whistleblower and confidentiality afforded to the whistleblower.

The Policy which allows the reporting individual to report on alleged unethical behaviour within the Group was established with the aim to maintain the highest standard of ethics and legal conduct within the Group.

Further information on the implementation of the Policy can be found in the CG Report 2018 and published in the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

Board Composition

The following were the changes to the Board composition took place during the FYE 2018 :

- Resignation of Dato' Zakaria Arshad (Non-Independent Non-Executive Director) on 18 September 2018;
- Appointment of Dato' Ab Ghani Mohd Ali (Non-Independent Non-Executive Director) on 26 October 2018, replacing Datuk Hanapi Suhada who resigned on the same day; and
- Resignation of Dato' Mohammad Fakhruddin Haji Mohd Ariff (Non-Independent Non-Executive Director) on 31 December 2018

After taking the above changes, the Board comprised of seven (7) members, with majority four (4) Independent Non-Executive Directors (INED), two (2) Non-Independent Non-Executive Directors (NINED) and one (1) Non-Independent Executive Director (NIED). This complied with the Paragraph 3.04 of MMLR and Practice 4.1 of MCCG 2017.

Board Diversity for FYE 2018

The above Board diversity is based on seven (7) Board members.

Director Induction and Development

Non-Executive Directors are appointed from time-to-time and, on appointment, they receive a comprehensive introduction to the Group's activities and a tailored induction programme including a number of site visits. All Directors are provided with the opportunity for ongoing training to keep up to date with relevant legislative changes, including covering their duties and responsibilities as Directors and the general business environment. Directors can obtain independent advice at the expense of the Company.

Dato' Ab Ghani Mohd Ali, who was appointed as the Non-Independent Non-Executive Director on 26 October 2018 has on 28 and 29 September 2017 attended and successfully completed the Mandatory Accreditation Programme ("MAP"). Dato' Haris Fadzilah Hassan who was appointed on 11 February 2019, on the other hand will be attending the MAP in April 2019.

The details on the said appointments are disclosed in the NRC Report on pages 118 to 123 in this Annual Report.

All Directors have attended trainings, seminars and briefings during the FYE 31 December 2018.

No.	Director	List of Training & Organiser	Date
1.	Datuk Wira Azhar Abdul Hamid	• Corporate Governance – Recent Changes in Companies Act 2016, MMLR & MCCG 2017 (KPMG)	21 February 2018
		• Malaysia's War on Corruption Symposium 2012 (MeLearn Global)	30 October 2018
		• The 16th Annual Roundtable Conference on Sustainable Palm Oil Conference – A Renewed Commitment to achieving market transformation (Roundtable on Sustainable Palm Oil)	12 - 15 November 2018
		• Regulatory Updates Seminar for Directors 2018 (ARAM Global)	5 December 2018
2.	Dato' Zainal Haji Ismail	• Corporate Governance – Recent Changes in Companies Act 2016, MMLR & MCCG 2017 (KPMG)	21 February 2018
3.	Dato' Hajjah Rosni Haji Zahari	• Corporate Governance – Recent Changes in Companies Act 2016, MMLR & MCCG 2017 (KPMG)	21 February 2018
		• Corporate Governance, Directors' Duties & Regulatory Updates Seminar 2018 (ARAM Global)	21 March 2018
		• Seminar on Directors' Remuneration for GLICs, GLC and Government Agencies 2018	19 September 2018
		• Anti-Corruption Summit 2018 – Good Governance and Integrity for Sustainable Business Growth	30 October 2018
4.	Dato' Rosini Abd Samad	• Annual Corporate Governance, Directors' Duties And Regulatory Updates Seminar 2018 (ARAM Global)	25 January 2018
		• Corporate Governance – Recent Changes in Companies Act 2016, MMLR & MCCG 2017 (KPMG)	21 February 2018
		• Regulatory Updates Seminar for Directors of PLCs & Unlisted Companies 2018	14 May 2018
		• Regulatory Updates Seminar for Directors 2018 (ARAM Global)	5 December 2018
		• 30%Club Roundtable Meeting and Board Mentoring Scheme Celebration (30% Club Malaysia)	18 December 2018
5.	Datuk Lim Thean Shiang	• Corporate Governance – Recent Changes in Companies Act 2016, MMLR & MCCG 2017 (KPMG)	21 February 2018
		• Sustainability Statement (Ernst & Young)	9 April 2018
		• Regulatory Updates Seminar for Directors 2018 (ARAM Global)	5 December 2018
6.	Dato' Ab Ghani Mohd Ali	• Seminar on Bursa's Corporate Governance Guide 3rd Edition "Monitoring from Aspiration to Actualization"	8 February 2018
7.	Dato' Khairil Anuar Aziz	• Mandatory Accreditation Programme (ICLIF)	29 - 30 January 2018
		• Corporate Governance – Recent Changes in Companies Act 2016, MMLR & MCCG 2017 (KPMG)	21 February 2018

Board Performance Evaluation

A formal performance evaluation of the Board and Board Committee, is completed annually to assess the Board's performance. For year assessment 2017, the evaluation was conducted by the appointed Independent Facilitator for the Board as a whole, its Committees and contributions from each individual Board member.

Further details on the Board Evaluation Assessment carried out is disclosed in the NRC Report on page 121 of this Annual Report.

Directors' Remuneration

The level of Directors' remuneration is generally set to be competitive to attract and retain Directors of such calibre to provide the necessary skills and experience as required and commensurate the Board's responsibilities, expertise and complexity of the Company's activities for the effective management and operations of the Group. The Board has formalised its Directors' Remunerations Policy ("DRP") which spells out the policy and framework of MSM Directors' remuneration.

The NRC after duly reviewed and assessed, recommended to the Board the remuneration of all Non-Executive Directors for FYE 2018 based on the framework of the DRP.

Non-Executive Directors

The Non-Executive Directors' remuneration package reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Directors. Details of the Non-Executive Directors' of the members of the Board and Board Committees in the form of fees are as follows :

Board/Board Committee	Annual Fees (RM)	
	Chairman	Directors
Board	315,000	120,000
Audit Committee	24,000	12,000
Other Board Committees: - Nomination and Remuneration Committee - Board Governance & Risk Management Committee - Investment Committee	10,000	8,000

Details of the Non-Executive Directors' benefits in accordance with the remuneration structure (excluding Directors' annual fees) are set out below :

Meeting Allowance	• Board and Board Committee meeting : RM2,000 per attendance
Benefits	• Company car (Chairman only) : one (1) Company car of at least 2000cc • Driver allowance or security service allowance : not more than RM2,500 per month • Medical expenses, insurance coverage, travelling expenses and other claimable benefits

Summary of Executive Director's Remuneration Policy

The Executive Director receives a remuneration package which is reviewed and recommended by the NRC and approved by the Board. The remuneration package takes into account the individual performance which are benchmarks against the Company's targets as well as market rate for benefits-in-kind, annual increment and bonus. The Executive Director is not entitled to annual fees nor any meeting allowances for the Board and Board Committee meetings. Employee Directors are also not entitled to any annual fees in MSM Group.

The summary of the Executive Director's remuneration package is as follows :

FIXED REMUNERATION > **BASIC SALARY** > **ADDITIONAL BENEFIT**
Benefits-in-kind
Other Benefits
Allowances

\+

VARIABLE REMUNERATION > **PERFORMANCE BONUS**

=

TOTAL REMUNERATION

Details of Directors' Remuneration and aggregate remuneration of Directors in respective bands of RM50,000 for FYE 2018 are as follows :

	Salary, Bonus & Allowances (RM)	Directors' Annual Fees			Meeting Allowance (RM)	Benefits[1] (RM)	Total (RM)	Range of Remunerations[2] (RM'000)
		MSM Board (RM)	MSM Board Committee (RM)	MSM Subsidiaries (RM)				
Non-Executive Directors								
Datuk Wira Azhar Abdul Hamid	Not applicable	315,000	–	–	16,000	–	331,000	300-350
Dato' Zainal Haji Ismail		120,000	18,000	–	48,000	35,275	221,275	200-250
Dato' Hajjah Rosni Haji Zahari		120,000	18,000	–	48,000	35,022	221,022	200-250
Datuk Lim Thean Shiang		120,000	22,000	–	36,000	32,522	210,522	200-250
Dato' Rosini Abd Samad		120,000	32,000	–	38,000	35,022	225,022	200-250
Dato' Mohamad Fakhruddin Haji Mohd Ariff		120,000	20,000	–	26,000	43,966	209,966	200-250
Dato' Ab Ghani Mohd Ali *(appointed on 26 October 2018)*		21,981	1,468	–	4,000	–	27,449	50 and below
Dato' Haris Fadzilah Hassan *(appointed on 11 February 2019)*		–	–	–	–	–	–	–
Datuk Hanapi Suhada *(resigned on 26 October 2018)*		99,151	6,553	–	20,000	4,174	129,878	100-150
Dato' Zakaria Arshad *(resigned on 18 September 2018)*		85,754*	11,441*	–	38,000	3,694	138,889	100-150
Executive Directors (ED)								
Dato' Khairil Anuar Aziz	511,768	–	–	–	–	15,000	526,768#	500-550
Total	511,768	1,121,886	129,463	–	274,000	204,675	2,241,792	2,200-2,250

Figures exclude GST/SST/Tax

* Directors' Annual Fees will be paid to FGV Holdings Berhad *(formerly known as Felda Global Venture Holdings Berhad)*

\# Amount received was from July 2018 to December 2018 and comprises of Company's contribution to provident fund

(1) Benefits comprises of :
(a) benefits-in-kind (i) driver's allowance or (ii) security services allowance; and
(b) other benefits i.e. medical expenses, insurance coverage, travelling and other claimable benefits

(2) The following successive range of remuneration bands of RM50,000.00 is not applicable :
RM50,001 – RM100,000
RM250,001 – RM300,000
RM350,001 – RM500,000
RM550,001 – RM2,200,000

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

Risk Management and Internal Controls

It is the Board's role to protect the business from operational and financial risks and it has established a system of internal control which safeguards the shareholders' investment and the Group's assets. Such a system provides reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board is responsible for reviewing the effectiveness of internal controls. The Audit Committee and Board Governance & Risk Management Committee supports the Board in this function by reviewing the principal risks and internal control and the reports on pages 127 to 130 outlines further this function.

The Group operates within a clearly defined organisational structure with established responsibilities, authorities and reporting lines to the Board. The organisational structure has been designed in order to develop, plan, execute, monitor and control the Group's objectives effectively and to ensure that internal controls are embedded within the operations.

The Board confirms that the key on-going processes and features of the Group's internal, risk-based, control system have been fully operative throughout the year and up to the date of approval of this Annual Report.

Financial Reporting

The Board ensures that shareholders are presented with a clear, balanced and comprehensive view of the Group's financial performance and prospects through the audited financial statements, quarterly announcement of financial results, the Chairman's Statement and the Management Discussion & Analysis on page 134, page 58, page 4 and page 28 in the Annual Report as well as corporate announcements on significant developments affecting the Company in accordance with the MMLR. The Directors considered the compliance with all applicable financial reporting standards, provision of the Companies Act, 2016 and relevant provision of laws and regulations in Malaysia.

The Audit Committee updates the Board on the matters deliberated in the Audit Committee meetings. Details on the summary of work carried out during the year is set out in page 113 in the Audit Committee Report.

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Relations and Communications with Stakeholders

The Company has a Corporate Disclosure Policy stipulating the proper framework and guidelines to govern the release of information to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders. The Corporate Disclosure Policy also regulates the review and release of information to the stock exchange as well as through the Company's website, facilitating timely and accurate disclosure of the Company's affairs.

The Company communicates with its shareholders and stakeholders through the following channels of communication :

- **Annual Report**

  This is MSM's 8th Annual Report produced since its listing on Bursa Securities on 28 June 2011. The report provides a comprehensive view on the Group's operational and financial performance.

  An online version of the complete Annual Report is made available on MSM's corporate website for download. Our share registrar will ensure that the printed copy reaches shareholders within four (4) days from the received of the request form.

- **Corporate Website**

  The Company's corporate website has become a key communication channel to reach its shareholders and the general public. Financial results, Annual Reports, Bursa Securities announcements, corporate presentations and other information on the Company are published on the Company's corporate website. The presentation slides for the research analyst briefings and the press releases are also made available to the public via Company's corporate website at www.msmsugar.com

- **Media Release**

  Media releases are made to the media on all significant corporate developments and business initiatives. Media releases are subject to approval by the ED/Group Chief Executive Officer ("GCEO") and whenever necessary, also released to Bursa Securities to increase the visibility of media releases. During 2018, press conferences and analysts' briefing were held concurrently with the release of the quarterly results to Bursa Securities. This has provided opportunity for regular dialogues between the fund managers and research analysts with the ED, Acting CEO, Chief Financial Officer ("CFO") and other Senior Management officers of the Company. During the briefings, analysts were given the opportunity to ask and obtain further insights into the Group's results and operations for the period under review. These briefings facilitated the research analysts to produce their analysis and reports which made available to investors and the media in a timely manner.

- **Investor Relations**

  The ED, Acting CEO, CFO and the Investor Relations unit regularly engage with the investing community through conferences, non-deal road shows, and one-on-one meetings with equity analysts, fund managers and institutional shareholders to provide updates on the Company's quarterly financial performance, as well as attend to queries on strategic matters, regulatory issues or any changes in operating environment which may impact the Group's performance.

  Shareholders are welcome to raise queries by contacting the Company at any time throughout the year and need not wait for the AGM for such an opportunity. Communication and feedback from the shareholders can be directed to investor.relations@msmsugar.com or Investor Relations & Enquiries, Level 44, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur, Malaysia.

Conduct of General Meeting

The Company's Annual General Meeting ("AGM"), is the primary platform for communication with the widest range of shareholders.

The Chairman, at the commencement of a general meeting, informs shareholders of their right to vote. The Board considers the use of electronic voting for polling to facilitate greater shareholders' participation, taking into consideration its availability, reliability, applicability, cost and efficiency. MSM shall appoint a poll administrator to handle the polling process and Independent Scrutineers to verify the results of the poll.

Chairman of the Board chaired the 7th AGM of the Company held on 26 June 2018 in an orderly manner and allowed the shareholders or proxies to speak at the meeting. All Directors were present to the 7th AGM to respond to the questions raised by the shareholders or proxies.

The Acting CEO presented the Company's operational and financial performance for the financial year under review. The presentation covered salient points on financial, operational performance, return on shareholders' fund, Company's strategic priorities and progress and awards and recognition received. Questions raised by the Minority Shareholder Watch Group prior to the AGM together with the feedback from Management were also shared with shareholders during the AGM. The Chairman provided fair opportunity and time to all shareholders in exercising their rights to raise questions.

The proceedings at the 7th AGM were recorded in the minutes of meeting of which the summarised minutes is disclosed to shareholders in the Company's corporate website.

A media conference was held immediately after the 7th AGM whereby one of the Board of Director, Acting CEO, CFO and relevant Senior Management were present to update the media representatives on the resolutions passed and answered questions on matters related to the Group. Results of all resolutions passed at the 7th AGM were announced on the same day via Bursa LINK.

Statement by the Board

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 25 March 2019.

On behalf of the Board

DATUK WIRA AZHAR ABDUL HAMID
Chairman

AUDIT COMMITTEE REPORT

Audit Committee's principal role is to assist the Board in carrying out its oversight responsibilities in relation to financial reporting, external audit and internal audit processes, conflict of interest and related party transactions. During the year, Audit Committee continued to play a key role in monitoring the integrity of the Group's published financial information and assessing the effectiveness of its internal risk and control environment.

The Board is pleased to present the Audit Committee Report for the financial year ended 31 December 2018 ("FYE 2018").

COMPOSITION AND MEETINGS

During the FYE 2018, Audit Committee stood with three (3) members of Non-Independent Non-Executive Directors. Until the resignation of Dato' Mohammad Fakhruddin Haji Mohd Ariff on 31 December 2018, Audit Committee members dropped from three (3) to only two (2) and MSM did not comply with the requirement under Paragraph 15.09(1)(a) of Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("MMLR").

In adherence to Paragraph 15.09(1)(a) of MMLR, the Board has recently assessed the Audit Committee membership composition and decided to appoint Dato' Hajjah Rosni Haji Zahari, Independent Non-Executive Director as Audit Committee additional member effective 25 March 2019. With this appointment that is within the given timeframe as per Paragraph 15.19 of MMLR, MSM has now comply with the said requirement.

Also based on the assessment which was carried out by the NRC, the Board agreed that the existing Audit Committee members have well carried out their duties and to continue as MSM Audit Committee members for the FYE 2019.

Dato' Rosini Abd Samad, the Chairman of Audit Committee, is an Independent Non-Executive Director and a member of the Malaysian Institute of Accountants. She is also an Honorary Fellow CPA Australia and a professional member of the Institute of Internal Auditors Malaysia. Dato' Rosini Abd Samad meets the requisite qualifications as stipulated in Paragraph 15.09(1)(c)(i) of the MMLR.

During 2018, the Audit Committee held a total of seven (7) meetings including two (2) unscheduled meetings which were held on 21 January 2018 and 15 November 2018.

The membership and meeting attendance of the Audit Committee members are as follows:

Members	Type of membership	No. of meetings attended during 2018
Dato' Rosini Abd Samad *(appointed with effect from 7 January 2015)*	Chairman/Independent Non-Executive Director	7/7
Datuk Lim Thean Shiang *(appointed with effect from 23 August 2016)*	Member/Independent Non-Executive Director	7/7
Dato' Hajjah Rosni Haji Zahari *(appointed with effect from 25 March 2019)*	Member/Independent Non-Executive Director	-
Dato' Mohammad Fakhruddin Haji Mohd Ariff *(resigned with effect from 31 December 2018)*	Member/Independent Non-Executive Director	4/7

During the financial year, the Executive Director, Acting Chief Executive Officer ("ACEO"), Chief Financial Officer ("CFO"), FGV Holdings Berhad ("FGV") Group CFO, FGV Chief Internal Auditor and invited Management attended the meetings upon the invitation of the Audit Committee.

At the Board Meetings, Audit Committee Chairman briefed the Board on the significant matters deliberated during the Audit Committee Meetings. Minutes of Audit Committee meetings were circulated to the Board at the most practicable next Board Meeting.

TERMS OF REFERENCE

The Audit Committee Terms of Reference ("TOR") has been established pursuant to the MMLR and was approved by the Board to guide the Audit Committee in the discharge of its functions and duties. In addition, the TOR also recognises and adopts related better practices and guidance from the MCCG 2017 and the Corporate Governance Guide.

The TOR is reviewed periodically between one to three years, as and when required especially when there are changes to the MMLR and MCCG 2017.

The Audit Committee TOR is published in the Company's corporate website at:

http://www.msmsugar.com/our-company/corporate-governance

The existence of the Audit Committee does not diminish the Board's ultimate statutory and fiduciary responsibility for decision-making relating to the functions and duties of the Audit Committee.

SUMMARY OF WORK OF THE AUDIT COMMITTEE IN 2018

Through the seven (7) meetings held and various private sessions with the external and internal auditors, the Audit Committee undertook the following principal activities in the discharge of its responsibilities:

Assessing the Risks and Control Environment

- Evaluated the reports on the assessment of the risks and control environment based on the external auditors' quarterly financial statement review and statutory financial audits at each Audit Committee meeting.
- Reviewed all internal audit reports issued by the Group Internal Audit, which detailed the observations from all the internal audits undertaken.
- Received assurances from the Acting CEO and CFO that the risk management and internal control system of the Group for the financial year 2018 have been operating adequately and effectively, in all material respects.
- Monitored the implementation of corrective actions taken by Management. Management provided justification and improvement for the key matters highlighted by internal and external auditors.
- Provided relevant guidance for the improvement of the risks and internal control environment of the Group, in particular in the areas of raw and refined sugar trading in which was the key focus area of the Group during the financial year. This included improvements in the monitoring and systems.

Overseeing Financial Reporting

- Reviewed reports of the external auditors from their quarterly financial statement review at each quarterly meeting. Amongst the main focus of the reports were the external auditors' assessments of revenue recognition of refined sugar sales, rebate and discounts to customers and export contracts arrangements based on applicable financial reporting standards.
- Held two (2) private discussion sessions with external auditors, Messrs Pricewaterhousecoopers PLT ("PwC") without Management on the 13 February 2018 and 14 August 2018.

  In these sessions, the matters discussed include the following:

  (i) Quality of financial reporting

  (ii) Loan Covenants position

  (iii) Consolidation weaknesses
- Reviewed the financial results prior to the approval by the Board; discussed the key matters highlighted by PwC. During the year, amongst matters discussed include the following:

  (i) assessment of onerous contracts provision in respect of forward sales export contracts.

  (ii) review the compliance status on the loan covenants in respect of the RM1.2 billion syndicated Islamic term loan facility for Johor Sugar Refinery.

  (iii) status of construction of the Johor Refinery and Legal Opinion pertaining to the Covenants.

  (iv) review the consolidation process.

  (v) impairment assessment on goodwill.

- Evaluated the Audited Financial Statements of the MSM Group for the financial year 2017 to ensure that the financial reports presented a true and fair view of the Company's financial performance and complied with regulatory requirements.
- Reviewed the quarterly report on recoverability of trade receivables, focusing on compliance to credit limit and credit term for customers with long outstanding balances.
- Reviewed the assessment of impact of foreign currency trend on the raw sugar costs.
- Reviewed matters related to loan facilities of MSM before recommending to the Board for approval.
- Reviewed the Group's Consolidated Cashflow Projection for the financial year.
- Reviewed the status of construction of Johor Refinery and position on the financial covenants.

Reviewing the Internal Audit Process

- Reviewed and approved MSM Group Annual Internal Audit Plan for the year 2019 by assessing the priority ranking of the audit universe to provide sufficient audit coverage.
- Assessed the adequacy of resources of the internal audit function to execute the MSM Group Annual Internal Audit Plan after taking into consideration the number of planned assignments and competencies required.
- Presented with and reviewed quarterly reports summarising the following at every quarterly meeting during the financial year 2018:
    - The observations from the internal audit reports issued during the quarter. The Audit Committee gave direction to the Management on key matters requiring the Management's special and immediate attention. The Audit Committee has reported to the Board on these key matters.
    - The progress of implementation of the recommendations from internal audit reports issued.
    - The progress of implementation of the MSM Group Annual Internal Audit Plan.
    - Evaluated the outcome of any special reviews and investigations, including those arising from Management and Audit Committee requests, and discussed with the Management on the action taken on the matter.
    - Appraised the performance of the Chief Internal Auditor and submitted the same to FGV.

Reviewing the External Audit Process

- Reviewed and approved the External Auditors' Audit Plan and scope of work in August 2018.

  PwC presented the MSM 2018 Group Audit Plan at the Audit Committee meeting held on 14 August 2018. During their presentation, PwC confirmed their independence as auditors. As included in the 2018 Group Audit Plan, PwC also highlighted to the Audit Committee the following:

  a) MSM's 2018 focus areas:
     i) Recoverability of non-current assets (including goodwill).
     ii) Risk of inconsistency of practice and accounting treatment in MSM Sugar Refinery (Johor) Sdn Bhd.
     iii) Risk on non-compliance of financial covenants attached to the construction of the Johor new sugar refinery.
     iv) Risk of management override of controls (in line with the International Standards of Auditing requirements).
     v) Ensuring revenue is recognised in the correct accounting period and is appropriately supported.
     vi) Ensuring impairment assessment for financial assets are appropriately performed.
     vii) Recoverability of inventories.
     viii) Adequacy of provisions on onerous contracts.

  b) Recent developments in laws and regulations which cover the following:
     i) Development in Accounting Standards
     ii) New Accounting Standards
     iii) Recent Tax Developments

  The Audit Committee also noted the declaration of independence by PwC.

- Analysed the external audit fees proposed in respect of the scope of work required for the financial year and recommended the same for approval by the Board.

- Held four (4) meetings with PwC in February, May, August and November 2018 to review the financial results and areas of concerns identified.

- Met the PwC without the presence of Management and Executive Director on 13 February 2018 and 14 August 2018 to discuss relevant issues and obtain feedback for improvements.

- Reviewed the assessment of the external auditors for financial year 2017 for re-appointment based on input from Management and recommended the same for approval by the Board.

Reviewing the Related Party Transactions

- Analysed the quarterly report on Recurrent Related Party Transactions for monitoring the transactions against the shareholders' mandate.

- Reviewed the Circular to the shareholders to seek mandate on new and existing Recurrent Related Party Transactions of the Group and recommend the same for approval of the Board.

- Reviewed the internal audit report on Recurrent Related Party Transactions.

Other responsibilities and duties

- Reviewed the following reports and recommended them for the Board's approval for inclusion in the Annual Report for the financial year 2017:

  i) Corporate Governance Overview Statement for inclusion in the MSM Malaysia Holdings Berhad 2017 Annual Report.

  ii) Audit Committee Report for the inclusion in the MSM Malaysia Holdings Berhad 2017 Annual Report.

  iii) Statement of Risk Management and Internal Control for inclusion in the MSM Malaysia Holdings Berhad 2017 Annual Report.

  iv) Sustainability Reporting on the Economic, Environmental and Social for inclusion in MSM Malaysia Holdings Berhad 2017 Annual Report.

  The Audit Committee reviewed the reports with focus on meeting the MMLR and reporting best practices based on the guidance from the MCCG 2017, Guidance to Directors of Public Listed Companies on the Statement of Risk Management and Internal Control and other best practice references.

- Reviewed and approved the Schedule of Audit Committee Meetings for year 2019.

EXTERNAL AUDITOR POLICY

On 23 February 2016, the Board has approved the External Auditor Policy ("Policy"). This Policy was developed to provide guidance on matters related to dealing with the firm of professional accountants which is or will be appointed as the External Auditors for the statutory audit of MSM Group.

The Policy covers appointment and re-appointment of external auditors, assessment of external auditors' performance and independence, audit partner rotation, audit delivery and reporting, engagement of external auditors for non-audit services and removal of external auditors.

During the financial year ended 31 December 2018, there was no non-audit services rendered by its external auditors.

KEEPING UPDATED ON RELEVANT INFORMATION

The Audit Committee members are regularly kept updated on changes to accounting standards and issues related to financial reporting through quarterly meetings.

Throughout the financial year 2018, all Audit Committee members had attended various seminars, training programme and conferences to keep abreast of changes in the industry and business environment. Details are set out in the Corporate Governance Overview Statement under Directors' Training on page 107 of this Annual Report.

AUDIT COMMITTEE EVALUATION

For year assessment 2017, Board Evaluation Assessment was carried out in 2018 which encompassed the performance of the Audit Committee and the Audit Committee Chairman as well as the Independence of the Independent Directors were conducted. The assessment focused on how effective the Audit Committee has conducted its activities. Based on the evaluation performed, the Board satisfied that the Audit Committee and its Chairman had demonstrated a high level of diligence, independence and commitment in discharging its responsibilities.

For year assessment 2018, the Audit Committee Evaluation is currently in progress and will be disclosed in Annual Report 2019.

INTERNAL AUDIT

The internal audit role for the MSM Group is undertaken by the Group Internal Audit ("GIA") of the holding company, FGV. The FGV Chief Internal Auditor reports functionally direct to the Audit Committee of MSM. The conduct of GIA is based on a Group Internal Audit Charter, which was established consistent with the requirements of Institute of Internal Auditor's International Professional Practise of Framework and affirmed through a Quality Assurance Review conducted by the Institute of Internal Auditors Malaysia in 2014.

The FGV Chief Internal Auditor, Puan Zalily Mohd. Zaman Khan is a fellow member of CPA Australia, a professional member of the Institute of Internal Auditors Malaysia, USA and holds an accounting degree from University of South Australia. She has accumulated almost 30 years of experience in various industries.

The FGV Chief Internal Auditor leads the internal audits across MSM Group. Five (5) internal auditors comprising of a Senior General Manager, a Manager and one (1) team of three (3) persons from the FGV GIA have been specifically assigned for audits of MSM Group throughout the financial year. The team may be supplemented with personnel from other segments of GIA's organisation structure, where it is deemed required. MSM also has the benefit of the FGV IT audit team that perform internal audit works related to information technology.

The total number of internal auditors allocated is appropriate and sufficient in terms of the mix of knowledge, skills and other competencies in line with the scope of the audit and size of MSM Group. Composition of the internal auditors and the corresponding professional status are as follows:

Professional Status	No. of Auditors
Professional accounting (ICAEW, CPA, ACCA, CA) or Certified Internal Auditors (CIA) or post graduate (MBA or Masters)	3
Graduate	2
Total	**5**

The above includes two (2) internal auditors who are members of the Institute of Internal Auditors Malaysia. The total cost incurred for FGV GIA for the financial year ended 31 December 2018 was RM1,119,599 (2017: RM1,688,912).

OBJECTIVITY AND INDEPENDENCE OF GIA

FGV GIA has undertaken a survey of the relationship of its internal auditors in October 2018 and noted that the internal auditors are free from any relationship or conflicts of interests which could impair their objectivity and independence. GIA undertakes a survey of the relationship of its auditors once every two (2) years and ensures that the rotation of internal auditors does not result in any compromise of objectivity and independence.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

GIA provides independent and objective assurance of the adequacy and effectiveness of risk management, controls and governance processes of the Group covering all operations of the Group. In conducting their independent audits, GIA adopted a risk based internal audit approach by focusing on the assessment of significant risk areas. During the financial year under review, GIA has undertaken the following main activities:

a) Reviewed GIA's three (3) year audit plan and forms the basis to derive the Annual Group Internal Audit Plan. The three (3) years audit plan is developed based on governance requirement and risk exposure prioritisation. Once the key audit areas are developed, the employee and resource allocation plan, budget estimates and employee development progress are established to support the Audit Plan. The Annual Group Internal Audit Plan is presented to the Audit Committee for approval.

b) Carried out internal audits according to the Annual Group Internal Audit Plan approved by the Audit Committee and reported the findings, recommendations and management's corrective action directly to the Audit Committee with copies to the relevant management for their action. The scope of work was focused on the following key areas:

- Governance Framework and Structure
- Financial Management including treasury function
- Trading Processes
- Supply Chain
- Project Management
- Sales and Marketing
- Procurement
- Human Resource

In 2018, GIA has performed seven (7) internal audit assignments (i.e. 4 assurance audits and 3 investigations) which consumed 679 mandays in comparison to 591 budgeted mandays during the year.

c) Presented to the Audit Committee at its quarterly meetings, key findings from the internal audit report issued.

d) Prepared and presented to the Audit Committee a report on the progress of the findings, recommendation and management's corrective action implementation from internal audit reports issued.

e) Undertook Recurrent Related Party Transactions review for the purpose of supporting the Audit Committee's statement in the Circular to the shareholders to seek mandate on new and existing Recurrent Related Party Transactions of the Group.

f) In addition to the assurance role, Group Internal Audit also undertakes consulting role and investigation role. Key activities carried out were as follows, amongst others:

a) Undertook investigations and reported the outcome of such investigations to the Audit Committee and Management.

b) Provided feedback on the Statement on Risk Management and Internal Control 2017, the Report on the Audit Committee 2017 and on the Corporate Governance Overview Statement 2017 before submission to the Audit Committee.

STATEMENT BY THE BOARD

This Audit Committee Report is made in accordance with a resolution of the Board of Directors duly passed on 25 March 2019.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Board is pleased to present the Report on Nomination and Remuneration Committee for the financial year ended 31 December 2018 ("FYE 2018").

Members	Type of membership	No of meetings attended	Key/Areas of Responsibilities
Dato' Zainal Haji Ismail *(appointed with effect from 25 March 2011)*	Chairman/Independent Non-Executive Director	9/9	• Review the composition of the Board, the Board Committees, the directorship in the Group and the Group Top Management • Review the nomination and election process and appointment/re-appointment/re-election process • Evaluate the contribution and commitment of Directors • Review letter of appointments • Induction and continuing education programme • Review Board assessments/Audit Committee term of office and performance • Review succession planning • Review all remuneration matters including Remuneration Policy • Review remuneration of the Group Chief Executive Officer, Executive Director and Group Top Management • Review other general remuneration across MSM Group
Dato' Hajjah Rosni Haji Zahari *(appointed with effect from 25 March 2011)*	Member/Independent Non-Executive Director	9/9	
Dato' Zakaria Arshad *(resigned on 18 September 2018)*	Member/Non-Independent Non-Executive Director	7/8	
Dato' Haris Fadzilah Hassan *(appointed with effect from 11 February 2019)*	Member/Non-Independent Non-Executive Director	-	

COMPOSITION

The Nomination and Remuneration Committee ("NRC") members as at the date of this report comprises of three (3) members of which two (2) are Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director and is chaired by an independent director.

The current composition is in compliance with the requirement of Paragraph 15.08A (1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad (Bursa Malaysia), which provides that the NRC must comprise exclusively of non-executive directors, the majority of whom are independent directors. This is also in line with Practice 4.7 of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") which recommends the NRC is chaired by a Senior Independent Director or an independent director.

The Board believes that the current NRC composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of all shareholders and to meet the needs of the Group.

TERMS OF REFERENCE

NRC is governed by its own Terms of Reference ("TOR") which is established pursuant to the MMLR and was approved by the Board. The TOR is reviewed periodically between one to three years, as and when required especially when there are changes to the MMLR and MCCG 2017.

The NRC TOR is published at the Company's corporate website:

http://www.msmsugar.com/our-company/corporate-governance

MEETING

NRC meetings are chaired by its Chairman, an Independent Non-Executive Director, who is responsible for the conduct of meetings. NRC is required to conduct its meeting at least three (3) times annually. Scheduled meetings are fixed in a calendar year and in addition to the scheduled meetings, Chairman shall call for meetings whenever required.

In order to facilitate NRC members' time planning, NRC meetings held during the FYE 2018 were scheduled ahead in November 2017.

During the FYE 2018, NRC held a total of nine (9) meetings. Out of the total, four (4) meetings were unscheduled meetings discussing urgent/important matters on:

a) Remuneration Package for the appointed Executive Director of MSM Malaysia Holdings Berhad

b) KPI for the Executive Director and President/Group CEO of MSM Malaysia Holdings Berhad

c) 2018 Salary Increment for MSM Group of Companies

d) Appointment of Executive Director and Acting Chief Executive Officer

e) Renewal of Collective Agreements ("CA") for MSM Prai Berhad and MSM Perlis Sdn Bhd Employees' Union

f) 2018 Ex-Gratia to Acting Chief Executive Officer and Chief Financial Officer

MSM Company Secretary is the Secretary of NRC and shall present at all meetings to record the proceedings of the meetings.

BOARD APPOINTMENT PROCESS

NRC considers the following selection criterias for the assessment and selection of Directors and Board Committee members:

1) skills, knowledge and experience,

2) contribution and performance,

3) character, professionalism and integrity,

4) number of directorships and other external obligations which may affects the Director's commitments, including time commitment and value contribution, and

5) ability to discharge such responsibilities/functions as expected from Independent Directors.

Prior to the appointment, the candidate shall disclose any other business interest that may result in a conflict of interest.

The Company Secretary ensures that all appointments are properly made, that all necessary information is obtained from the Directors for the purpose of meeting the statutory obligations including obligations arising from MMLR and/or other regulatory requirements.

During the FYE 2018, the following changes of Board members and Senior Management had taken place:

Director	Changes	
	Type	Date
Dato' Zakaria Arshad Non-Independent Non-Executive Director	Resigned	18 September 2018
Dato' Ab Ghani Mohd Ali Non-Independent Non-Executive Director	Appointed	26 October 2018
Datuk Hanapi Suhada Non-Independent Non-Executive Director	Resigned	26 October 2018
YB Dato' Mohammad Fakhruddin Haji Mohd Ariff Independent Non-Executive Director	Resigned	31 December 2018

Senior Management	Changes	
	Type	Date
Mohd Shaffie Said Acting Chief Executive Officer	Appointed	22 January 2018
Dato' Mohamad Amri Sahari @ Khuzari President/Group Chief Executive Officer	Vacated office	22 January 2018

Dato' Zakaria Arshad who was on the Board of MSM as Non-Independent Non-Executive Director representing FGV Holdings Berhad ("FGV") (formerly known as Felda Global Ventures Holdings Berhad), one of MSM's major shareholders, resigned as Director as well as member of NRC and Investment Committee ("IC") on 18 September 2018.

In October 2018, Koperasi Permodalan Felda Malaysia Berhad ("KPF") nominated Dato' Ab Ghani Mohd Ali to be appointed as Non-Independent Non-Executive Director of MSM. The nomination was duly tabled to NRC for evaluation and assessment in accordance with NRC TOR. Based on NRC's recommendation, Dato' Ab Ghani Mohd Ali was appointed to MSM Board on 26 October 2018 replacing Datuk Hanapi Suhada who resigned on the same date. Dato' Ab Ghani Mohd Ali was also appointed as member of Board Governance & Risk Management Committee.

On 31 December 2018, the Board has accepted the resignation of Dato' Mohammad Fakhruddin Haji Mohd Ariff.

On 30 January 2019, FGV has nominated Dato' Haris Fadzilah Hassan, FGV Group Chief Executive Officer, as Non-Independent Non-Executive Director of MSM to replace Dato' Zakaria Arshad who has resigned on 18 September 2018. On 7 February 2019, the said nomination was duly tabled to the NRC for evaluation and assessment. With the NRC's recommendation, the Board on 11 February 2019 approved the appointment of Dato' Haris Fadzilah Hassan as Non-Independent Non-Executive Director of MSM and also a member of NRC and IC.

As for the Senior Management, the NRC has recommended and the Board has agreed to appoint Encik Mohd Shaffie Said as Acting Chief Executive Officer ("CEO") effective 22 January 2018 to replace Dato' Mohamad Amri Sahari @ Khuzari who has vacated the office of President/Group CEO of MSM effective the same date. Encik Mohd Shaffie Said, who directly report to the Executive Director assumed the responsibilities of the President/Group CEO and also responsible to ensure the full physical completion of the Johor refinery until the commencement of full commercial operation.

All newly appointed Directors are furnished with Director's Kit which clearly states the aims of good corporate governance and outlines the roles and responsibilities of the Board and Board Committees as well as their authority limits. The MSM Board Charter which is included in the Directors' Kit, serves as a comprehensive constitution for the Board. The MSM Board Charter in summary addresses the following pertinent matters:

- An emphasis on the purpose of the Board;
- The structure and composition of the Board;
- The roles and responsibilities of the Board and those delegated to Management, including the Board's oversight role, its relationship with and responsibility to the subsidiaries within the Group;
- Authority, duties and functions of the Board, including the right to obtain advice, to have access to personnel of the Group and to convene meeting as required; and
- The conduct of Board meetings.

NRC carries out its responsibility on reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, the Board Committees and all directorship in the Group based on its TOR and Board Nomination and Election Policy and Procedures ("BNEPP") which was approved by the Board of Directors on 22 March 2018. The BNEPP formalizes the policies on Board Composition, Independence, Conflict of Interest and Board Assessment. The policy on Board Composition provides the size of the Board, the selection criteria, the Director's skills sets and Board diversity which are to be considered for new appointment of Directors.

RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Constitution of the Company, newly appointed Directors during the year shall hold office only until the next Annual General Meeting ("AGM") following their appointment and shall then be eligible for re-election. One-third (1/3) of the Directors (exclude the newly appointed Directors) for the time being shall retire from office at least once in every three years and shall then be eligible for re-election. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment. A retiring Director shall retain office until the close of the general meeting at which he retires.

The performance of those Directors who are subject to re-election at the AGM are assessed by NRC whereupon recommendations are submitted to the Board for decision on the tabling of the proposed re-election of the Directors concerned for shareholders' approval at the next AGM.

As evaluated by NRC and recommended by the Board, the following are to be re-elected at the forthcoming 8th AGM:

Director	Designation	Provision
Dato' Zainal Haji Ismail	Independent Non-Executive Director	Re-election pursuant to Clause 99
Dato' Hajjah Rosni Haji Zahari	Independent Non-Executive Director	Re-election pursuant to Clause 99
Dato' Ab Ghani Mohd Ali	Non-Independent Non-Executive Director	Re-election pursuant to Clause 105
Dato' Haris Fadzilah Hassan	Non-Independent Non-Executive Director	Re-election pursuant to Clause 105

The re-election of each Director will be conducted separately.

The Directors who are standing for re-election have met the Board's expectations, have continued to perform in an exemplary manner and have contributed to the Board's deliberations.

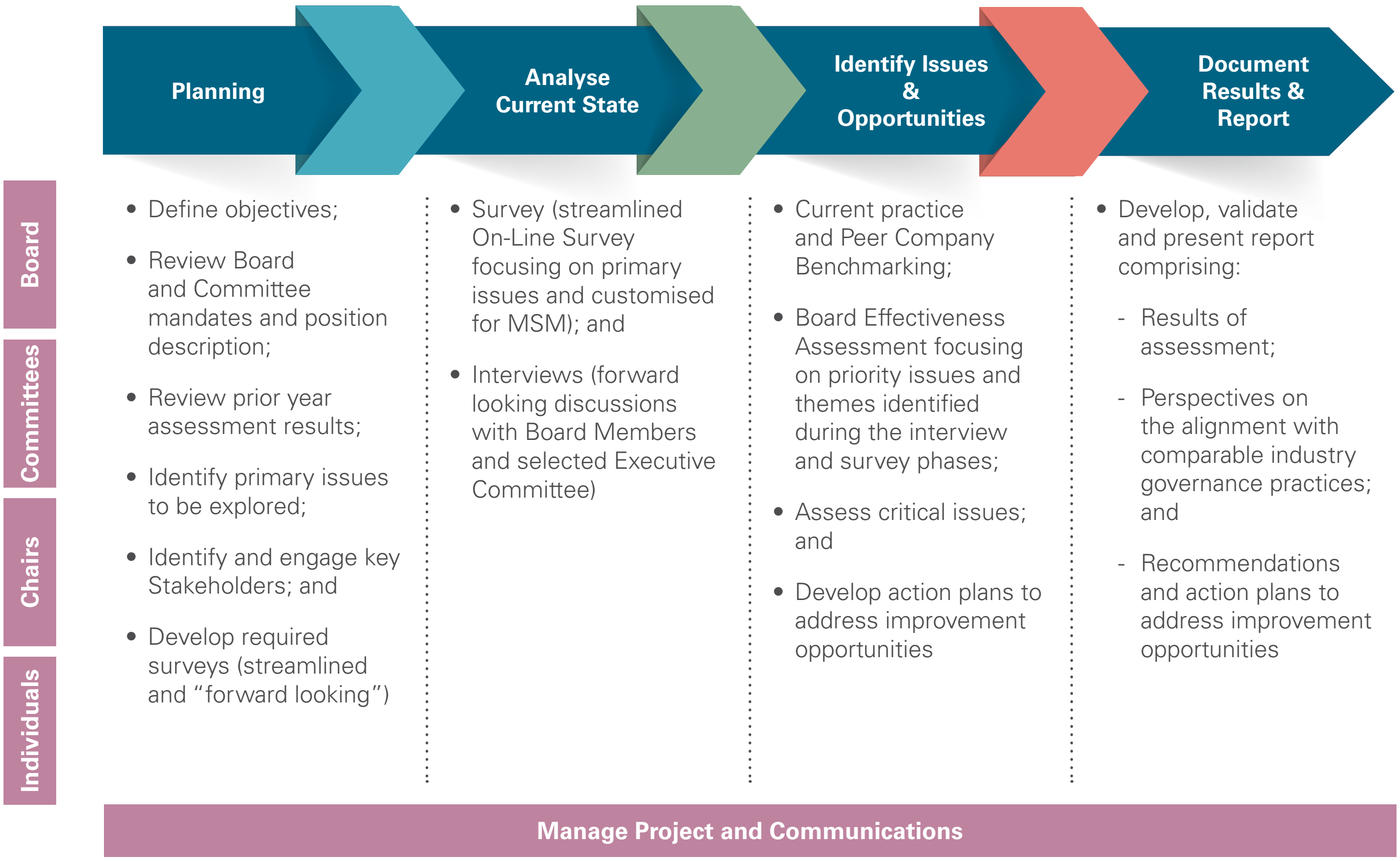
To assist shareholders in making their decisions in the re-election of Directors, sufficient information such as personal profiles, attendance at Board and Board Committee meetings and the shareholdings in the Company of the Directors standing for re-election are furnished in this Annual Report.

BOARD PERFORMANCE EVALUATION

For year assessment 2017, the Board appointed an independent consultant, Deloitte Risk Advisory Sdn Bhd ("Deloitte") (formerly known as Deloitte Enterprise Risk Services Sdn Bhd) ("Independent Facilitator") to facilitate the Board evaluation process in line with Practice 5.1 of the MCCG 2017.

The framework used for the 2017 assessment is slightly different from the framework used for the past 2 years of which the 2017 assessment framework dimension covers 8 areas depicted below:

The assessment was done on the Board as a whole, Board Committees, Chairman of the Board and Board Committee and the Directors individually and was carried out based on the following Deloitte's Board Effectiveness Evaluation process flow :



Deloitte has undertaken fieldwork from 8 February 2017 to 20 April 2018 and also observation of the 2018 Annual General Meeting held on 26 June 2018 to carry out the following:

(a) Interviewed all Board members.

(b) Performed gap analysis to ascertain the level of conformance to the prescribed standards and requirements.

(c) Determined areas which require further improvement as compared to best practices.

(d) Benchmarking of Board remuneration against direct Competitor and Top 10 Government Linked Companies.

Based on the interviews carried out as well as the feedback gathered from the completed questionnaires, the results of the assessment which also includes the key strengths and improvement areas together with the recommendations to address the improvement opportunities were compiled and collectively summarised and presented to NRC Chairman before tabling to the NRC and Board in August 2018.

Other areas assessed include the Board composition and size, the contribution of each and every member of the Board at meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangement. The results of these questionnaires and interview, were documented which also includes the several areas which can be further improved in accordance with the relevant best practices, and collectively reported to the NRC.

Pursuant to Paragraph 15.20 of MMLR Bursa Malaysia, NRC also reviewed the performance of Audit Committee and concluded that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with its TOR.

For year assessment 2018, the Board evaluation approach/ process will be further enhanced beyond compliance with the following additional elements:

i) to include perspectives from the selected key Management who regularly interact with the Board;

ii) introducing the scorecard for the Individual Director;

iii) Directors to review and deliberate on the results of the assessment together, address issues that emerge and decide on the improvement plan.

iv) Using the outcome of the deliberation by the Board, to develop a Board improvement programme and monitor the progress regularly.

For year assessment 2018, the Board evaluation is currently in progress and will be disclosed in 2019 Annual Report.

STATEMENT OF SUMMARY OF NRC'S ACTIVITIES DURING 2018

During the FYE 2018, NRC performed a number of key activities summaries among others as below which were reviewed and recommended by NRC to the Board for approval :

Nomination and Election Process

1) Re-election of Retiring Directors at the 2018 Annual General Meeting

2) Changes on the Board Committees' Members Composition

3) Annual Assessment of the Effectiveness of the Board, Board Committees and Individual Directors Including Assessment of the Independent Directors for year 2017

4) Appointment and Resignation of Directors of MSM Malaysia Holdings Berhad

5) Appointment of Directors of MSM Subsidiaries

6) Appointment of Executive Director and Acting Chief Executive Officer

7) Re-designation of Executive Director and Acting Chief Executive Officer

8) Contract Renewal for Senior Management Staff of MSM Group of Companies

9) Appointment of Nominee Director of FGV Holdings Berhad in MSM Malaysia Holdings Berhad as Non-Independent Non-Executive Director

10) Appointment of Nominee Director of Koperasi Permodalan Felda Malaysia Berhad in MSM Malaysia Holdings Berhad as Non-Independent Non-Executive Director

Remuneration Matters

1) Directors' Remuneration for the Financial Year Ended 31 December 2017

2) Remuneration Package for the appointed Executive Director and Acting Chief Executive Officer of MSM

3) 2017 Bonus Quantum and 2018 Increment for MSM Group of Companies Employees

Other matters

1) Report on NRC for Inclusion in MSM Malaysia Holdings Berhad 2017 Annual Report

2) KPI for the Executive Director and President/Group CEO of MSM

3) Renewal of Collective Agreements ("CA") For MSM Prai Berhad and MSM Perlis Sdn Bhd Employees' Union

4) MSM Employee Approving Authority ("EAA")

5) Schedule of Nomination and Remuneration Committee Meetings for year 2019

The Committee's Performance

On an annual basis, the Board shall evaluate the Committee's performance and the extent to which the Committee has met the requirements of its TOR, including the term of office and performance of the Committee and each of its members. This performance assessment may constitute a part of the annual Board Effectiveness Assessment, pertaining to the assessment of Board Committees.

STATEMENT BY THE BOARD

This Report on Nomination and Remuneration Committee is made in accordance with a resolution of the Board of Directors duly passed on 25 March 2019.

ADDITIONAL COMPLIANCE INFORMATION

In compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the following information is provided:

1. UTILIZATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS
There were no proceeds raised from corporate proposals during the financial year ended 31 December 2018.

2. SHARE BUY-BACKS
During the financial year ended 31 December 2018, there were no share buy-backs by the Company.

3. OPTION, WARRANTS OR CONVERTIBLE
There were no option, warrant or convertible securities issued by the Company during the financial year ended 31 December 2018.

4. AMERICANS DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR) PROGRAM
The Company did not sponsor any ADR or GDR program during the financial year ended 31 December 2018.

5. MATERIAL SANCTIONS AND/OR PENALTIES
During the financial year ended 31 December 2018, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies.

6. NON-AUDIT FEES
During the financial year ended 31 December 2018 there was no non-audit fee services rendered to the Company by its external auditors.

7. VARIATION IN RESULTS
Variance between Q4 announcement and adjusted for financial year ended 31 December 2018 is within 10% Profit After Tax threshold.

8. PROFIT GUARANTEE
No profit guarantee was given by the Company in respect of the financial year ended 31 December 2018.

9. MATERIAL CONTRACTS
Neither MSM Holdings nor any of its subsidiaries have entered into any other material contracts which are or may be material (not being contracts entered into in the ordinary course of business of MSM Holdings and/or any of its subsidiaries) within the 2 years immediately preceding the date of this Circular.

10. DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE (RRPT)

Transacting Parties	Nature of Relationship			Nature of Transaction	Transaction Value for the year ended 31 December 2018 (estimate) RM'000	Transaction Value for the year ended 31 December 2018 (actual) RM'000
MSM Malaysia Holdings Berhad Group (MSM) and FGV	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Ab Ghani • Dato' Khairil • Dato' Haris	Interested person connected: • Nil	Provision of management services	12,000	7,588
MSM Malaysia Holdings Berhad Group (MSM) and Felda Prodata	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Dato' Khairil • Anuar Malek • Dato' Ab Ghani	Interested person connected: • Nil	Provision of information technology (IT) services	1,000	132
MSM Malaysia Holdings Berhad Group (MSM) and Felda Security	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Dato' Khairil • Dato' Ramli Ismail • Dato' Ab Ghani • Dato' Saari Din	Interested person connected: • Nil	Provision of security services	2,500	1,299
MSM Malaysia Holdings Berhad (MSM) and FELDA	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Ab Ghani • Dato' Khairil • Dato' Haris	Interested person connected: • Nil	Office rental Address: Level 44, Menara FELDA Platinum Park No.11, Persiaran KLCC 50088 Kuala Lumpur Malaysia Area: 15,631 sq ft Duration: 23 November 2016 to 23 November 2019 Rental payment: Monthly	2,000	783
KPF Trading and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Khairil • Dato' Ramli Ismail • Dato' Ab Ghani • Dato' Saari Din • Dato' Haris • Zaid bin Sidek	Interested person connected: • Nil	Sale of refined sugar	57,000	10,774
				Sale of fertilizers and agro-chemicals	1,000	170
MSM Malaysia Holdings Berhad Group (MSM) and KPF Niaga	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Zainal Hassan • Dato' Khairil • Samsudin Bin Othman • Dato' Ab Ghani • Rahayu Binti Mahat @ Taib • Dato' Haris • Dato' Ramli Ismail	Interested person connected: • Nil	Provision of motor vehicle insurance	1,000	335
MSM Malaysia Holdings Berhad Group (MSM) and Felda Engineering	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Dato' Khairil • Zaid bin Sidek • Dato' Ab Ghani	Interested person connected: • Nil	Provision of project management and construction services	5,000	-
MSM Malaysia Holdings Berhad Group (MSM) and Felda Travel	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Ab Ghani • Dato' Khairil • Dato' Haris	Interested person connected: • Nil	Provision of travel and accommodation services	1,000	215
MSM Malaysia Holdings Berhad Group (MSM) and Felda D'Saji	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Ramli Ismail • Dato' Khairil • Saodah Binti Sudi • Dato' Ab Ghani • Abu Bakar Ibrahim • Dato' Haris	Interested person connected: • Nil	Provision of refreshments	1,000	62
MSM Malaysia Holdings Berhad Group (MSM) and Felda Transport	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Dato' Khairil • Abu Bakar Ibrahim • Dato' Ab Ghani	Interested person connected: • Nil	Provision of freight forwarder and transportation services	2,000	216
MSM Perlis Sdn Bhd (MSM Perlis) and Felda Fertiliser	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Ab Ghani • Dato' Khairil • Dato' Haris	Interested person connected: • Nil	Sale of fertilisers	1,000	-
Felda Rubber Industries and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Dato' Khairil • Abu Bakar Ibrahim • Dato' Ab Ghani • Dato' Zainal Hassan	Interested person connected: • Nil	Sale of raw material (rubber)	5,000	-

CORPORATE INTEGRITY

ETHICS AND INTEGRITY

Code of Ethics and Conduct for Employees

The MSM Group Code of Ethics and Conduct for Employees (the Code) supports the Company's vision and core values by internalising and upholding the value of uncompromising integrity in the behaviour and conduct of all Board Members, Management, employees and stakeholders. The Code which is stated in the Group Employee Handbook was revised on 21 February 2018. The Code was formulated to enhance the compliance and integrity, at the workplace and business conduct. It also includes the protection of the Group's assets, confidentiality and conflict of interests. All Management and employees are required to declare their assets and interest annually.

Integrity Initiatives

FGV Group is one of the signatories to the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC). The pledge consists of five Anti-Corruption Principles, namely commitment to promote values of integrity, transparency and good governance. In addition, the pledge also underlined the need to strengthen internal systems which supports corruption prevention, as well as ensuring compliance with laws, policies and procedures relating to fighting corruption. Supporting this initiatives, MSM is committed to enhance its business environment by emphasizing and demonstrating commitment to uphold integrity in the organisation's processes, procedures and policies.

Whistleblowing Policy and Procedures

MSM's Whistleblowing Policy and Procedures have been communicated to employees to report any-compliance, misconduct and violations in accordance to the MSM Code of Ethics or any unlawful activities. The Whistleblowing Policy is established to provide appropriate communications and feedback channels which facilitates whistleblowing in a transparent and confidential manner to enable employees and stakeholders to raise genuine concerns about possible improprieties, improper conduct or other malpractices within the Group in an appropriate way.

AUTHORITY AND RESPONSIBILITY

Organisation Structure

The Group has a formal organisation structure with clearly defined lines of responsibility and authorities to facilitate quick response in the evolving business environment, effective supervision and monitoring of business conduct and accountability for the operation of individual business units and support services departments.

Group Discretionary Authority Limits (DAL)

The MSM DAL establishes a sound framework of authority and accountability, including segregation of duties, which expedites timely, effectively and quality decision-making in addition to stricter financial controls.

The Board has approved the revised MSM DAL version 5.0 on the 24 August 2018. MSM DAL was reviewed and updated to promote organisational efficiency while ensuring that it is aligned with the Board's risk management policies, tools and frameworks.

Legal Authority Limit (LAL)

This Legal Authority Limit and Signing Protocol (the LAL) of MSM Malaysia Holdings Berhad authorises MSM Group's personnel with defined official responsibilities to approve the Legal Services within MSM Group. This is to ensure that all risks are effectively managed to protect MSM Group's interest.

The LAL is aligned with FGVH Group Legal's practices of having its own policies and procedures, being the custodian of all legal matters relating to agreements, litigation matters, appointment of legal firms and signing of legal documents.

The Board has approved the new proposed Legal Authority Limit (LAL) version 1.0 on the 22 November 2018.

Employee Approval Authority (EAA)

The objectives of EAA is to provide empowerment to certain levels of the organisation' i.e. Holdings level, subsidiaries, divisions and departments in order to facilitate the relevant HR processes and requirements.

The Board has approved the new proposed Employee Approval Authority (EAA) version 2.0 on the 23 November 2018.

Job/Position Description

Job descriptions and responsibilities of approved job positions are clearly defined, up-to-date and linked to the vision and goals of the Group. Manpower requirement planning is carried out, led by the Group Human Resource division, mirroring the budget planning cycle with the aim to optimise staffing levels and increase productivity. Various programs are in place to address competency gaps in addition to on-job training and coaching.

COMPETENCY

MSM Group has established a structured competency baseline to assess existing human capital development needs across various engagement levels. This is to ensure the Group's key assets, namely its people, and their skills and abilities are competitive and remain so in the future. With the clarity of responsibilities and relationship between functions, collaboration across the Group is enhanced to move the Group towards operational efficiency.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors (the Board) of MSM Malaysia Holdings Berhad (MSM Group or the Company) is committed to maintaining a sound system of risk management and internal control in the MSM Group (comprising the Company and its subsidiaries) and is pleased to provide the following Risk Management and Internal Control Statement (Statement), which outlines the nature and scope of risk management and internal control of the MSM Group for the financial year ended 31 December 2018. For the purpose of disclosure, the Board has taken into consideration the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (Guidelines), a publication issued by Bursa Malaysia Securities Berhad (Bursa Securities) on the issuance of Risk Management and Internal Control Statement pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities.

RESPONSIBILITY AND ACCOUNTABILITY

The Board recognises the importance of maintaining a sound system of internal control and the proper identification and management of risks affecting the MSM Group's operations in order to safeguard shareholders' investments. Accordingly, the Board affirms its overall responsibility for the MSM Group's system of risk management and internal control, and for reviewing the adequacy and operating effectiveness of the said system. The system covers not only financial but operational and compliance risks and the relevant controls designed to manage the said risks. In view of the limitations inherent in any system of risk management and internal control, the system is designed to manage, rather than eliminate, the risk of failure to achieve the MSM Group's corporate objectives. The system can, therefore, only provide reasonable, but not absolute assurance, against material misstatement or loss.

There are two (2) committees at Board level that support the Board in its risk management and internal control responsibilities:

i. Board Governance and Risk Management Committee (BGRMC) which is tasked with overseeing risk management and governance aspects of the Group;

ii. Audit Committee (AC) which is tasked with assessing the risks and control environment and overseeing financial reporting, including the external and internal audit;

RISK MANAGEMENT

The Board and Management are proactive in identifying significant risks associated with its business processes. The Risk Management team coordinate the implementation of an enterprise risk management programme for the MSM Group. Several meetings were conducted to review and re-evaluate the risk profiles identified by the respective subsidiaries and departments within the MSM Group as well as assessing the effectiveness of controls in place to address those risks.

MSM Group has a dedicated Compliance, Governance and Risk Management Department (CGRM) which undertakes the following responsibilities:

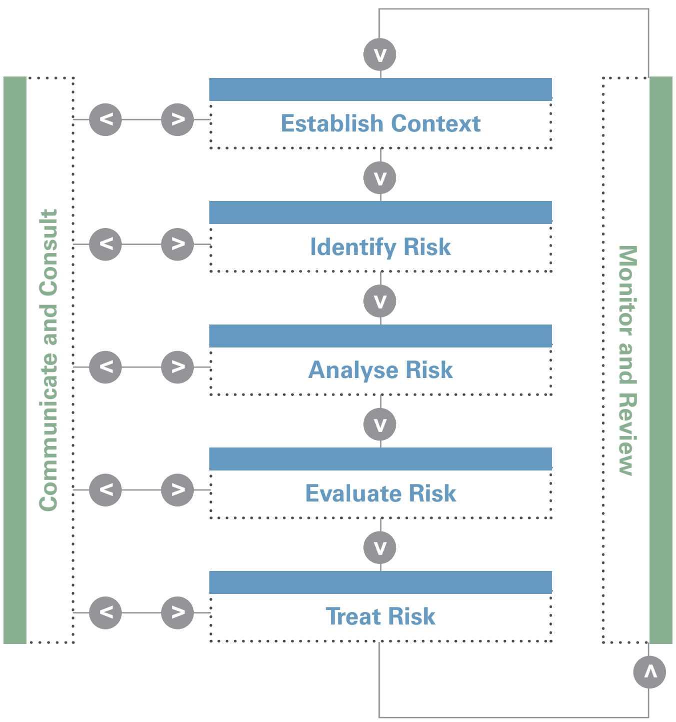
- Reviewing, assessing, enhancing and monitoring the Group's Risk Management Framework including risk management policies and procedures; by refering to FGV Group Risk Management framework as a guideline;
- Maintaining the Risk Register for MSM Group;
- Providing guidance to all MSM Group's operations in identifying and assessing the risks, developing relevant and effective mitigation strategies to manage risks;
- Preparing risk reports to the BGRMC and Board;
- To analyse on specific risks and where necessary, reporting the same to BGRMC and the Board; and
- Overseeing the MSM Group's Business Continuity Management (BCM).

An overview of the Group's risk management framework is depicted below:

Risk Management Framework and Approach

The MSM Group has put in place policies and procedures which are develop to aid relevant personnel in undertaking their risk management responsibilities.

The process of risk management adopted by the Group is illustrated below:



Key Risk Management Activities for 2018

<u>Enterprise Risk Management System (ERMS)</u>

The ERMS is fully utilised, to assist business divisions and support functions to identify, assess and profile its risks in a systematic and controlled manner. Deployment of ERMS is facilitated by the Compliance, Governance and Risk Management Department and action plans are formulated by business lines, and operational support on specific control and risk concerns identified, to mitigate and manage identified risk.

In MSM Group's effort to spread the coverage of ERMS initiatives, it has continued expanding the ERMS Refresher Course within the Group with the help from FGV Holdings.

<u>Quarterly Reporting of Enterprise Risk</u>

Reporting of key enterprise risks were conducted every quarter to BGRMC. All Subsidiaries and Divisions within the MSM Group proactively updated the Risk Registers through the ERMS and reported to BGRMC through CGRM.

<u>Continuous Risk Management Awareness and ERMS Risk Register Review</u>

Date	Location
27 Feb 2018	MSM Perlis Sdn Bhd
28 Feb 2018	MSM Prai Berhad
28 Mar 2018	MSM Sugar Refinery (Johor) Sdn Bhd
24 Sept 2018	MSM Malaysia Holdings Berhad

<u>Business Continuity Management (BCM)</u>

In an environment of evolving threats, the Company strategy is based on rigorous predictive threat and risk analysis, which has been designed to build a strong and resilient business well-prepared to respond to any crisis. BCM entails undertaking a business impact analysis and establishing key processes that form part of our response mechanism to disruptive events.

BCM awareness/refresher course sessions were held as below. This is to instil the importance of strong and effective BCM within the MSM Group.

Date	Location
23 Jan 2018	MSM Malaysia Holdings Berhad (Menara Felda)
12 Feb 2018	MSM Prai Berhad (Sg Buloh Warehouse)
18 Oct 2018	MSM Prai Berhad (Larkin Warehouse)
21 Nov 2018	MSM Prai Berhad (Prai, Penang)

In 2018, the MSM Group also conducted BCM testing below:

Date	Location	Scenario
1 Aug 2018	MSM Malaysia Holdings Berhad (Menara Felda)	Fire
24 Oct 2018	MSM Perlis Sdn Bhd (Chuping, Perlis)	Natural Gas Leakage
21 Nov 2018	MSM Prai Berhad (Prai, Penang)	Weighbridge Connection Failure

Review Policies and Procedures

- Business Continuity Management
- Risk Register Preparation

INTERNAL CONTROL

The key elements of the MSM Group's internal control framework are described below:

1. Group Organisation Structure

The Board has established an organisation structure with clearly defined lines of responsibility, authority limits, and accountability aligned to business and operations requirements which support the maintenance of a strong control environment.

2. Annual Business Plan and Budget

An annual business plan and budget are submitted to the Board for approval. The Board reviews regular reports from the management on the key operating statistics, as well as legal and regulatory matters. The Board also approves any changes or amendments to the MSM Group's policies.

3. Financial and Operational Review

Financial and Operational Review is a mechanism adopted to measure the MSM Group's actual performance against its business plan, previous year's performance and the annual budget.

This review is undertaken on a regular basis by an Executive Committee comprising senior management of the MSM Group.

The Executive Director, Acting CEO and Chief Financial Officer present the MSM Group Quarterly Financial Information and the Operational Performance analysis to the AC prior to Board approval and subsequent release to Bursa Malaysia.

4. Ethics and Integrity

a. Code of Business Conduct and Ethics for Employees (COBCE)

The Group's COBCE has been revised and approved on 22 February 2018. The COBCE sets out the principles as a guide its employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. The COBCE covers areas such as compliance, integrity, and conduct in the workplace, business conduct and protection of the Group's assets, confidentiality and conflict of interest.

b. Code of Business Practice (COBP)

MSM Group's COBP (Guided by FGV Code of Business Practice), details the standards of behaviour expected of all employees, directors and business partners in dealings with internal and external stakeholders, including members of local communities. The COBP state explicitly that all forms of bribery and corruption are prohibited and will not be tolerated.

c. Integrity Initiatives

Integrity champion has been appointed by FGV Holdings in order to monitor the level of integrity of the Employees of MSM. MSM is one of the signatories to the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC). This commits the MSM Group to enhance its disclosure practices and practice transparency, integrity and good governance in day to day business operations.

d. Whistleblowing Policy

MSM Group also adopted a whistle blowing policy (guided by FGV Whistleblowing Policy), providing an avenue for employees and external parties to report actual or suspected malpractice, misconduct or violations of the Group's policies and regulations in a safe and confidential manner.

e. External Gift, Entertainment and Hospitality Policy

The MSM Group recognises that the giving and accepting of gifts, entertainment and hospitality can be part of building normal business relationships. The aim of the Policy is to ensure that the highest standards of integrity are maintained and that it can never be suggested that there was an improper motive behind the offer or acceptance of the gift, hospitality of unduly influencing the recipient. The policy was approved by the Board on 24 August 2018.

5. Authority and Responsibility

a. Organisation Structure

MSM Group organises its operations into five (5) subsidiaries supported by corporate centres at holding company level. The organisation structure provides clear lines of reporting and functions which promotes ownership, accountability and forms the basis for delegation of authority and responsibility.

b. Discretionary Authority Limits (DAL)

Consistent with the spirit to continually enhance its internal control, MSM Group's DAL was reviewed and updated to promote organisational efficiency. The Board approved the revised DAL version 5.0 on the 24th August 2018.

c. Legal Authority Limit and Signing Protocol (LAL)

The LAL authorises MSM Group's personnel with defined official responsibilities to approve the Legal Services within MSM Group. This is to ensure that all risks are effectively managed to protect MSM Group's interest. The Board approved the proposed LAL version 1.0 on the 22 November 2018.

d. Employee Approval Authority (EAA)

The EAA provides empowerment to a certain level for the organisation to facilitate the approved HR processes and procedures. It defines the delegation of authority in respect of HR related processes and should be read together with the relevant Group HR Policies and Procedures and DAL. The Board approved the proposed EAA on the 23 November 2018.

e. Job Description

Each role in the organisation structure is supported by a clear description of the job responsibilities which are linked to the vision and goals of the Group. With clarity of responsibilities and relationship between functions, collaboration across the Group is enhanced to move the Group towards heightened operational efficiency.

6. Competency

As an organisation that views its employees as invaluable assets, MSM Group is committed to its employees personal and professional development at all levels. In achieving the next level of productivity, excellent service and performance, MSM has developed SWIIT Values (S for Sense of belonging, W for Winning attitude, I for Integrity, I for Innovation and T for Teamwork) which brings meaningful purpose, practical strategies and goals together to make organisation aspirations more credible and achievable. The Group has also developed several programmes, in sync with its continual improvement culture, to ensure adequate supply of skilled and knowledgeable workforce who are then groomed to take on leadership positions. This is a key focus towards strong, sustainable and balanced growth. The programmes are holistic in nature, aiming to enhance both professional and behavioural competencies by incorporating elements such as integrity, governance as well as the Group's core values.

7. Policies and Procedures

Clearly documented internal policies and procedures have been approved by the Board for application across the MSM Group. Policies and procedures serve as day-to-day operational guide to ensure compliance with internal controls and applicable laws and regulations. Regular reviews and updates are performed to the policies and procedures. This is done with the intent to ensure continuous improvements in operational efficiency while taking into consideration the changing industrial profile on regulatory requirements, risks and internal control measures for mitigation.

The policies and procedures that has been reviewed and develop throughout the year is listed below:

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement of Risk Management and Internal Control as per Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3 issued by the Malaysian Institute of Accountants. AAPG3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

STATEMENT BY THE BOARD

Based on the processes and measures undertaken by the Board and its Committees during the financial year and assurance provided by the President/Group CEO and Chief Financial Officer, the Board is of the view that the risk management framework and internal control system as described in this Statement is sound and effective to safeguard the shareholders' investment and MSM Group's assets. This Statement is made in accordance to the resolution of the Board dated 25 March 2018.

INTERNAL POLICIES, PROCEDURES AND GUIDELINES

Policies and procedures are designed to influence and determine all major decisions and actions, and all activities take place within the MSM Group. Procedures are the specific methods employed to express policies in action in day-to-day operations of the MSM Group. Together, policies and procedures ensure that a point of view held by the governing body of an organisation is translated into steps that result in an outcome compatible with that view.

Owner	Title	Approval Date
POLICIES		
Corporate Communication	External Gift, Entertainment and Hospitality Policy (GEH)	24 Aug 2018
	Sustainability Policy	22 Nov 2018
Legal	Legal Authority Limit and Signing Protocol (LAL)	22 Nov 2018
Finance	Discretion Authority Limit version 5.0 (DAL)	24 Aug 2018
Human Resource	Allowances Policy, Entitlements Policy, Learning & Development Policy, Leave Policy, Parking Subsidy, Performance Management Process, Practical Trainee Policy, Welfare Fund Policy, Working Hours, Advisory Policy, Grievance Policy, GST Implications in Employee Benefits Policy, Higher Education Assistance, Housing Loan Subsidy, Internal Trainer Consolation Policy, International Assignment, Job Rotation Policy, Organisational Development Policy, Salary Deduction Policy, Scholarship Policy, Talent Management & Succession Planning, Vehicle Loan Fund, Voluntary Early Retirement Scheme (VERS)	21 Feb 2018
	Employee Approving Authority	19 Dec 2018
PROCEDURES		
Compliance, Governance and Risk Management	Business Continuity Management (BCM)	19 Mar 2018
	Risk Register Preparation	2 July 2018
MSM Perlis	Garis Panduan Piawai Tatacara Pelaksanaan Kerja Bengkel	23 Apr 2018
	Garis Panduan Piawai Tatacara Pelaksanaan Kerja Perladangan Mempelam Harumanis	19 Mar 2018

BUSINESS CONTINUITY MANAGEMENT

1. The Business Continuity Management (BCM) Programme aims to reduce the impact of major operational disruptions and disaster by returning the organisation to its "business as usual" following any crisis or disaster. In doing so, it safeguards MSM Group core business functions against any unplanned interruptions or unforeseen disasters.

   The BCM Policies as approved by the Board is aim:

   - To create awareness and readiness towards any potential disruptions or disaster;
   - To adopt a common business continuity understanding across MSM Group;
   - To minimise losses during disaster or business disruption.
   - To promote and embed a strong business continuity management culture.

2. The BCM Team Structure and their functions is as below:

Role	Functions
BCM Coordinator	1. Obtain management support/commitment. 2. Gather information relevant to the BCM Programme. 3. Organise, coordinate and manage BCM Programme • Define the programme objectives • Assess the programme risk • Identify deliverables & milestones • Formulate a detailed programme. 4. Track & report progress of programmes.
Crisis Management Team (CMT)	1. Provide guidance and oversight for the BCM programme. 2. Provide resources necessary to support the programme. 3. Provide input & approval of the BCM objective, scope and timeframe. 4. Assist in the definition of roles and responsibilities. 5. Decide on results of Risk Assessment & Business Impact Analysis. 6. Decide on recommendations on recovery strategies to be adopted.
Damage Assessment Team (DAT)	To assess MSM Group key functions after the incident. 1. Facilities – The physical of the incident location 2. Technology – Information & communications 3. Corporate – Finance, Administration, Legal etc 4. Operations – Business Operations Functions & Continuity 5. Personnel – Employees' Safety & Welfare
Recovery Team (RT)	1. A group of individuals with defined roles and responsibilities. (as pre-defined in the BCP) 2. Responsible for maintaining the recovery procedures. 3. Coordinate the recovery and resumption of business functions, processes or systems in the event of disaster.

3. Crisis Management Team (CMT) is also established to guide the operational management of the BCM across the group before, during and after any business crisis. The team ensures that preventive, corrective and recovery activities are synchronised and that periodical crisis and exercises are undertaken as needed to improve the response time following any crisis.

4. To demonstrate the strategies on effectiveness and preparedness of key people to respond, MSM Group together with its subsidiaries has arrange several awareness, refresher course and simulation testing as schedule below:

   Awareness and Refresher Course:

Date	Location
23 Jan 2018	MSM Malaysia Holdings Berhad (Menara Felda)
12 Feb 2018	MSM Prai Berhad (Sg Buloh Warehouse)
18 Oct 2018	MSM Prai Berhad (Larkin Warehouse)
21 Nov 2018	MSM Prai Berhad (Prai, Penang)

   BCM Simulation Testing:

Date	Location	Scenario
1 Aug 2018	MSM Holdings Berhad (Menara Felda)	Fire
24 Oct 2018	MSM Perlis Sdn Bhd (Chuping, Perlis)	Natural Gas Leakage
21 Nov 2018	MSM Prai Berhad (Prai, Penang)	Weighbridge Connection Failure

5. Moving forward

   After completion of the refinery in Johor, with the preparedness and readiness of its critical business functions, we include the refinery to have their first simulation testing scheduled to be held in 2019.

STATEMENT ON
DIRECTORS' RESPONSIBILITIES

The Companies Act 2016 requires the Directors to prepare financial statements (which include the consolidated statements of financial position and the consolidated statements of comprehensive income of the Group) for each financial year in accordance with Malaysian Accounting Standards Board (MASB) approved accounting standards in Malaysia for entities other than private entities and the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia), and to lay these before the Company at its Annual General Meeting.

Incorporated on pages 144 to 242 of this Annual Report, are the financial statements of the Company and the Group for the financial year ended 31 December 2018. The Companies Act 2016 placed responsibility on the Directors to ensure that the consolidated statements of financial position provide a true and fair view of the state of affairs of the Group as at 31 December 2018 and the consolidated statement of comprehensive income provides a true and fair view of the results of the Group for the financial year ended 31 December 2018.

In undertaking the responsibility placed upon them by law, the Directors have relied upon the Group's system of internal control to provide them with reasonable grounds to believe that the Group's accounting records, as well as other relevant records, have been maintained by the Group in a manner that enables them to sufficiently explain the transactions and financial position of the Group. This also enables the Directors to ensure that a true and fair consolidated statements of financial position and statement of comprehensive income and documents required by the Companies Act 2016 to be attached are prepared for the financial year to which these financial statements relate.

The Companies Act 2016 also requires the Directors to cause the Company to keep such accounting and other records in such manner that enables the Directors to sufficiently explain the transactions and financial position of the Company and the Group, and to prepare a true and fair statement of comprehensive income and statement of financial position and any documents required to be attached, as well as to enable such accounting records to be audited conveniently and properly.

The Directors also have general responsibilities for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company and to prevent and detect fraud and other irregularities.

DIRECTORS' REPORT

The Directors have pleasure in submitting the annual report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 20 to the financial statements.

There has been no significant change in the nature of these activities of the Group and of the Company during the financial year.

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit/(loss) for the financial year	35,606	(424,209)

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

All material transfers to and from reserves or provisions during the financial year are disclosed in the financial statements.

DIRECTORS

The Directors in office during the financial year and during the previous period from the end of the financial year to the date of the report are as follows:

Datuk Wira Azhar Abdul Hamid	
Dato' Zainal Haji Ismail	
Dato' Hajjah Rosni Haji Zahari	
Datuk Lim Thean Shiang	
Dato' Rosini Abd Samad	
Dato' Ab Ghani Mohd Ali	(Appointed on 26 October 2018)
Dato' Haris Fadzilah Hassan	(Appointed on 11 February 2019)
Dato' Khairil Anuar Aziz	
Dato' Zakaria Arshad	(Resigned on 18 September 2018)
Datuk Hanapi Suhada	(Resigned on 26 October 2018)
Dato' Mohammad Fakhruddin Haji Mohd Ariff	(Resigned on 31 December 2018)

The names of Directors of subsidiaries are set out in the respective subsidiary's statutory accounts and the said information is deemed incorporated herein by such reference and made part thereof.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither during nor at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than those arising from holding company's long term incentive plan ("LTIP") as disclosed in Directors' Interest in Shares and Debentures.

DIRECTORS' INTEREST IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

Shareholdings in MSM Malaysia Holdings Berhad

	Number of ordinary shares			
	At date of appointment/ 1.1.2018	**Acquired**	**(Disposed)**	**At 31.12.2018**
Dato' Zainal Haji Ismail	20,000	-	-	20,000
Dato' Hajjah Rosni Haji Zahari	20,000	-	-	20,000
Dato' Ab Ghani Mohd Ali	1,300	-	-	1,300

Shareholdings in FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad), the ultimate holding company

	Number of ordinary shares				
	At 1.1.2018	**Acquired**	**Granted**	**(Disposed)**	**At 31.12.2018**
Datuk Wira Azhar Abdul Hamid	194,500	500,000	-	-	694,500
Dato' Khairil Anuar Aziz#	42,500	-	18,700	-	61,200
Dato' Zainal Haji Ismail	40,000	-	-	-	40,000

Deemed interest by virtue of Section 59(11) of the Companies Act 2016, 10,800 shares are held through the spouse of Dato' Khairil Anuar Aziz.

The shares granted to Directors pursuant to FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) Long Term Incentive Plan are set out below:

			Number of ordinary shares granted under LTIP			
	Grant date	**Grant type**	**At 1.1.2018**	**Granted**	**(Vested)**	**At 31.12.2018**
Dato' Khairil Anuar Aziz	01.07.2016	RS	25,400	-	(10,900)	14,500
Dato' Khairil Anuar Aziz	01.06.2018	RS	-	26,100	(7,800)	18,300

* RS – restricted shares

DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

Under the FGVH's LTIP, ordinary shares in FGVH are granted to eligible employees and Executive Directors of the FGVH Group. The grants under the LTIP will be vested upon fulfilment of vesting conditions set out in the letter of offer for the shares under the LTIP. All restricted shares ("RS") granted during the financial year 2017 have been vested at the end of financial year 2017. The RS granted in previous financial year has a three year vesting period and the first vesting date was on 31 March 2017. The second vesting date is expected to be at the end of April 2019.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 11 to the financial statements.

DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 12 to the financial statements.

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and Officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and Officers of the Group. The total amount of insurance premium paid by the Group during the financial year amounted to RM49,000. (2017: RM50,000).

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and

(b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (CONTINUED)

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(i) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the notes to the financial statements; and

(ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual in nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ULTIMATE HOLDING COMPANY

The Directors regard FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401 - LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 25 March 2019. Signed on behalf of the Board of Directors:

DATUK WIRA AZHAR ABDUL HAMID
CHAIRMAN

DATO' KHAIRIL ANUAR AZIZ
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Datuk Wira Azhar Abdul Hamid and Dato' Khairil Anuar Aziz, two of the Directors of MSM Malaysia Holdings Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 144 to 242 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 March 2019.

DATUK WIRA AZHAR ABDUL HAMID
CHAIRMAN

DATO' KHAIRIL ANUAR AZIZ
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Raja Faridah Raja Ahmad, the Officer primarily responsible for the financial management of MSM Malaysia Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 144 to 242 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

RAJA FARIDAH RAJA AHMAD
(MIA No.: 10848)

Subscribed and solemnly declared by the above named Raja Faridah Raja Ahmad at Kuala Lumpur in Malaysia on 25 March 2019, before me.

COMMISSIONER FOR OATHS

PESURUHJAYA SUMPAH
W 465
KAPT (B) JASNI BIN YUSOFF
1 JAN 2019 - 31 DIS 2021
MALAYSIA

Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut,
50350 Kuala Lumpur.
Tel: 019 6680745

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD
(Incorporated in Malaysia)
(Company No. 935722-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MSM Malaysia Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 144 to 242.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the Directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Goodwill impairment assessment As at 31 December 2018, the Group has goodwill of RM576,240,000. We focused on this area as the recoverable amount of the cash generating unit ("CGU") is based on value-in-use ("VIU") calculations, which require management's judgment on the assumptions used in the calculations, in particular selling price, raw sugar price, sales volume, terminal value growth rate and discount rate. Refer to Note 3(d) in the significant accounting policies, Note 5 in the critical accounting estimates and judgment and Note 19 to the financial statements.	We performed the following procedures on the cash flow projections prepared by the management: • We assessed the reasonableness of the key assumptions used by management in the VIU calculations, in particular selling price, raw sugar price, sales volume, terminal value growth rate and discount rate by comparing with business plans, historical results and market trends; • We assessed the reliability of management's forecast through the review of past trends of actual financial performance against previous forecasted results; • We examined the sensitivity analysis prepared by the management on selling price, raw sugar price, sales volume, terminal value growth rate and discount rate to evaluate the impact on the impairment assessment; and • We assessed the adequacy of the disclosures in relation to goodwill in the financial statements. Based on our procedures, we noted no significant exceptions.

We have determined that there are no key audit matters for the Company to communicate in our report.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management & Internal Control which we obtained prior to the date of this auditors' report, and Corporate Information, Chairman's Statement, Strategic Performance, Management Discussion and Analysis (including Executive Director's Review, Group Financial Review and Business Review), Corporate Governance (including Audit Committee Report and Nomination & Remuneration Committee Report), Quarterly Financial Performance, Statement of Value Added, 5-year financial summary, and other sections of the Annual Report 2018 which are expected to be made available to us after that date. The other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD
(Incorporated in Malaysia)
(Company No. 935722-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 20 to the financial statements.

OTHER MATTERS

1. As stated in Note 2 to the financial statements, MSM Malaysia Holdings Berhad adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by the Directors to the comparative information in these financial statements, including the statements of financial position of the Group and of the Company as at 31 December 2017 and 1 January 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as at 31 December 2018 and financial performance and cash flows for the financial year then ended.

2. This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

AZIZAN BIN ZAKARIA
02930/05/2020 J
Chartered Accountant

Kuala Lumpur

25 March 2019

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
Revenue	6	**2,215,465**	2,641,529	**71,378**	68,610
Cost of sales		**(2,017,749)**	(2,563,490)	**-**	-
Gross profit		**197,716**	78,039	**71,378**	68,610
Other operating income	7	**1,839**	8,685	**9**	-
Selling and distribution expenses		**(20,035)**	(19,741)	**-**	-
Administrative expenses		**(74,491)**	(61,122)	**(25,505)**	(23,259)
Impairment of investment in subsidiary	20	**-**	-	**(391,134)**	-
Impairment of receivables	8, 21	**(2,938)**	-	**(32,709)**	-
Other operating expenses		**(4,809)**	(7,005)	**-**	-
Other gains/(losses) – net	9	**(2,887)**	(1,223)	**-**	-
Profit/(loss) from operations		**94,395**	(2,367)	**(377,961)**	45,351
Finance income	10	**4,057**	5,293	**-**	-
Finance costs	10	**(38,145)**	(22,500)	**(43,565)**	(25,100)
Profit/(loss) before zakat and taxation	11	**60,307**	(19,574)	**(421,526)**	20,251
Zakat	13	**(1,500)**	-	**-**	-
Taxation	14	**(23,201)**	(16,767)	**(2,683)**	485
Profit/(loss) for the financial year		**35,606**	(36,341)	**(424,209)**	20,736
Other comprehensive income/(loss):					
Items that may be subsequently reclassified to profit or loss					
Currency translation difference		**901**	3,292	**-**	-
Cash flow hedges		**(156)**	717	**(156)**	717
		745	4,009	**(156)**	717
Total other comprehensive income/(loss) for the financial year attributable to owners of the Company		**36,351**	(32,332)	**(424,365)**	21,453
Basic and diluted earnings/(loss) per share attributable to equity holders of the Company (sen)	15	**5.07**	(5.17)		

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
ASSETS							
Non-current assets							
Property, plant and equipment	17	**1,742,369**	1,457,282	950,408	**86,233**	88,922	91,214
Prepaid lease payments	18	**450**	521	601	**-**	-	-
Intangible assets	19	**640,160**	644,572	646,704	**5,948**	4,965	2,056
Investments in subsidiaries	20	**-**	-	-	**1,666,272**	2,057,406	2,057,406
Loans due from subsidiaries	21	**-**	-	-	**1,019,033**	618,058	223,068
Receivables	22	**2,979**	5,054	4,640	**-**	-	-
Derivative financial instruments	26	**561**	717	-	**561**	717	-
Amount due from a related company	24	**1,372**	4,245	-	**-**	-	-
Deferred tax assets	31	**-**	-	-	**143**	-	-
		2,387,891	2,112,391	1,602,353	**2,778,190**	2,770,068	2,373,744
Current assets							
Inventories	23	**679,046**	732,242	897,736	**-**	-	-
Receivables	22	**313,188**	318,353	341,605	**1,143**	3,814	1,078
Tax recoverable		**29,722**	36,032	29,520	**4,165**	7,105	4,580
Amounts due from subsidiaries	24	**-**	-	-	**25,101**	25,984	51,328
Amounts due from other related companies	24	**44,056**	31,485	14,326	**145**	2,202	-
Amount due from ultimate holding company	24	**702**	605	-	**-**	-	-
Loans due from subsidiaries	21	**-**	-	-	**64,956**	153,130	103,966
Derivative financial instruments	26	**-**	3,147	1,970	**-**	-	-
Deposits, cash and bank balances	27	**191,563**	170,527	337,911	**116,398**	41,617	121,502
		1,258,277	1,292,391	1,623,068	**211,908**	233,852	282,454
Assets held for sale	28	**2,027**	-	7	**-**	-	-
Total assets		**3,648,195**	3,404,782	3,225,428	**2,990,098**	3,003,920	2,656,198

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	29	**718,255**	718,255	351,490	**718,255**	718,255	351,490
Share premium	30	**-**	-	366,765	**-**	-	366,765
Reorganisation deficit	30	**(1,039,632)**	(1,039,632)	(1,039,632)	**-**	-	-
Merger relief reserve	30	**1,733,939**	1,733,939	1,733,939	**1,733,939**	1,733,939	1,733,939
Foreign exchange reserve	30	**1,980**	1,079	(2,213)	**-**	-	-
Cash flow hedge reserve	30	**561**	717	-	**561**	717	-
Retained earnings/(accumulated loss)		**547,607**	512,001	576,461	**(418,560)**	5,649	13,032
Equity attributable to owners of the Company		**1,962,710**	1,926,359	1,986,810	**2,034,195**	2,458,560	2,465,226
Non-current liabilities							
Deferred tax liabilities	31	**83,458**	78,675	73,744	**-**	403	-
Borrowings	33	**556,284**	370,339	178,903	**556,284**	370,339	178,903
Payables	32	**32**	32	-	**32**	32	-
		639,774	449,046	252,647	**556,316**	370,774	178,903
Current liabilities							
Payables	32	**262,148**	193,106	465,856	**2,778**	4,965	8,139
Amounts due to subsidiaries	24	**-**	-	-	**343**	288	-
Loan due to a related company	25	**30,365**	108,826	156,452	**-**	-	-
Loan due to a subsidiary	25	**-**	-	-	**72,394**	129,843	-
Amounts due to other related companies	24	**2,844**	467	400	**140**	11	156
Amount due to FELDA	24	**50**	561	-	**-**	511	-
Amount due to ultimate holding company	24	**9,213**	505	6,963	**4,678**	2,783	3,774
Borrowings	33	**740,461**	725,912	356,300	**319,254**	36,185	-
Derivative financial liabilities	26	**630**	-	-	**-**	-	-
		1,045,711	1,029,377	985,971	**399,587**	174,586	12,069
Total liabilities		**1,685,485**	1,478,423	1,238,618	**955,903**	545,360	190,972
Total equity and liabilities		**3,648,195**	3,404,782	3,225,428	**2,990,098**	3,003,920	2,656,198

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Note	Share capital (Note 29) RM'000	Share premium (Note 30) RM'000	Reorgani-sation deficit (Note 30) RM'000	Merger relief reserve (Note 30) RM'000	Foreign exchange reserve (Note 30) RM'000	Cash flow hedge reserve (Note 30) RM'000	Retained earnings RM'000	Total RM'000
At 1.1.2018		**718,255**	**-**	**(1,039,632)**	**1,733,939**	**1,079**	**717**	**515,768**	**1,930,126**
Impact from Adoption of MFRS 15 (Note 40)		**-**	**-**	**-**	**-**	**-**	**-**	**(3,767)**	**(3,767)**
At 1.1.2018 – as restated		**718,255**	**-**	**(1,039,632)**	**1,733,939**	**1,079**	**717**	**512,001**	**1,926,359**
Profit for the financial year		**-**	**-**	**-**	**-**	**-**	**-**	**35,606**	**35,606**
Other comprehensive income for the financial year, net of tax:									
Item that will be subsequently reclassified to profit or loss									
- currency translation differences		**-**	**-**	**-**	**-**	**901**	**-**	**-**	**901**
- cash flow hedges		**-**	**-**	**-**	**-**	**-**	**(156)**	**-**	**(156)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**-**	**901**	**(156)**	**35,606**	**36,351**
At 31.12.2018		**718,255**	**-**	**(1,039,632)**	**1,733,939**	**1,980**	**561**	**547,607**	**1,962,710**
At 1.1.2017		351,490	366,765	(1,039,632)	1,733,939	(2,213)	-	576,461	1,986,810
Transition to no par value regime on 31 January 2017 under the Companies Act 2016		366,765	(366,765)	-	-	-	-	-	-
Loss for the financial year		-	-	-	-	-	-	(36,341)	(36,341)
Other comprehensive income for the financial year, net of tax:									
Item that will be subsequently reclassified to profit or loss									
- currency translation differences		-	-	-	-	3,292	-	-	3,292
- cash flow hedges		-	-	-	-	-	717	-	717
Total comprehensive income/(loss) for the financial year		-	-	-	-	3,292	717	(36,341)	(32,332)
Transactions with owners:									
Dividends	16	-	-	-	-	-	-	(28,119)	(28,119)
At 31.12.2017		718,255	-	(1,039,632)	1,733,939	1,079	717	512,001	1,926,359

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Company	Note	Share capital (Note 29) RM'000	Share premium (Note 30) RM'000	Merger relief reserve (Note 30) RM'000	Cash flow hedge reserve (Note 30) RM'000	Retained earnings RM'000	Total RM'000
		Non-distributable				Distributable	
At 1.1.2018		**718,255**	**-**	**1,733,939**	**717**	**5,649**	**2,458,560**
Loss for the financial year		**-**	**-**	**-**	**-**	**(424,209)**	**(424,209)**
Other comprehensive income for the financial year, net of tax:							
Item that will be subsequently reclassified to profit or loss							
- cash flow hedges		**-**	**-**	**-**	**(156)**	**-**	**(156)**
Total comprehensive income for the financial year		**-**	**-**	**-**	**(156)**	**(424,209)**	**(424,365)**
At 31.12.2018		**718,255**	**-**	**1,733,939**	**561**	**(418,560)**	**2,034,195**
At 1.1.2017		351,490	366,765	1,733,939	-	13,032	2,465,226
Transition to nil par value regime on 31 January 2017 under the Companies Act 2016		366,765	(366,765)	-	-	-	-
Profit for the financial year		-	-	-	-	20,736	20,736
Other comprehensive income For the financial year, net of tax:							
Item that will be subsequently reclassified to profit or loss							
- cash flow hedges		-	-	-	717	-	717
Total comprehensive income for the financial year		-	-	-	717	20,736	21,453
Transactions with owners:							
Dividends	16	-	-	-	-	(28,119)	(28,119)
At 31.12.2017		718,255	-	1,733,939	717	5,649	2,458,560

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) for the financial year	**35,606**	(36,341)	**(424,209)**	20,736
Adjustments for:				
Taxation	**23,201**	16,767	**2,683**	(485)
Depreciation of property, plant and equipment	**56,833**	47,925	**2,274**	2,234
Gain on disposal of property, plant and equipment	**(31)**	(210)	**-**	-
Asset held for sale written off	**-**	7	**-**	-
Intangible assets written off	**-**	500	**-**	-
Impairment of property, plant and equipment	**1,390**	-	**-**	-
Property, plant and equipment written off	**967**	8,188	**773**	500
Amortisation of prepaid lease payments	**71**	80	**-**	-
Amortisation of intangible assets	**6,880**	5,401	**1,485**	860
Amortisation of advance payment	**928**	928	**-**	-
Unrealised loss on sugar commodity options/ sugar future contracts	**630**	3,147	**-**	-
Dividend income	**-**	-	**-**	(28,119)
Interest income	**(4,057)**	(5,293)	**(58,342)**	(29,300)
Interest expense	**38,145**	22,500	**43,565**	25,100
Impairment loss of investment in a subsidiary	**-**	-	**391,134**	-
Impairment of receivables and loans due from subsidiaries	**2,938**	-	**32,709**	-
Inventories written down	**7,631**	3,518	**-**	-
Reversal of provision for onerous contracts	**-**	(16,637)	**-**	-
Unrealised gains on foreign currency exchange translation	**-**	(3,329)	**-**	-
Zakat	**1,500**	-	**-**	-
	172,632	47,151	**(7,928)**	(8,474)
Changes in working capital:				
Inventories	**45,565**	153,189	**-**	-
Receivables	**9,960**	29,702	**2,934**	(2,735)
Payables	**69,786**	(230,150)	**(2,188)**	(3,669)
Intercompany	**1,680**	(30,207)	**4,509**	4,622
Cash generated from/(used in) operations	**299,623**	(30,315)	**(2,673)**	(10,256)
Zakat paid	**(1,500)**	-	**-**	-
Tax paid	**(12,222)**	(18,413)	**(289)**	(1,702)
Tax refunded	**114**	65	**-**	65
Net cash generated from/(used in) operating activities	**286,015**	(48,663)	**(2,962)**	(11,893)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	35	**(327,579)**	(548,662)	**(358)**	(451)
Purchase of intangible assets		**(2,468)**	(3,769)	**(2,468)**	(3,769)
Proceeds from disposal of property, plant and equipment		**33**	342	**-**	-
Interest received		**3,793**	5,293	**8,648**	26,202
Dividend received		**-**	-	**-**	28,119
Loans to subsidiaries		**-**	-	**(371,579)**	(422,873)
Repayment of loan by subsidiaries		**-**	-	**75,500**	-
Net cash used in investing activities		**(326,221)**	(546,796)	**(290,257)**	(372,772)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of loan due to a related company		**-**	78,495	**-**	-
Repayment of loan due to a related company		**(78,495)**	(126,121)	**-**	-
Drawdown of loan due to a subsidiary		**-**	-	**-**	162,023
Repayment of loan due to a subsidiary		**-**	-	**(58,480)**	(33,543)
Drawdown of borrowings		**2,277,832**	3,309,639	**542,540**	424,654
Repayment of borrowings		**(2,080,137)**	(2,755,119)	**(73,750)**	(202,198)
Dividends paid		**-**	(28,119)	**-**	(28,119)
Interest paid		**(58,368)**	(42,205)	**(42,310)**	(18,572)
Changes in restricted cash		**(77,603)**	-	**(77,603)**	-
Net cash (used in)/generated from financing activities		**(16,771)**	436,570	**290,397**	304,245
NET DECREASE IN CASH AND CASH EQUIVALENT		**(56,977)**	(158,889)	**(2,822)**	(80,420)
Effect of foreign exchange rate changes		**410**	(9,030)	**-**	-
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE FINANCIAL YEAR		**154,787**	322,706	**25,877**	106,297
CASH AND CASH EQUIVALENT AT THE END OF THE FINANCIAL YEAR	27	**98,220**	154,787	**23,055**	25,877

Cash flows and non-cash changes arising from financing activities are as follows:-

Group	At 1 January RM'000	Cash drawdown RM'000	Cash repayment RM'000	Non-cash interest RM'000	At 31 December RM'000
2018					
Islamic term loan	**406,524**	**339,040**	**(93,314)**	**30,971**	**683,221**
Term loan	**-**	**203,500**	**(20,043)**	**8,860**	**192,317**
Banker acceptance	**669,727**	**1,715,292**	**(1,983,293)**	**19,481**	**421,207**
Revolving credit	**20,000**	**20,000**	**(40,000)**	**-**	**-**
	1,096,251	**2,277,832**	**(2,136,650)**	**59,312**	**1,296,745**
Loan due to a related company	**108,826**	**-**	**(80,350)**	**1,889**	**30,365**
	1,205,077	**2,277,832**	**(2,217,000)**	**61,201**	**1,327,110**
2017					
Islamic term loan	178,903	424,654	(220,770)	23,737	406,524
Banker acceptance	356,300	2,864,985	(2,572,758)	21,200	669,727
Revolving credit	-	20,000	-	-	20,000
	535,203	3,309,639	(2,793,528)	44,937	1,096,251
Loan due to a related company	156,452	78,495	(129,917)	3,796	108,826
	691,655	3,388,134	(2,923,445)	48,733	1,205,077

Cash flows and non-cash changes arising from financing activities are as follows:- (continued)

Company	At 1 January RM'000	Cash drawdown RM'000	Cash repayment RM'000	Non-cash interest RM'000	At 31 December RM'000
2018					
Islamic term loan	**406,524**	**339,040**	**(93,314)**	**30,971**	**683,221**
Term loan	**-**	**203,500**	**(20,043)**	**8,860**	**192,317**
Loan due to a subsidiary	**129,843**	**-**	**(61,183)**	**3,734**	**72,394**
	536,367	**542,540**	**(174,540)**	**43,565**	**947,932**
2017					
Islamic term loan	178,903	424,654	(220,770)	23,737	406,524
Loan due to a subsidiary	-	162,023	(33,543)	1,363	129,843
	178,903	586,677	(254,313)	25,100	536,367

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur. The principal place of business of the Company is located at Level 44, Menara Felda, Platinum Park, No.11, Persiaran KLCC, 50088 Kuala Lumpur.

The principal activity of the Company is of investment holding. The principal activities of the subsidiaries are set out in Note 20 of the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The ultimate holding company is FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) ("FGVH"), a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

2 BASIS OF PREPARATION

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 consolidated financial statements of the Group for the financial year ended 31 December 2018 are the first set of consolidated financial statements prepared in accordance with MFRS, including MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards", MFRS 9 "Financial Instruments", MFRS 15 "Revenue from Contracts with Customers" and MFRS 141 "Agriculture".

Subject to certain transition elections as disclosed in Note 40, the Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position as at 1 January 2017, being the transition date, and throughout all financial years presented, as if these policies had always been in effect. The impact of the transition to MFRS on the Group's reported financial position, financial performance and cash flows are disclosed in Note 40.

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial period.

It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

Accounting pronouncements that are not yet effective and have not been early adopted by the Group and Company:

<u>Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted</u>

- MFRS 16 "Leases"

  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 and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

  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, operating expense will be replaced with interest and depreciation, so key metrics like 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.

2 BASIS OF PREPARATION (CONTINUED)

Accounting pronouncements that are not yet effective and have not been early adopted by the Group and Company: (continued)

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted (continued)

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under MFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The impact of the above is still being assessed by the Directors. In assessing the impact, the Group will be considering the operating lease commitment as disclosed in Note 36 to the financial statements.

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"

The impact of the above standards is still being assessed.

3 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of financial statements are set out below. These policies have been consistently applied to all the financial years presented, unless otherwise stated:

(a) Basis of consolidation and investment in subsidiaries

The consolidated financial statements include the financial statements of the Company and all its subsidiaries made up to the end of financial year. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Acquisition accounting

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of the non-controlling interests. The Group recognises any non-current controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation and investment in subsidiaries (continued)

Acquisition accounting (continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 3(d)).

Predecessor accounting

Acquisitions of subsidiaries and businesses under common control that meet the conditions of a merger are accounted for using the predecessor basis of accounting.

Under the predecessor basis of accounting, the results of subsidiaries and businesses under common control are presented as if the business combination had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit or debit difference is classified as reorganisation reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

Non-controlling interests is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences or other reserves that relate to the subsidiary and is recognised in profit or loss.

All earnings and losses of the subsidiary are attributed to the parent and the non- controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the non-controlling interests.

In the Company's financial statements, investments in subsidiaries are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (Note 3(k)).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated statement of financial position as intangible assets. Negative goodwill represents the total of consideration transferred, non-controlling interest recognised and previously held interest measured being less than where the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. See significant accounting policies Note 3(k) on impairment of non-financial assets.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(k) on impairment of non-financial assets.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Intangible assets with indefinite useful lives and intangible assets under development are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (continued)

Intangible assets are amortised using the straight line basis over their estimated useful lives as follows:

Brand	25 years
Software	3 - 5 years

Amortisation on intangible assets under development commences when the assets are ready for their intended use.

The nature of the intangible assets are as follows:

(i) Brand is related to a sugar brand 'Prai' acquired as part of the acquisition of the sugar business.

(ii) Software relates to information technology ("IT") used within the Group.

(f) Financial instruments

MFRS 9 replaces the provisions of MFRS 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments and impairment of financial assets.

The adoption of MFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

The Group has elected to apply the limited exemption in MFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a consequence:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at the beginning of the current reporting period, with the difference recognised in opening retained earnings;

(b) financial assets are not reclassified in the balance sheet for the comparative period; and

(c) provisions for impairment have not been restated in the comparative period.

(g) Financial assets

Accounting policies applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following categories:

(i) those to be measured subsequently at fair value (either through profit or loss or other comprehensive income); and

(ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

(ii) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Impairment

(a) Impairment for debt instruments

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group financial instruments that are subject to the ECL model are as follows:

- Receivables (excluding advance payments, prepayments and GST receivables)
- Loans and amounts due from subsidiaries/other related companies/ultimate holding company

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables, loans and amount due from subsidiaries and related companies that are non trade related

At each reporting date, the Group measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

(ii) Simplified approach for trade receivables and amounts due from subsidiaries and related companies that are trade related

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and amounts due from subsidiaries and related companies that are trade related.

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Impairment (continued)

(b) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.

Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model as applicable.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(c) Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 180 days of when they fall due.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Impairment (continued)

(c) Definition of default and credit-impaired financial assets (continued)

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis.

(d) Groupings of instruments for ECL measurement

Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

Other receivables, loans and amount due from intercompany, are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored separately.

(e) Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses on the face of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other debt instruments

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Accounting policies applied until 31 December 2017

Classification

Until 31 December 2017, the Group and the Company classified its financial assets its financial assets in the following categories:

- financial assets at fair value through profit or loss ("FVPL"),
- loans and receivables,
- held-to-maturity investments, and
- available-for-sale financial assets ("AFS")

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

(a) Financial assets at FVPL

The Group and the Company classify financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term, i.e. are held for trading. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables are as disclosed.

(c) AFS financial assets

AFS financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or AFS categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust the effective interest rates prospectively.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Subsequent measurement

Subsequent to the initial recognition, loans and receivables and held-to-maturity investments were carried at amortised cost using the effective interest method.

AFS financial assets and financial assets at FVPL were subsequently carried at fair value.

Changes in the fair values of financial assets at FVPL, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value changes.

Finance and dividend income on available-for-sale financial assets are recognised separately in profit or loss. Dividend income on available-for-sale financial assets are recognised in profit or loss when the Group's right to receive payment is established.

Impairment of financial assets

In previous financial year, the Group and the Company assessed impairment of financial assets based on the incurred loss model.

(a) Assets carried at amortised cost

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Impairment of financial assets (continued)

(a) Assets carried at amortised cost (continued)

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

(b) Assets classified as AFS

The Group and the Company assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For debt securities, the Group and the Company use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as AFS increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

In the case of equity securities classified as AFS, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for AFS financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as AFS are not reversed through profit or loss in subsequent periods.

(h) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives in a loss position, if any, which are measured through profit or loss.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Gains or losses arising from changes in fair value of derivatives are recognised in profit or loss within other gain/loses, net. Net gains or losses on derivatives include exchange differences.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Financial liabilities (continued)

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Foreign exchange differences are capitalised to the extent of the capitalization of the related borrowing costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially difference terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(i) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

See significant accounting policies Note 3(h) on borrowing costs. To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated cost of dismantling and removing the assets are restoring the site.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Major spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they are expected to be used during more than one period.

A bearer plant is a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The bearer plants of the Group are oil palms, rubber trees and mango trees. Immature bearer plants are measured at accumulated costs of planting of bearer plants, similar to accounting for a self-constructed item of property, plant and equipment. Bearer plants are classified as immature until the trees are available for harvest.

At that point, bearer plants are measured at amortised cost and depreciated over their useful life which is estimated to be 20 to 25 years.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

Freehold land is not depreciated as it has an infinite useful life and assets under construction are not depreciated until when the assets are ready for their intended use.

All property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Principal annual rates used are summarised as follows:

Property, plant and equipment	Estimated useful lives (years)
Leasehold land	66 – 99 years
Buildings	20 - 25 years
Plant and machinery	3 – 20 years
Furniture, fittings, equipment and motor vehicles	3 – 11 years
Bearer plants	
- Oil palms	22 years, or the lease term if shorter
- Rubber trees	20 years, or the lease term if shorter
- Mango trees	25 years, or the lease term if shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in "other operating income" in profit or loss.

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(k) on impairment of non-financial assets.

(j) Inventories

Inventories which consist of raw materials, work-in-progress, finished goods, molasses and consumables are stated at lower of cost and net realisable value.

Cost is determined on the weighted average cost basis. Raw material cost comprises the landed cost of goods purchased and in the case of work-in-progress and finished goods, includes materials, direct labour, other direct charges and an appropriate proportion of factory overheads. Consumables comprise the actual purchase costs.

Net realisable value is the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets

Assets that have an indefinite useful life for example goodwill or intangible asset not ready to use, are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current non-financial assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The impairment loss is charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets, except goodwill, are reviewed for possible reversal of impairment at each reporting date and is recognised in profit or loss.

The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(l) Current and deferred income taxes

Tax expenses for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current and deferred tax is measured using the tax rates that have been enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries operate generate taxable income.

Deferred tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefits arising from reinvestment allowance are recognised when the tax credit is utilised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Zakat

The Group recognises its obligations towards the payment of zakat on business. Zakat for the current period is recognised as and when the Group has a current zakat obligation as a result of zakat assessment. The amount of zakat expense shall be assessed when a company within the Group has been in operation for at least 12 months, i.e. for the period known as "haul (eligible period)".

Zakat expense is determined based on the Group's financial results for the year. The amount of zakat paid is recognised as an expense in the financial year in which it is incurred.

(n) Foreign currencies

Functional and presentation currency

Items included in the financial statements of the each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group and Company's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss. Foreign exchange gains and losses related to foreign currency forward contracts are presented in profit or loss within "other (losses)/gains – net".

Group companies

The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of comprehensive income are translated at average rate (unless this average is not reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in the foreign exchange reserve as a separate component of equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at closing rate. Exchange differences arising are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and long-term advances are taken to the foreign exchange reserve within equity. When a foreign operation is sold, such exchange differences are recognised in profit or loss as part of the gain or loss on disposal.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition

(i) Revenue from contracts with customers

- Sales of goods

  The Group's revenue which represents income arising in the course of the Group's and the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfer the control of the goods and services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

  A contract with customer exists when the contract has commercial substance, the Group, the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

  Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract.

  The Group sells refined sugar, raw sugar and molasses in connection to the sugar operation. In addition, the Group also sells rubber, palm oil and mango through its plantation segment.

  Revenue from sales of goods from the sugar operation and plantation are recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

- Sales with a right of return

  When the customer has a right to return the goods within a given period, the Group is obliged to refund the purchase price. Revenue is adjusted for the expected value of the returns and cost of sales are adjusted for the value of the corresponding goods expected to be returned.

  A refund liability for the expected refunds to customers is recognised as adjustment to revenue and correspondingly in trade and other payables. At the same time, the Group has a right to recover the goods from the customer where the customer exercises his right of return and recognises a refund asset and a corresponding adjustment to cost of sales the refund asset is measured by reference to the former carrying amount of the product.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

- Sales with a right of return (continued)

  Accumulated experience is used to estimate such returns at the time of sale at a portfolio level using the expected value method. Because the number of goods returned has been steady for years, management assessed that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

- Revenue from rendering services

  Revenue from rendering services including management fees are recognised when the services are performed by reference to completion of the specific services.

  Transportation services performed after the transfer of control of sales of goods from the sugar operation to customers are regarded as a separate performance obligation and recognised over time depending on the terms of the contract.

Receivables, contract asset and contract liabilities

A receivable is recognised when the goods are delivered or services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Contract cost

During the year, the Group has elected the practical expedient to recognise incremental contract cost of obtaining contract with period of less than one year as an expense when incurred.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Company are as follows:

(a) Rental income - recognised on a straight-line basis over the lease terms.

(b) Finance income - recognised using effective interest method.

From 1 January 2018, finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Prior to 1 January 2018 and until 31 December 2017, when a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

(ii) Revenue from other sources (continued)

Specific revenue recognition criteria for other revenue and income earned by the Company are as follows: (continued)

(c) Dividend income

Dividend income from investments are recognised in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

From 1 January 2018 onward, dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at FVOCI.

(p) Dividend distribution

Dividend on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statement are authorised for issue, is not recognised as a liability at the statement of financial position date.

(q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Leases

Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

Operating leases – the Group as lessee

Operating leases payment are recognised as an expense on a straight-line basis over the period of the relevant lease period. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

Payment for rights to use land and buildings over a predetermined period, is classified as prepaid lease payments and is stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid lease payments are amortised on a straight-line basis over lease periods ranging from 15 to 60 years.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (continued)

Finance lease – the Group as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of finance on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The finance element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

(s) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Termination benefits

The Group pays termination benefits in cases of termination of employment within the framework of the restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

(t) Equity instruments

Ordinary shares are classified as equity.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence and non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However contingent liabilities do not include financial guarantee contracts.

(v) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Director.

(w) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time recognised as finance cost.

(x) Onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Non-current assets held for sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are recognised at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale, or included within a disposal group that is classified as held for sale, are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(z) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated based on the consolidated profit after taxation attributable to equity shareholders of the Company and divided by the weighted number of ordinary shares in issue.

(aa) Fair value measurement

The fair value measurement prescribes that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

(ab) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. The Group designates certain derivatives as hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Derivative financial instruments and hedging activities (continued)

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'finance income/(costs)' and 'foreign exchange losses'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within 'finance income/(costs)' (Note 10).

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk management policies

The Group is exposed to market risk (including foreign currency exchange risk, commodity price risk and finance rate risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses relevant derivative financial instruments to hedge the risk of such commercial exposure and ensure the implementation risk action plans to effectively mitigate the risks.

The Board of Directors has overall responsibility for the oversight of financial risk management which includes risk identification, operational or strategic, and the subsequent action plans to manage these risks. Management is responsible for identifying, monitoring and managing the Group's risk exposures.

Market risk

(i) Foreign currency exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD").

The Group manages its currency exposure through foreign currency forward contracts.

As at 31.12.2018, a 5% weakening of the USD against Malaysia Ringgit ("RM") at the date of statement of financial position would increase the Group's profit after tax of approximately RM2,598,000.

As at 31.12.2017, a 5% weakening of the USD against Malaysia Ringgit ("RM") at the date of statement of financial position would decrease the Group's loss after tax of approximately RM2,472,000.

The above exposure mainly as a result of foreign exchange gains/losses on translation of payables. The analysis assumes that all other variables remain constant.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(ii) Commodity price risk

The Group is exposed to raw sugar prices which are subject to fluctuations due to unpredictable factors such as weather, change of global demand and global production.

Management is responsible for managing the Group's exposure to raw sugar input cost against selling prices of refined sugar set by the Government. Management meets regularly to review their raw sugar requirements and price trends and then decides when to buy and price raw sugar consignments so that a refining margin is locked to ensure budgeted profits are met. In addition, the Group enters into New York 11 raw sugar future contracts to manage its raw sugar purchase cost.

A sensitivity analysis has been performed based on the Group's exposure to sugar futures as at year end. If price of raw sugar increases or decreases by 10% with all other variables held constant, the Group's profit after tax and equity would increase or decrease by RM742,000 (2017: loss after tax and equity would decrease or increase by RM315,000).

(iii) Finance rate risk

The Group's finance rate risk mainly arises from term loans. Term loans issued at variable rates expose the Group to cash flow finance rate risk.

The finance rate profile of the Group's finance bearing financial assets, based on carrying amounts as at the end of the financial year was:

	Group			Company		
Financial assets	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
At fixed rate:						
Fixed deposits	**148,786**	88,201	245,593	**115,071**	39,992	120,472
At floating rate (exposed to cash flow finance rate risk):						
Loans to subsidiaries	**-**	-	-	**1,083,989**	771,188	327,034
	148,786	88,201	245,593	**1,199,060**	811,180	447,506

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Finance rate risk (continued)

The finance rate profile of the Group's finance bearing financial liabilities, based on carrying amounts as at the end of the reporting period was:

Financial liabilities	Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	Company 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At fixed rate:						
Loan due to a related company	**30,365**	108,826	156,452	**-**	-	-
Borrowings	**421,207**	669,727	356,300	**-**	-	-
	451,572	778,553	512,752	**-**	-	-
At floating rate (exposed to cash flow finance rate risk):						
Borrowings	**875,538**	426,524	178,903	**875,538**	406,524	178,903
Loan due to a subsidiary	**-**	-	-	**72,394**	129,843	-
	875,538	426,524	178,903	**947,932**	536,367	178,903
	1,327,110	1,205,077	691,655	**947,932**	536,367	178,903

If finance rates on its floating rate financial liabilities increased/decreased by 10 basis points with all other variables held constant, the profit after tax of the Group will decrease/increase by RM1,296,745 (2017: loss after tax of the Group will increase/decrease by RM1,096,251).

Other financial assets and financial liabilities are non-finance bearing, and therefore are not affected by changes in finance rates.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and at fair value through profit or loss (FVPL), favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to from outstanding receivables.

The Group adopts the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including payments in advance, security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Receivables, amounts due from subsidiaries and other related companies' exposure are closely monitored and continuously followed up.

The Group's deposits, cash and bank balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(a) Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss (ECL) model include trade receivables. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

(i) Trade receivables, amounts due from subsidiaries and related companies that are trade related using simplified approach

The Group applies the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

(ii) Other receivables, loans and amounts due from subsidiaries and other related companies/ultimate holding company that are non-trade related using general 3-stage approach

The Group uses three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories (3 stage approach). These financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments are 180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Fixed deposits and bank balances

The Group seeks to invest in its cash assets safely by depositing them with licensed financial institutions.

The Group's bank and cash balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

Inter-company balances

The Company provided unsecured loans to subsidiaries. The Company monitors the results of the subsidiaries regularly.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position and there was no indication that the loans to the subsidiaries are not recoverable.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations due to shortage of funds. The Group maintains a sufficient level of cash and cash equivalents to meet the Group's working capital requirements by closely monitoring its cash flows. Due to the nature of its business, the Group has adopted prudent liquidity risk management in maintaining and obtaining sufficient credit facilities from financial institutions.

Cash flow forecasting is performed in the operating entities of the Group and then aggregated by management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statements of financial position ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions. As at 31 December 2018, the Group has undrawn committed borrowing facilities amounting to RM nil (2017: RM351,288,000).

As disclosed in Note 33 to the financial statements, the Company was not in compliance with certain financial covenants for its Islamic term loan. The Company had received a letter of indulgence dated 3 November 2017 from the lender allowing the requirements to comply with the financial covenants to be deferred until 31 December 2018.

As at 31 December 2018, the waiver of the financial covenants continued to be effective as the Company met all the conditions as stipulated in the letter of indulgence dated 3 November 2017.

On 19 March 2019, the Company received a letter of indulgence from the lender confirming the lender of the Islamic term loan facility had granted a further indulgence and extension of deferment of the imposition of the financial covenants with effect from 1 January 2019 until 31 December 2019, subject to the following conditions:

a) no dividend declaration and/or payment by the Company without prior written consent from the lender until such financial covenants are complied with; and

b) amendments to payments of the lender's sale price and the other relevant terms and conditions in the Islamic term loan agreement must be in place and effective by next payment due on 27 May 2019.

Management has been in discussions with the lender to negotiate the amendment to the payment period and other relevant terms and conditions of the Islamic term loan agreement. The Directors of the Company believe that the Company would be able to finalise the amendments to the Islamic term loan agreement with the lender before 27 May 2019.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

In addition to amending the payment period of the Islamic term loan, the Company also plans to manage its liquidity risk by receiving income in the form of dividends and management fees from its subsidiaries, to meet its obligations over the next twelve months.

Surplus cash is invested in profit bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held cash investments of RM148,786,000 (2017: RM88,201,000) and other liquid assets of RM42,777,000 (2017: RM82,326,000) that are expected to readily generate cash inflows for managing liquidity risk. At the reporting date, the Company held cash investments of RM115,071,000 (2017: RM39,992,000) and other liquid assets of RM1,327,000 (2017: RM1,625,000) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining maturity periods at the reporting date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The table below summaries the maturity profile of the Group's and Company's financial liabilities based on the remaining maturity periods at the statement of financial position date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

Group	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2018					
Payables	**262,148**	**32**	**-**	**-**	**262,180**
Loan due to a related company	**30,365**	**-**	**-**	**-**	**30,365**
Amounts due to other related companies	**2,844**	**-**	**-**	**-**	**2,844**
Amount due to FELDA	**50**	**-**	**-**	**-**	**50**
Amount due to ultimate holding company	**9,213**	**-**	**-**	**-**	**9,213**
Borrowings	**742,757**	**191,855**	**528,973**	**82,449**	**1,546,034**
Total undiscounted financial liabilities	**1,047,377**	**191,887**	**528,973**	**82,449**	**1,850,686**
At 31 December 2017					
Payables	193,106	32	-	-	193,138
Loan due to a related company	108,826	-	-	-	108,826
Amounts due to other related companies	467	-	-	-	467
Amount due to FELDA	561	-	-	-	561
Amount due to ultimate holding company	505	-	-	-	505
Borrowings	746,684	86,407	239,432	100,326	1,172,849
Total undiscounted financial liabilities	1,050,149	86,439	239,432	100,326	1,476,346

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

Group	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
At 1 January 2017					
Payables	465,856	-	-	-	465,856
Loan due to a related company	156,452	-	-	-	156,452
Amounts due to other related companies	400	-	-	-	400
Amount due to ultimate holding company	6,963	-	-	-	6,963
Borrowings	363,868	7,568	183,522	-	554,958
Total undiscounted financial liabilities	993,539	7,568	183,522	-	1,184,629

Company	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
At 31 December 2018					
Payables	**2,778**	**32**	**-**	**-**	**2,810**
Amounts due to subsidiaries	**343**	**-**	**-**	**-**	**343**
Amounts due to other related companies	**140**	**-**	**-**	**-**	**140**
Amount due to ultimate holding company	**4,678**	**-**	**-**	**-**	**4,678**
Loan due to a subsidiary	**72,394**	**-**	**-**	**-**	**72,394**
Borrowings	**355,155**	**152,702**	**420,296**	**49,559**	**977,712**
Total undiscounted financial liabilities	**435,488**	**152,734**	**420,296**	**49,559**	**1,058,077**
At 31 December 2017					
Payables	4,965	32	-	-	4,997
Amounts due to subsidiaries	288	-	-	-	288
Amounts due to other related companies	11	-	-	-	11
Amount due to FELDA	511	-	-	-	511
Amount due to ultimate holding company	2,783	-	-	-	2,783
Loan due to a subsidiary	129,843	-	-	-	129,843
Borrowings	52,513	86,407	239,432	100,326	478,678
Total undiscounted financial liabilities	190,914	86,439	239,432	100,326	617,111

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

Company	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000
At 1 January 2017					
Payables	8,139	-	-	-	8,139
Amounts due to other related companies	156	-	-	-	156
Amount due to ultimate holding company	3,774	-	-	-	3,774
Borrowings	7,568	7,568	183,522	-	198,658
Total undiscounted financial liabilities	19,637	7,568	183,522	-	210,727

(b) Capital risk management policies

The Group's and Company's primary objectives on capital management policies are to safeguard the Group's and Company's ability to maintain healthy capital ratios to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and Company manage its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2018 and 31 December 2017.

The Group considers its debts and equity attributable to owners of the Company as capital and monitor capital using gearing ratio. This ratio is calculated as net debt divided by total capital of the Group and Company. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) and loan due to a related company. At Company level, net debt also includes loan due to a subsidiary. Total capital is calculated as 'equity attributable to owners of the Company as shown in the consolidated statement of financial position plus the net debt of the Group and Company.

The gearing ratio analysis for the Group and the Company are as disclosed below:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Net debt	**1,327,110**	1,205,077	691,655	**947,932**	536,367	178,903
Equity attributable to owners of the Company	**1,962,710**	1,926,359	1,986,810	**2,034,195**	2,458,560	2,465,226
Total capital	**3,289,820**	3,131,436	2,678,465	**2,982,127**	2,994,927	2,644,129
Gearing ratio	**40%**	38%	26%	**32%**	18%	7%

The increase in the Group's and the Company's gearing ratio in 2018 resulted primarily from higher external loans obtained during the financial year for the purposes of construction of a new refinery in Johor by a subsidiary of the Group. See Note 33 to the financial statements on compliance to external financial covenants.

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2018 and 31 December 2017:

Group – Assets	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
As at 31 December 2018				
Derivatives used for hedging:				
- Islamic profit rate swap	**561**	**-**	**561**	**-**
As at 31 December 2017				
Derivatives used for hedging:				
- Islamic profit rate swap	717	-	717	-
Financial assets at fair value through profit or loss:				
Derivatives				
- Commodities futures contracts	3,147	3,147	-	-
	3,864	3,147	717	-

Group – Liabilities	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
As at 31 December 2018				
Financial assets at fair value through profit or loss:				
Derivatives				
- Sugar commodity options	**630**	**-**	**630**	**-**

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

Company – Assets	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
As at 31 December 2018				
Derivatives used for hedging:				
- Islamic profit rate swap	**561**	**-**	**561**	**-**
As at 31 December 2017				
Derivatives used for hedging:				
- Islamic profit rate swap	717	-	717	-

There were no transfers between levels 1 and 2 during the financial year.

(i) Financial instruments in Level 1

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 of commodity derivatives quoted on foreign commodity exchanges.

(ii) Financial instruments in Level 2

The fair value of financial instruments that are not traded in an active market 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 exchange forward contract.

There are no offsetting financial assets and financial liabilities during the financial year.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units ('CGU') to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of CGUs were determined based on the higher of fair value less cost to sell and value-in-use ("VIU") calculations. The VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected future cash flows are estimates made based on historical, industry trends, general market and economic condition and other available information. Projected future cash flows are based on Group's judgment in terms of assessing future uncertain parameters such as selling price, raw sugar price, sales volume and terminal value growth rate. These judgments are based on the historical track record and expectations of future events that are believed to be reasonable under current circumstances.

As a result of these impairments assessments, the Group did not recognise any impairment. A forecast period of 3 years together with a terminal value growth rate was used to derive the recoverable amount.

The key assumptions and sensitivity analysis are as disclosed in Note 19 to the financial statements.

6 REVENUE

The Group and Company derive the following types of revenue:

Group	2018 RM'000	2017 RM'000
Revenue from contracts with customers	**2,215,465**	2,641,529
Revenue from other sources	**-**	-
	2,215,465	2,641,529

6 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers:

	Sugar RM'000	Palm oil, rubber and mango RM'000	Total RM'000
2018			
Major goods and services:			
Sales of refined sugar and molasses	**2,213,236**	**-**	**2,213,236**
Sales of palm oil, rubber and mango	**-**	**1,089**	**1,089**
Transportation services	**1,140**	**-**	**1,140**
	2,214,376	**1,089**	**2,215,465**
Timing of revenue recognition			
- at a point in time	**2,213,236**	**1,089**	**2,214,325**
- over time	**1,140**	**-**	**1,140**
	2,214,376	**1,089**	**2,215,465**
2017			
Major goods and services:			
Sales of refined sugar and molasses	2,639,116	-	2,639,116
Sales of palm oil, rubber and mango	-	1,195	1,195
Transportation services	1,218	-	1,218
	2,640,334	1,195	2,641,529
Timing of revenue recognition			
- at a point in time	2,639,116	1,195	2,640,311
- over time	1,218	-	1,218
	2,640,334	1,195	2,641,529

6 REVENUE (CONTINUED)

The following table shows that the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied) as at 31 December 2018:

	Group 2018 RM'000	Company 2018 RM'000
Sales of sugar	**14,266**	-

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting date, of which the Group expects to recognise is RM14,266,000 as revenue in 2019.

The following table shows that the revenue recognised relating to performance obligations that were unsatisfied (or partially satisfied) as at 31 December 2017:

	Group 2018 RM'000	Company 2018 RM'000
Sales of sugar	**18,038**	-

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the previous year's reporting date, of which the Group has recognised is RM18,038,000 as revenue in 2018.

Company	2018 RM'000	2017 RM'000
Revenue from contracts with customers	**11,610**	9,848
Revenue from other sources	**59,768**	58,762
	71,378	68,610

6 REVENUE (CONTINUED)

Company	2018 RM'000	2017 RM'000
Revenue from contracts with customers		
Management fee income	**11,610**	9,848
Revenue from other sources		
Interest income	**58,342**	29,300
Dividend income	**-**	28,119
Others	**1,426**	1,343
	59,768	58,762
	71,378	68,610
Timing of revenue recognition		
Over time	**11,610**	9,848

7 OTHER OPERATING INCOME

	Group	
	2018 RM'000	2017 RM'000
Rental income	**443**	351
Income from sale of scrap	**518**	672
Gain on disposal of property, plant and equipment	**31**	210
Unrealised gains on foreign currency exchange translation	**-**	3,329
Realised gains on foreign currency exchange translation	**240**	3,180
Insurance claims	**315**	-
Others	**292**	943
	1,839	8,685

8 IMPAIRMENT OF RECEIVABLES/LOANS DUE FROM SUBIDIARIES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Impairment loss on receivables	**2,938**	-	**-**	-
Impairment loss on loans due from subsidiaries	**-**	-	**32,709**	-
	2,938	-	**32,709**	-

9 OTHER GAINS/(LOSSES) - NET

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unrealised fair value (losses) - net				
- Sugar futures contract	**-**	(3,147)	**-**	-
- Sugar commodity options	**(630)**	-	**-**	-
	(630)	(3,147)	**-**	-
Realised fair value gains/(losses) - net				
- Foreign currency exchange forward contracts	**890**	1,924	**-**	-
- Sugar futures contract	**(3,147)**	-	**-**	-
	(2,887)	(1,223)	**-**	-

10 FINANCE INCOME AND COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Finance income:				
Interest income	**4,057**	5,293	**-**	-
Finance costs:				
Interest on:				
- bankers' acceptances	**(19,481)**	(21,200)	**-**	-
- term loan	**(39,831)**	(18,991)	**(39,831)**	(18,991)
- loan due to a related company	**(1,889)**	(3,796)	**-**	-
- loan due to a subsidiary	**-**	-	**(3,734)**	(1,363)
- unwinding of interest of Islamic term loan	**-**	(4,746)	**-**	(4,746)
	(61,201)	(48,733)	**(43,565)**	(25,100)
Amount capitalised on qualifying assets				
- property, plant and equipment (Note 17)	**23,056**	26,233	**-**	-
	(38,145)	(22,500)	**(43,565)**	(25,100)

11 PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION

Profit/(loss) before zakat and taxation is stated after charging/(crediting):

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cost of raw sugar consumed	**1,715,686**	2,159,760	**-**	-
Changes in inventories of work in progress, refined sugar and molasses	**53,196**	(49,984)	**-**	-
Distribution and transport expenses	**20,035**	81,796	**-**	-
Natural gas and fuel consumed	**93,277**	67,479	**-**	-
Property, plant and equipment				
- Depreciation	**56,833**	47,925	**2,274**	2,234
- Write offs	**967**	8,188	**773**	500
- Gain on disposal of property, plant and equipment	**(31)**	(210)	**-**	-
- Impairment loss	**1,390**	-	**-**	-
Assets held for sale written off	**-**	7	**-**	-
Intangible assets written off	**-**	500	**-**	-
Amortisation of prepaid lease payments	**71**	80	**-**	-
Amortisation of intangible assets	**6,880**	5,401	**1,485**	860
Amortisation of advance payment	**928**	928	**-**	-
Principal auditors' remuneration				
- Audit fee	**521**	450	**176**	159
- Other assurance services	**284**	270	**284**	270
Member firm of principal auditors' remuneration				
- Audit fee	**90**	231	**-**	-
Other auditors' remuneration				
- Non-audit	**-**	77	**-**	77
Inventories written down	**7,631**	3,518	**-**	-
Operating lease rental on land and buildings	**1,334**	287	**-**	-
Repair and maintenance	**40,845**	33,160	**3,237**	987
Tyre expenses	**515**	523	**-**	-
Diesel and fuel	**2,134**	1,989	**-**	-
Staff costs*	**79,312**	69,193	**11,511**	10,099
Rental income	**(443)**	(351)	**(1,426)**	(1,055)
Rental expenses	**5,639**	7,213	**784**	523
Reversal of provision for onerous contracts	**-**	(16,637)	**-**	-

11 PROFIT/(LOSS) BEFORE ZAKAT AND TAXATION (CONTINUED)

Profit/(loss) before zakat and taxation is stated after charging/(crediting): (continued)

* Staff costs (excluding Directors' remuneration) are analysed as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	**60,829**	53,378	**7,847**	7,684
Defined contribution plan	**9,462**	8,081	**1,841**	1,473
Other employee benefits	**9,021**	7,734	**1,823**	942
	79,312	69,193	**11,511**	10,099

12 DIRECTORS' REMUNERATION

2018	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	**710**	-	**710**
- Non-Independent Non-Executive	**541**	-	**541**
	1,251	-	**1,251**
Meeting allowances:			
- Independent Non-Executive	**196**	-	**196**
- Non-Independent Non-Executive	**78**	-	**78**
	274	-	**274**
Salaries, bonuses and allowances:			
- Executive Director	**443**	-	**443**
Defined contribution plan:			
- Executive Director	**69**	-	**69**
Benefit in kind:			
- Independent Non-Executive Director	**118**	-	**118**
Other benefits:			
- Independent Non-Executive	**64**	-	**64**
- Non-Independent Non-Executive	**8**	-	**8**
- Executive Director	**15**	-	**15**
	87	-	**87**
	2,242	-	**2,242**

12 DIRECTORS' REMUNERATION (CONTINUED)

2017	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	739	-	739
- Non-Independent Non-Executive	600	-	600
- Executive Director	3	-	3
	1,342	-	1,342
Meeting allowances:			
- Independent Non-Executive	230	-	230
- Non-Independent Non-Executive	82	2	84
	312	2	314
Benefit in kind:			
- Independent Non-Executive	119	-	119
- Non-Independent Non-Executive	23	-	23
	142	-	142
Other benefits:			
- Independent Non-Executive	44	-	44
	44	-	44
	1,840	2	1,842

13 ZAKAT

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Movement in zakat liability:				
At beginning of financial year	**-**	-	**-**	-
Current financial year's zakat expense	**1,500**	-	**-**	-
Zakat paid	**(1,500)**	-	**-**	-
At the end of financial year	**-**	-	**-**	-

14 TAXATION

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax	**15,715**	8,062	**2,148**	176
Under/(over) accrual in prior financial year	**2,703**	3,774	**1,081**	(1,064)
	18,418	11,836	**3,229**	(888)
Deferred tax (Note 31)	**4,783**	4,931	**(546)**	403
	23,201	16,767	**2,683**	(485)

The numerical reconciliation of the relationship between taxation and profit/(loss) before taxation after zakat is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit/(loss) before taxation after zakat	**58,807**	(19,574)	**(421,526)**	20,251
Tax at Malaysian tax rate of 24% (2017: 24%)	**14,114**	(4,698)	**(101,166)**	4,860
Tax arising from:				
- expenses not deductible for tax purposes	**7,441**	6,032	**106,277**	2,468
- income not subject to tax	**(1,057)**	(937)	**(3,134)**	(6,749)
- different tax rate in other country	**-**	(1,585)	**-**	-
- under/(over) accrual in prior financial year	**2,703**	3,774	**1,081**	(1,064)
- impact of transfer pricing adjustments	**-**	10,826	**-**	-
- temporary differences previously not recognised as deferred tax	**-**	3,355	**(375)**	-
	23,201	16,767	**2,683**	(485)

In the previous financial year, additional tax liabilities of RM10,826,000 and RM4,842,000 had been recognised by the Group, which arose from transfer pricing adjustments in respect of certain intercompany transactions in 2017 and 2016 respectively.

15 EARNINGS/(LOSS) PER SHARE

	Group	
	2018 RM'000	2017 RM'000
Profit/(loss) for the financial year attributable to owners of the Company	**35,606**	(36,341)
Weighted average number of ordinary shares in issue ('000)	**702,980**	702,980
Basic and diluted earnings/(loss) per share (sen)	**5.07**	(5.17)

There is no diluted earnings per share as there is no potential dilutive ordinary shares in issue.

16 DIVIDENDS

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2018.

Dividends declared and paid in respect of the financial year are as follows:

	Group and Company	
	Gross dividend Per Share Sen	Amount of dividend RM'000
Final single tier dividend for the year ended 31 December 2016		
- paid on 13 June 2017	4	28,119

The Board of Directors did not recommend the payment of any dividend in respect of the financial year ended 31 December 2017.

17 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Assets under construction RM'000	Bearer plant – Oil Palm, Rubber and Mango RM'000	Total RM'000
31.12.2018								
Cost								
At 1.1.2018	15,950	212,303	90,517	502,906	51,112	793,371	63,291	1,729,450
Additions	-	-	351	2,909	954	335,330	8,152	347,696
Disposals	-	-	-	-	(77)	-	-	(77)
Write-offs	-	-	(21)	(705)	(271)	(815)	-	(1,812)
Transfer to Assets Held for Sale (Note 28)	-	-	(3,394)	-	(170)	-	-	(3,564)
Reclassifications	-	-	123,701	81,309	26,673	(231,683)	-	-
At 31.12.2018	15,950	212,303	211,154	586,419	78,221	896,203	71,443	2,071,693
Accumulated depreciation								
At 1.1.2018	-	20,019	34,373	197,751	19,648	-	274	272,065
Charge for the financial year	-	3,836	5,748	40,132	6,884	-	233	56,833
Disposals	-	-	-		(75)	-	-	(75)
Write-offs	-	-	-	(613)	(232)	-	-	(845)
Transfer to Assets Held for Sale (Note 28)	-	-	(109)	-	(38)	-	-	(147)
At 31.12.2018	-	23,855	40,012	237,270	26,187	-	507	327,831
Accumulated impairment								
At 1.1.2018	-	-	-	43	60	-	-	103
Impairment loss (Note 28)	-	-	1,321	-	69	-	-	1,390
At 31.12.2018	-	-	1,321	43	129	-	-	1,493
Net book value								
At 31.12.2018	15,950	188,448	169,821	349,106	51,905	896,203	70,936	1,742,369

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Assets under construction RM'000	Bearer plant – Oil Palm, Rubber and Mango RM'000	Total RM'000
31.12.2017								
Cost								
At 1.1.2017	15,950	212,303	93,639	444,592	50,394	315,056	48,423	1,180,357
Additions	-	-	481	41,784	1,792	504,639	14,868	563,564
Disposals	-	-	(11)	(1,047)	(65)	-	-	(1,123)
Write-offs	-	-	(3,785)	(8,101)	(1,017)	-	-	(12,903)
Reclassifications	-	-	544	25,678	33	(26,255)	-	-
Exchange rate differences	-	-	(351)	-	(25)	(69)	-	(445)
At 31.12.2017	15,950	212,303	90,517	502,906	51,112	793,371	63,291	1,729,450
Accumulated depreciation								
At 1.1.2017	-	16,169	29,035	169,099	15,541	-	2	229,846
Charge for the financial year	-	3,850	5,472	33,198	5,133	-	272	47,925
Disposals	-	-	(5)	(947)	(39)	-	-	(991)
Write-offs	-	-	(129)	(3,599)	(987)	-	-	(4,715)
At 31.12.2017	-	20,019	34,373	197,751	19,648	-	274	272,065
Accumulated impairment								
At 1.1.2017 / 31.12.2017	-	-	-	43	60	-	-	103
Net book value								
At 31.12.2017	15,950	192,284	56,144	305,112	31,404	793,371	63,017	1,457,282

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Assets under construction RM'000	Bearer plant – Oil Palm, Rubber and Mango RM'000	Total RM'000
1.1.2017								
Cost								
At 1.1.2016	15,950	212,303	86,133	398,729	42,960	94,683	41,393	892,151
Additions	-	-	8,998	21,904	5,672	252,719	7,030	296,323
Disposals	-	-	(2,458)	(816)	(562)	-	-	(3,836)
Write-offs	-	-	(466)	(2,900)	(915)	-	-	(4,281)
Reclassifications	-	-	1,432	27,675	3,239	(32,346)	-	-
At 31.12.2016	15,950	212,303	93,639	444,592	50,394	315,056	48,423	1,180,357
Accumulated depreciation								
At 1.1.2016	-	12,660	26,188	139,875	11,317	-	1	190,041
Charge for the financial year	-	3,509	5,582	31,651	5,383	-	1	46,126
Disposals	-	-	(2,430)	(561)	(647)	-	-	(3,638)
Write-offs	-	-	(305)	(1,866)	(512)	-	-	(2,683)
At 31.12.2016	-	16,169	29,035	169,099	15,541	-	2	229,846
Accumulated impairment								
At 1.1.2016 / 31.12.2016	-	-	-	43	60	-	-	103
Net book value								
At 31.12.2016	15,950	196,134	64,604	275,450	34,793	315,056	48,421	950,408

Net book value of the assets pledged as security to borrowings for the Group and Company is RM82,429,000 (2017: RM84,875,000).

Included in the Group's assets under construction during the financial year are finance costs capitalised amounting to RM23,056,000 (2017: RM26,233,000) (Note 10).

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants

Bearer plants comprise oil palms, rubber trees and mango trees. Immature bearer plants are capitalised in capital work in progress.

	Mature				Immature				
Group	**Oil palms RM'000**	**Rubber trees RM'000**	**Mango RM'000**	**Total RM'000**	**Oil palm RM'000**	**Rubber trees RM'000**	**Mango RM'000**	**Total RM'000**	**Total bearer plant RM'000**
31.12.2018									
Cost									
At 1 January 2018	**1,608**	**877**	**397**	**2,882**	**-**	**60,042**	**367**	**60,409**	**63,291**
Additions						**8,073**	**79**	**8,152**	**8,152**
Reclassification from/(to):									
- mature	**-**	**21,342**	**279**	**21,621**	**-**	**(21,342)**	**(279)**	**(21,621)**	**-**
At 31 December 2018	**1,608**	**22,219**	**676**	**24,503**	**-**	**46,773**	**167**	**46,940**	**71,443**
Accumulated depreciation									
At 1 January 2018	**219**	**39**	**16**	**274**	**-**	**-**	**-**	**-**	**274**
Charge for the financial year	**74**	**131**	**28**	**233**	**-**	**-**	**-**	**-**	**233**
At 31 December 2018	**293**	**170**	**44**	**507**	**-**	**-**	**-**	**-**	**507**
Net book value									
At 31 December 2018	**1,315**	**22,049**	**632**	**23,996**	**-**	**46,773**	**167**	**46,940**	**70,936**

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

Bearer plants comprise oil palms, rubber trees and mango trees. Immature bearer plants are capitalised in capital work in progress.

	Mature				Immature				
Group	**Oil palms RM'000**	**Rubber trees RM'000**	**Mango RM'000**	**Total RM'000**	**Oil palm RM'000**	**Rubber trees RM'000**	**Mango RM'000**	**Total RM'000**	**Total bearer plant RM'000**
31.12.2017									
Cost									
At 1 January 2017	-	24	-	24	1,608	46,140	651	48,399	48,423
Additions	-	-	-	-	-	14,755	113	14,868	14,868
Reclassification from/(to):									
- mature	1,608	853	397	2,858	(1,608)	(853)	(397)	(2,858)	-
At 31 December 2017	1,608	877	397	2,882	-	60,042	367	60,409	63,291
Accumulated depreciation									
At 1 January 2017	-	2	-	2	-	-	-	-	2
Charge for the financial year	219	37	16	272	-	-	-	-	272
At 31 December 2017	219	39	16	274	-	-	-	-	274
Net book value									
At 31 December 2017	1,389	838	381	2,608	-	60,042	367	60,409	63,017

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

Group	Mature Oil palm RM'000	Mature Rubber trees RM'000	Mature Mango RM'000	Mature Total RM'000	Immature Oil palm RM'000	Immature Rubber trees RM'000	Immature Mango RM'000	Immature Total RM'000	Total bearer plant RM'000
1.1.2017									
Cost									
At 1 January 2016	-	24	-	24	1,608	39,287	474	41,369	41,393
Additions	-	-	-	-	-	6,853	177	7,030	7,030
Reclassification from/(to):									
- mature	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	24	-	24	1,608	46,140	651	48,399	48,423
Accumulated depreciation									
At 1 January 2016	-	1	-	1	-	-	-	-	1
Charge for the financial year	-	1	-	1	-	-	-	-	1
At 31 December 2016	-	2	-	2	-	-	-	-	2
Net book value									
At 31 December 2016	-	22	-	22	1,608	46,140	651	48,399	48,421

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Leasehold land RM'000**	**Furniture, fittings, equipment and motor vehicles RM'000**	**Total RM'000**
31.12.2018			
Cost			
At 1.1.2018	**88,952**	**5,784**	**94,736**
Additions	**-**	**358**	**358**
Disposals	**-**	**(56)**	**(56)**
Write-offs	**-**	**(778)**	**(778)**
At 31.12.2018	**88,952**	**5,308**	**94,260**
Accumulated depreciation			
At 1.1.2018	**4,077**	**1,737**	**5,814**
Charge for the financial year	**1,483**	**791**	**2,274**
Disposals	**-**	**(56)**	**(56)**
Write-offs	**-**	**(5)**	**(5)**
At 31.12.2018	**5,560**	**2,467**	**8,027**
Net book value			
At 31.12.2018	**83,392**	**2,841**	**86,233**
31.12.2017			
Cost			
At 1.1.2017	88,952	5,842	94,794
Additions	-	442	442
Write-offs	-	(500)	(500)
At 31.12.2017	88,952	5,784	94,736
Accumulated depreciation			
At 1.1.2017	2,594	986	3,580
Charge for the financial year	1,483	751	2,234
At 31.12.2017	4,077	1,737	5,814
Net book value			
At 31.12.2017	84,875	4,047	88,922

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Total RM'000
1.1.2017			
Cost			
At 1.1.2016	88,952	3,573	92,525
Additions	-	2,269	2,269
At 31.12.2016	88,952	5,842	94,794
Accumulated depreciation			
At 1.1.2016	1,112	350	1,462
Charge for the financial year	1,482	636	2,118
At 31.12.2016	2,594	986	3,580
Net book value			
At 31.12.2016	86,358	4,856	91,214

18 PREPAID LEASE PAYMENTS

		Group	
Short-term leasehold land	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Cost			
At 1 January/31 December	**1,684**	1,684	1,684
Accumulated amortisation			
At 1 January	**1,163**	1,083	997
Amortisation for the financial year	**71**	80	86
At 31 December	**1,234**	1,163	1,083
Net book value			
At 31 December	**450**	521	601

19 INTANGIBLE ASSETS

	Group				Company
Net book value	**Goodwill RM'000**	**Brand RM'000**	**Software RM'000**	**Total RM'000**	**Software RM'000**
31.12.2018					
As at 1.1.2018	**576,240**	**59,169**	**9,163**	**644,572**	**4,965**
Additions	**-**	**-**	**2,468**	**2,468**	**2,468**
Amortisation charge for the financial year	**-**	**(3,226)**	**(3,654)**	**(6,880)**	**(1,485)**
As at 31.12.2018	**576,240**	**55,943**	**7,977**	**640,160**	**5,948**
31.12.2017					
As at 1.1.2017	576,240	62,395	8,069	646,704	2,056
Additions	-	-	3,769	3,769	3,769
Write offs	-	-	(500)	(500)	-
Amortisation charge for the financial year	-	(3,226)	(2,175)	(5,401)	(860)
As at 31.12.2017	576,240	59,169	9,163	644,572	4,965
1.1.2017					
As at 1.1.2016	576,240	66,677	5,557	648,474	928
Additions	-	-	4,024	4,024	1,344
Amortisation charge for the financial year	-	(4,282)	(1,512)	(5,794)	(216)
As at 31.12.2016	576,240	62,395	8,069	646,704	2,056

	Group				Company
	Goodwill RM'000	**Brand RM'000**	**Software RM'000**	**Total RM'000**	**Software RM'000**
31.12.2018					
Cost	**576,240**	**86,033**	**15,635**	**677,908**	**8,589**
Accumulated amortisation	**-**	**(30,090)**	**(7,658)**	**(37,748)**	**(2,641)**
Net book value	**576,240**	**55,943**	**7,977**	**640,160**	**5,948**
31.12.2017					
Cost	576,240	86,033	13,167	675,440	6,121
Accumulated amortisation	-	(26,864)	(4,004)	(30,868)	(1,156)
Net book value	576,240	59,169	9,163	644,572	4,965

19 INTANGIBLE ASSETS (CONTINUED)

	Group				Company
	Goodwill RM'000	Brand RM'000	Software RM'000	Total RM'000	Software RM'000
1.1.2017					
Cost	576,240	86,033	9,905	672,178	2,352
Accumulated amortisation	-	(23,638)	(1,836)	(25,474)	(296)
Net book value	576,240	62,395	8,069	646,704	2,056

Goodwill

The goodwill relates to the acquisition of the sugar business and is allocated to the sugar segment. This represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the Cash Generating Unit ('CGU") is determined based on value-in-use ('VIU") calculations using cash flows projections based on financial budgets approved by the Directors covering a three-year period and applying a terminal value multiple using a long term sustainable growth rate.

The recoverable amount calculated based on VIU exceeded the carrying value by RM306 million (31.12.2017: RM473 million; 1.1.2017: RM524 million).

The key assumptions used for the CGU's value in use calculation are:

Key assumptions	31.12.2018	31.12.2017	1.1.2017
Selling price, RM/MT			
- Domestic	**2,630**	2,790	2,800
- Industry	**2,131**	2,291 – 2,414	2,711 – 2,991
- Export	**1,746 – 1,820**	1,971	2,206 – 2,480
Raw sugar price, US cents/lbs	**14.0**	16.0	17.3 – 20.3
Sales volume, MT'000	**1,238 – 1,561**	1,403.3 – 1,463.4	1,082.0 – 1,629.5
Terminal value growth rate %	**2%**	2%	2%
Discount rate %	**10.5% - 12.5%**	10% - 11%	10% - 11%

(i) Selling price

Selling price is assumed based on ceiling price set by Government for domestic on 1 September 2018. Industry and export selling prices is estimated based on raw sugar futures price and expected margins from refining of raw sugar. The selling prices are held constant in FY 2019 and FY 2020 except for export sales.

(ii) Raw sugar price

Raw sugar price is projected in line with New York #11 raw sugar future contracts. The long term price beyond FY 2020 is held constant consistent with selling prices.

(iii) Sales volume

The sales volume is projected based on expected production volume and current market demand.

19 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

(iv) Terminal value growth rate

The terminal value growth rate used is based on long term sustainable growth rates of 2% in the sugar industry in Malaysia.

(v) Discount rate

The pre-tax discount rate used, reflects specific industry risks relating to the sugar business.

Other than as disclosed below, there is no reasonably possible change in any of the above key assumptions, which would cause the carrying value of the CGU to exceed its recoverable amount.

31.12.2018

Key assumptions	Sensitivity	VIU lower by RM'000
Domestic selling price	Reduce by RM50/MT	**323,000**
Raw sugar price	Increase in raw sugar prices by 1 cent/lbs	**674,000**
Domestic sales volume	Reduce by 5%	**246,000**
Discount rate	Increase by 1%	**298,000**

A reduction in domestic selling price of RM47/MT, increase in raw sugar price by 0.5 cents/lbs would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

31.12.2017

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM50/MT	668,000
Raw sugar price	Increase in raw sugar prices by 1 cent/lbs	636,000
Sales volume	Reduce by 5%	628,000
Discount rate	Increase by 1%	320,000

A reduction in selling price of RM7.50/MT, increase in raw sugar price by 0.2 cents/lbs and reduction in sales volume by 2% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

1.1.2017

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM100/MT	1,400,000
Raw sugar price	Increase in raw sugar prices by 1 cent/lbs	923,000
Sales volume	Reduce by 10%	1,002,000
Discount rate	Increase by 1%	553,000

A reduction in selling price of RM37/MT, increase in raw sugar price by 0.6 cents/lbs, reduction in sales volume by 5% and increase in discount rate by 0.95% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

The above sensitivity analysis is based on the movement of individual key assumptions while holding all other assumptions constant.

20 INVESTMENTS IN SUBSIDIARIES

	Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Unquoted investments, at cost			
At 1 January	**2,057,406**	2,057,406	2,057,406
Impairment in investment in a subsidiary	**(391,134)**	-	-
At 31 December	**1,666,272**	2,057,406	2,057,406

Investment in a subsidiary has been impaired at the year-end as there is indication that the carrying amount will not be fully recovered due to a change in the Group's strategy moving forward. The impairment charge has been recognised based on the value in use method using the following key assumptions:

Key assumptions	**31.12.2018**
Selling price, RM/MT	
- Domestic	**2,630**
- Industry	**2,131**
Raw sugar price, US cents/lbs	**14.0**
Sales volume, MT'000	**323 – 123**
Terminal value growth rate %	**2%**
Discount rate %	**10.5%**

Details of subsidiaries, are as follows:

Name of subsidiaries	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by parent			Proportion of ordinary shares held by the Group		
			31.12.2018 %	31.12.2017 %	1.1.2017 %	31.12.2018 %	31.12.2017 %	1.1.2017 %
Direct subsidiaries								
MSM Prai Berhad	Malaysia	Sugar refining, sales and marketing of refined sugar products	**100**	100	100	**100**	100	100
MSM Perlis Sdn Bhd	Malaysia	Sugar refining, sales and marketing of refined sugar products and planting of rubber and oil palm	**100**	100	100	**100**	100	100
MSM Trading & Distribution Sdn Bhd	Malaysia	Conduct commodity trading and related business activities	**100**	100	100	**100**	100	100
MSM Sugar Refinery (Johor) Sdn Bhd	Malaysia	Sugar refining, sales and marketing of refined sugar products	**100**	100	100	**100**	100	100

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of subsidiaries, are as follows: (continued)

Name of subsidiaries	Place of business/ country of incorporation	Nature of business	Proportion of ordinary shares directly held by parent 31.12.2018 %	31.12.2017 %	1.1.2017 %	Proportion of ordinary shares held by the Group 31.12.2018 %	31.12.2017 %	1.1.2017 %
Direct subsidiaries (continued)								
MSM Trading International DMCC*	United Arab Emirates	Raw and refined sugar trading	**100**	100	100	**100**	100	100
Indirect subsidiaries								
MSM Logistics Sdn Bhd	Malaysia	Provision of transportation services	**-**	-	-	**100**	100	100

* Audited by a member firm of PricewaterhouseCoopers which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia

21 LOANS DUE FROM SUBSIDIARIES

	Company 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Revolving credit loans			
- MSM Perlis Sdn Bhd	**26,181**	102,834	103,966
Term loan – MSM Perlis Sdn Bhd	**45,765**	43,547	41,517
Loss allowance (MFRS 9)	**(369)**	-	-
Islamic term loan – MSM Sugar Refinery (Johor) Sdn Bhd	**1,044,752**	624,807	181,551
Loss allowance (MFRS 9)	**(32,340)**	-	-
	1,083,989	771,188	327,034
Analysed as:			
Current	**64,956**	153,130	103,966
Non current	**1,019,033**	618,058	223,068
Total loans to subsidiaries	**1,083,989**	771,188	327,034

The loss allowances have been recognised during the financial year subsequent to considering the revised repayment plan agreed by the Company with the subsidiaries.

21 LOANS DUE FROM SUBSIDIARIES (CONTINUED)

The interest rates charged during the financial year were as follows:

	31.12.2018 % per annum	**31.12.2017 % per annum**	**1.1.2017 % per annum**
Term loan	**5.80**	5.80	5.80
Islamic term loan	**4.48 - 4.99**	4.13 - 4.73	3.87
Revolving credit loans	**4.23 - 4.48**	4.11 - 4.24	4.11 - 4.58

(a) Revolving credit loans to subsidiaries are unsecured, with interest charged at a rate which is at the prevailing rate based on a licensed bank's revolving credit facility rate on the day of the drawing. Subject to the provisions of the agreements, the amount of the facility shall be repaid at the end of every six (6) months from the date of the first drawing.

(b) Term loan is unsecured, with interest charged at a rate which is at the prevailing rate based on a licensed bank's term loan facility rate on the day of the drawing. Subject to the provisions of the agreements, the amount of the facility shall be repaid commencing from the seventh (7) year from the date of the first drawing and shall be repaid fully at the tenth (10) year.

(c) Islamic term loan is unsecured, with interest charged at a rate which is at the prevailing rate based on a licensed bank's Islamic term loan facility rate on the day of the drawing. Subject to the provisions of the agreements, the amount of the facility shall be repaid commencing from 2019 for a period of 8 years.

(a) Reconciliation of loss allowance

Loan due from subsidiaries using general 3 stage approach

The loss allowance for loan due from subsidiaries as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Performing RM'000	**Under-performing RM'000**	**Non-performing RM'000**	**Total RM'000**
At 1 January 2018 before restatement (calculated under FRS 139)	-	-	-	-
Amounts restated through opening retained earnings (Note 40)	-	-	-	-
Opening loss allowance as at 1 January 2018 (calculated under MFRS 9)	**-**	**-**	**-**	**-**
Individual financial assets transferred to non-performing (credit-impaired financial assets) (Note 1a)	-	(32,709)	-	(32,709)
Closing loss allowance as at 31 December 2018 (calculated under MFRS 9)	**-**	**(32,709)**	**-**	**(32,709)**

Note 1a:

The increase in the loss allowance of RM 32,709,000 is due to moving of assets with total gross carrying amount of RM1,090,517,000 being measured at 12-month ECL to lifetime ECL.

21 LOANS DUE FROM SUBSIDIARIES (CONTINUED)

(b) Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of the subsidiaries for which an ECL allowance is recognised. Their gross carrying amounts disclosed below also represents the Group's maximum exposure to credit risk on these assets:

Group Internal credit rating	Expected credit loss	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of impairment provision) RM'000
Performing	-	12 months ECL	26,181	-	26,181
Under performing	3.0%	Lifetime ECL	1,090,517	(32,709)	1,057,808

In the previous financial year, the impairment loans due from subsidiaries were assessed individually based on the incurred loss model. The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation.

Based on the incurred loss model, no impairment was provided.

22 RECEIVABLES

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current asset:						
<u>Advance payment</u>						
Supply and delivery of gas (Note (a))	**2,784**	3,712	4,640	**-**	-	-
Purchase of property, plant and equipment (Note (b))	**195**	1,342	-	**-**	-	-
	2,979	5,054	4,640	**-**	-	-

22 RECEIVABLES (CONTINUED)

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Current assets:						
Trade receivables	**224,701**	239,750	253,656	**-**	-	-
Other receivables	**7,470**	3,208	18,528	**823**	36	492
Deposits (Note (c))	**16,421**	37,450	48,461	**11**	11	11
Prepayments (Note (d))	**4,394**	7,168	7,086	**303**	1,430	575
Advances to creditors	**632**	-	-	**-**	2,337	-
Advance payment – supply and delivery of gas (Note (a))	**928**	928	928	**-**	-	-
GST receivables	**61,469**	29,849	12,946	**6**	-	-
	316,015	318,353	341,605	**1,143**	3,814	1,078
Loss allowance	**(2,827)**	-	-	**-**	-	-
	313,188	318,353	341,605	**1,143**	3,814	1,078
Total receivables	**316,167**	323,407	346,245	**1,143**	3,814	1,078

The receivables are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Ringgit Malaysia	**296,330**	279,185	293,005	**1,143**	3,814	1,078
US Dollar	**19,837**	44,222	53,240	**-**	-	-
	316,167	323,407	346,245	**1,143**	3,814	1,078

Credit term of trade receivables is between 30 to 60 days (31.12.2017: 30 to 60 days; 1.1.2017: 30 to 60 days).

(a) On 28 February 2014, MSM Perlis Sdn Bhd signed the Gas Supply Agreement ('GSA') for the supply and delivery of gas to MSM Perlis Sdn Bhd. The GSA is effective from March 2014 and will expire on 31 December 2022. The advance payment is amortised over 106 months on a straight line basis starting from March 2014 based on the tenure of the GSA and the total amortisation expenses incurred during the financial year ended 31 December 2018 amounted to RM928,075 (2017: RM928,075).

(b) Included in non-current advance payment is an amount of RM194,000 (31.12.2017: RM1,342,000; 1.1.2017: Nil) which is related to down payment paid for purchase of property, plant and equipment.

(c) Included in deposits are deposits for sugar futures trading facilities of RM12,037,000 (31.12.2017: RM33,069,000; 1.1.2017: RM40,103,000).

(d) Included in prepayments as at 31 December 2018 is an amount of RM178,000 (31.12.2017: RM42,000; 1.1.2017: RM2,921,923) relating to insurance paid for the construction of the sugar refinery in Johor.

22 RECEIVABLES (CONTINUED)

(a) Reconciliation of loss allowance

(i) Trade receivables using simplified approach

The Group and the Company applies MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue earned over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as the Group has not identified any forward looking assumptions which correlate to the historical loss rates.

The loss allowance for trade receivables as at 31 December 2018 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	
	2018 RM'000	**2017 RM'000**
At 1 January before restatement – calculated under FRS 139	**-**	-
Amounts restated through opening retained earnings	**-**	-
Opening loss allowance as at 1 January 2018 – calculated under MFRS 9	**-**	-
Increase in loss allowance recognised in profit or loss during the year	**(2,938)**	-
Receivables written off	**111**	-
Unused amount reversed	**-**	-
At 31 December	**(2,827)**	-

(b) Maximum exposure to credit risk

(i) Trade receivables using simplified approach

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

31 December 2018	**Current RM'000**	**Less than 30 days past due RM'000**	**More than 30 days past due RM'000**	**More than 60 days past due RM'000**	**More than 90 days past due RM'000**	**Total RM'000**
Expected loss rate	**0.018%**	**0.12%**	**1.60%**	**7.01%**	**36.70%**	
Gross carrying amount – trade receivables	**193,080**	**21,604**	**1,689**	**1,070**	**7,258**	**224,701**
Loss allowance	**(34)**	**(27)**	**(27)**	**(75)**	**(2,664)**	**(2,827)**
Carrying amount (net of loss allowance)	**193,046**	**21,577**	**1,662**	**995**	**4,594**	**221,874**

22 RECEIVABLES (CONTINUED)

(b) Maximum exposure to credit risk (continued)

(i) Trade receivables using simplified approach (continued)

In the previous financial year, the impairment of receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables, the estimated impairment losses were recognised in a separate provision for impairment.

The Group considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

Ageing and history of default analysis of trade receivables of the previous financial year were as follows:

Group

Past due but not impaired

As at 31 December 2017, RM55,258,000 (1.1.2017: RM54,583,000) of receivables were past due but not impaired. These relate to a number of external parties where there is no expectation of default and there were receipts from these customers amounting to RM44,272,000 (1.1.2017: RM37,165,000) subsequent to period end. The ageing analysis of these receivables is as follows:

	No history of default RM'000	History of default RM'000	New customers RM'000	Total RM'000
31.12.2017				
Less than 30 days past due	45,319	-	766	46,085
Between 30 and 60 days past due	3,434	-	227	3,661
Between 61 and 90 days past due	1,556	-	62	1,618
Between 91 days and more than 1 year past due	3,894	-	-	3,894
At 31 December 2017	54,203	-	1,055	55,258
1.1.2017				
Less than 30 days past due	34,060	-	4	34,064
Between 30 and 60 days past due	10,254	-	-	10,254
Between 61 and 90 days past due	9,782	-	-	9,782
Between 91 days and more than 1 year past due	483	-	-	483
At 31 December 2016	54,579	-	4	54,583

22 RECEIVABLES (CONTINUED)

Neither past due nor impaired

Trade and other receivables of RM187,700,000 in the previous financial year (1.1.2017: RM217,601,000), which are neither past due nor impaired are not significantly impacted by credit and default risks.

Past due and impaired

There are no amounts that are past due and impaired.

The credit quality of trade receivables that are neither past due nor impaired can be assessed to historical information about counter party default rates:

	Group	
	31.12.2017 RM'000	1.1.2017 RM'000
Group 1	39,992	4
Group 2	147,708	217,597
Total unimpaired receivables	187,700	217,601

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

The fair value of the receivables, excluding prepayments and GST receivables, approximates their carrying value, as the impact of discounting is not significant.

Company

There are no amounts that are past due and impaired.

23 INVENTORIES

		Group	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Raw materials	**404,815**	363,209	475,918
Work-in-progress	**32,851**	32,360	20,087
Finished goods	**61,375**	91,636	48,637
Consumable stores	**37,311**	33,747	28,451
Molasses	**457**	581	459
Raw sugar in transit	**142,237**	210,709	324,184
	679,046	732,242	897,736

24 AMOUNTS DUE FROM/(TO) SUBSIDIARIES, OTHER RELATED COMPANIES, ULTIMATE HOLDING COMPANY AND FELDA

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current assets						
Amounts due from:						
A related company	**1,372**	4,245	-	**-**	-	-
	1,372	4,245	-	**-**	-	-
Current assets						
Amounts due from:						
Subsidiaries	**-**	-	-	**25,101**	25,984	51,328
Other related companies	**44,056**	31,485	14,326	**145**	2,202	-
Ultimate holding company	**702**	605	-	**-**	-	-
	44,758	32,090	14,326	**25,246**	28,186	51,328
	46,130	36,335	14,326	**25,246**	28,186	51,328
Current liabilities						
Amounts due to:						
Subsidiaries	**-**	-	-	**343**	288	-
Other related companies	**2,844**	467	400	**140**	11	156
Ultimate holding company	**9,213**	505	6,963	**4,678**	2,783	3,774
FELDA	**50**	561	-	**-**	511	-
	12,107	1,533	7,363	**5,161**	3,593	3,930

(a) Amounts due from/(to) subsidiaries are unsecured, interest free, denominated in Ringgit Malaysia and have credit term of 30 to 180 days (31.12.2017: 30 to 60 days; 1.1.2017: 30 to 60 days).

(b) Amounts due from/(to) other related companies are unsecured, interest free, denominated in Ringgit Malaysia and have credit terms of 30 to 60 days (31.12.2017: 30 to 60 days; 1.1.2017: 30 to 60 days).

(c) The amount due from/(to) the ultimate holding company represents non trade balance, which is expected to be settled within the normal credit period of 90 days (31.12.2017: 90 days; 1.1.2017: 90 days) and is denominated in Ringgit Malaysia, unsecured and interest free.

(d) Amount due to FELDA relates to office rental charges which is denominated in Ringgit Malaysia, unsecured and interest free and repayable within 60 days.

(e) The fair value of amount due from/(to) subsidiaries, other related companies, ultimate holding company and FELDA approximates its carrying value, as the impact of discounting is not significant.

Reconciliation of loss allowance

To measure the expected credit losses, amounts due from subsidiaries, other related companies and ultimate holding company have been grouped based on shared credit risk characteristics and the days past due.

For amounts due from subsidiaries, other related companies, ultimate holding company and FELDA which are trade related, the expected loss rates are based on the payment profiles of revenue earned over a period of 24 months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as the Group has not identified any forward looking assumptions which correlate to the historical loss rates.

24 AMOUNTS DUE FROM/(TO) SUBSIDIARIES, OTHER RELATED COMPANIES, ULTIMATE HOLDING COMPANY AND FELDA (CONTINUED)

Reconciliation of loss allowance (continued)

No impairments have been made on amounts due from subsidiaries, other related companies and ultimate holding company and FELDA in the year. (2017: nil).

Neither past due nor impaired

As at 31 December 2017, amounts due from other related companies of RM35,730,000 (1.1.2017: RM14,326,000) of the Group were neither past due nor impaired as they had yet to exceed the credit period.

The credit quality of related companies and holding company that were neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Company	
	31.12.2017 RM'000	**1.1.2017 RM'000**
Amounts due from other related companies		
Group 2	2,202	-
Total unimpaired amounts from related parties	2,202	-

	Group	
	31.12.2017 RM'000	**1.1.2017 RM'000**
Amounts due from other related companies		
Group 2	35,730	14,326
Amounts due from ultimate holding company		
Group 2	605	-
Total unimpaired amounts from related parties	36,335	14,326

Past due but not impaired

As at 31 December 2017, amounts due from subsidiaries of RM24,576,000 (1.1.2017: RM43,446,000) of the Company were past due but not impaired. These relate to expenses paid on behalf of subsidiaries where there is no expectation of default. The ageing analysis of these balances is as follows:

	Company	
	31.12.2017 RM'000	**1.1.2017 RM'000**
Less than 30 days past due	7,235	64
Between 30 and 90 days past due	7,490	8,736
Between 91 days and 1 year past due	9,851	34,646
	24,576	43,446

24 AMOUNTS DUE FROM/(TO) SUBSIDIARIES, OTHER RELATED COMPANIES, ULTIMATE HOLDING COMPANY AND FELDA (CONTINUED)

Impaired and provided for

As at 31 December 2017 and 31 December 2026, none of the amounts due from subsidiaries were impaired and provided for.

The credit quality of subsidiaries that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Company	
	31.12.2017 RM'000	1.1.2017 RM'000
Group 2	1,408	7,882
Total unimpaired	1,408	7,882

Group 1 - new related parties (less than 6 months)

Group 2 - existing related parties (more than 6 months) with no defaults in the past.

Group 3 - existing related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

The fair values of the amounts due from/(to) subsidiaries and other related companies approximated their respective carrying values, as the impact of discounting was not significant.

25 LOANS DUE TO A SUBSIDIARY AND TO A RELATED COMPANY

		Company	
Loans due to a subsidiary	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Unsecured:			
- Current	**72,394**	129,843	-

		Group	
Loan due to a related company	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Unsecured:			
- Current	**30,365**	108,826	156,452

Loan due to a subsidiary relates to a short term funding facility from a subsidiary. The loan is unsecured denominated in Ringgit Malaysia and the average interest rate of the loan is ranging from 4.00% - 4.23% per annum (31.12.2017: 4.23%; 1.1.2017: 4.23%) and repayable in 6 months from the drawdown date.

Loan due to a related company relates to short term funding facility from subsidiary of the ultimate holding company. The average interest rate of the loan is 4.58% (31.12.2017: 3.26%; 1.1.2017: 3.26%) per annum.

The fair value of loans from a subsidiary and a related company approximates their carrying value, as the impact of discounting is not significant.

26 DERIVATIVE FINANCIAL INSTRUMENTS

Group	31.12.2018 Assets RM'000	31.12.2018 Liabilities RM'000	31.12.2017 Assets RM'000	31.12.2017 Liabilities RM'000	1.1.2017 Assets RM'000	1.1.2017 Liabilities RM'000
Non-current:						
Islamic profit rate swap	**561**	**-**	717	-	-	-
Current:						
Foreign currency forward contracts	**-**	**-**	-	-	29	-
Sugar futures contracts	**-**	**-**	3,147	-	1,941	-
Sugar commodity options	**-**	**(630)**	-	-	-	-
	561	**(630)**	3,864	-	1,970	-

	31.12.2018 Notional amount RM'000	31.12.2018 Derivative (liabilities)/ assets RM'000	31.12.2017 Notional amount RM'000	31.12.2017 Derivative assets RM'000	1.1.2017 Notional amount RM'000	1.1.2017 Derivative assets RM'000
Foreign currency forward contracts	**-**	**-**	-	-	15,696	29
Sugar futures contracts	**-**	**-**	48,129	3,147	110,235	1,941
Sugar commodity options	**-**	**(630)**	-	-	-	-
Islamic profit rate swap	**458,333**	**561**	317,380	717	-	-
	458,333	**(69)**	365,509	3,864	125,931	1,970

Company	31.12.2018 Assets RM'000	31.12.2018 Liabilities RM'000	31.12.2017 Assets RM'000	31.12.2017 Liabilities RM'000	1.1.2017 Assets RM'000	1.1.2017 Liabilities RM'000
Non-current:						
Islamic profit rate swap	**561**	**-**	717	-	-	-

	31.12.2018 Notional amount RM'000	31.12.2018 Derivative assets RM'000	31.12.2017 Notional amount RM'000	31.12.2017 Derivative assets RM'000	1.1.2017 Notional amount RM'000	1.1.2017 Derivative assets RM'000
Islamic profit rate swap	**458,333**	**561**	317,380	717	-	-

27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the followings:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Fixed deposits with						
- licensed investment bank in Malaysia	**148,786**	88,201	124,242	**115,071**	39,992	120,472
- licensed banks	**-**	-	121,351	**-**	-	-
	148,786	88,201	245,593	**115,071**	39,992	120,472
Cash and bank balances	**42,777**	82,326	92,318	**1,327**	1,625	1,030
Deposits, cash and bank balances	**191,563**	170,527	337,911	**116,398**	41,617	121,502
Less: Restricted cash	**(93,343)**	(15,740)	(15,205)	**(93,343)**	(15,740)	(15,205)
Cash and cash equivalents	**98,220**	154,787	322,706	**23,055**	25,877	106,297

The effective interest rates of the fixed deposits range from 2.90% - 4.85% (31.12.2017: 2.38% - 3.76%; 1.1.2017: 2.90% to 3.84%) per annum for the Group and range from 0.61% - 3.95% (31.12.2017: 3.14% - 3.75%; 1.1.2017: 3.08% to 3.76%) per annum for the Company respectively. All fixed deposits have original maturity terms of 3 months or less (31.12.2017: 3 months or less; 1.1.2017: 3 months or less).

Bank balances are deposits held at call with banks and earn no interest.

Restricted cash relates to bank balance pledged in order to obtain certain bank facilities.

The fixed deposits, cash and bank balances are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Ringgit Malaysia	**180,369**	111,415	291,605	**116,398**	41,617	121,502
US Dollar	**10,462**	58,571	45,194	**-**	-	-
AE Dirham	**732**	541	1,112	**-**	-	-
	191,563	170,527	337,911	**116,398**	41,617	121,502

27 CASH AND CASH EQUIVALENTS (CONTINUED)

Credit rating profiles of banks in which the fixed deposits have been placed are as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
AAA	**144,709**	20,669	112,867	**111,873**	15,740	37,902
A2	**-**	30,781	-	**-**	24,252	-
AA1	**-**	-	-	**-**	-	82,570
AA2	**-**	30,827	131,847	**-**	-	-
AA3	**4,077**	5,924	879	**3,198**	-	-
	148,786	88,201	245,593	**115,071**	39,992	120,472

AAA - A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term financial institution rated assigned by RAM Ratings.

AA - A financial institution rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.

A - A financial institution rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.

For long-term ratings, RAM Ratings applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscripts 1 indicates that the financial institution ranks at the higher end of its generic rating category; the subscripts 2 indicates a mid-ranking; and the subscripts 3 indicates that the financial institution ranks at the lower end of its generic rating category.

28 ASSETS HELD FOR SALE

The details are as follows:

Group	Plant and machinery RM'000	Buildings, furniture and office equipment RM'000	Total RM'000
31.12.2018			
Property, plant and equipment at net book value			
At 1.1.2018	**-**	**-**	**-**
Transferred from property, plant and equipment (Note 17)	**-**	**2,027**	**2,027**
At 31.12.2018	**-**	**2,027**	**2,027**
31.12.2017			
Property, plant and equipment at net book value			
At 1.1.2017	3	4	7
Write-offs	(3)	(4)	(7)
At 31.12.2017	-	-	-

28 ASSETS HELD FOR SALE (CONTINUED)

The details are as follows: (continued)

Group	Plant and machinery RM'000	Buildings, furniture and office equipment RM'000	Total RM'000
1.1.2017			
Property, plant and equipment at net book value			
At 1.1.2016/31.12.2016	3	4	7

29 SHARE CAPITAL

	Group and Company					
	31.12.2018 Number of shares	**31.12.2017 Number of shares**	**1.1.2017 Number of shares**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Authorised share capital:	**-**	-	1,000,000,000	**-**	-	500,000
Issued and fully paid up:						
Ordinary shares						
At 1 January	**702,980,000**	702,980,000	702,980,000	**718,255**	351,490	351,490
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016 (Note 30)	**-**	-	-	**-**	366,765	-
At 31 December	**702,980,000**	702,980,000	702,980,000	**718,255**	718,255	351,490

The Companies Act 2016 ("2016 Act") which came into effect on 31 January 2017 has repealed the Companies Act 1965. The 2016 Act has abolished the concept of par or nominal value of shares and hence, the share premium and authorised capital are abolished. In accordance with section 618(2) of the 2016 Act, amount standing to the credit of the Company's share premium account of RM366,765,000 becomes part of the Company's share capital upon commencement of the 2016 Act.

30 RESERVES

(i) Share premium (non-distributable)

	Group and Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	-	366,765	366,765
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016 (Note 29)	-	(366,765)	-
At 31 December	-	-	366,765

(ii) Reorganisation deficit (non-distributable)

Reorganisation deficit comprises the difference between the fair value of 577,979,800 new ordinary shares issued at RM3.50 per share on 20 May 2011 and the carrying amounts of the sugar business as at January 2010. It is recognised as reorganisation deficit in accordance with the predecessor method of accounting.

(iii) Merger relief reserve (non-distributable)

Merger relief reserve comprises the 577,979,800 new ordinary shares with a par value of RM0.50 each issued at a fair value of RM3.50 per share for the acquisition of entire equity interests in MSM Prai Berhad and MSM Perlis Sdn Bhd on 20 May 2011. The difference between par value and fair value is recognised as merger relief reserve in accordance with section 60(4) of the Companies Act 1965.

(iv) Foreign exchange reserve

The foreign exchange reserve is used to record exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(v) Cash flow hedge reserve

The Group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps which are designated in cash flow hedge relationships.

To the extent this hedge is effective, the change in fair value of the hedge instrument is recognised in the cash flow hedge reserve. The gain or loss relating to the effective portion of the interest rate swaps is reclassified to profit or loss and recognised within 'finance cost'.

31 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Subject to income tax						
- Deferred tax liabilities/(assets)	**83,458**	78,675	73,744	**(143)**	403	-

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Deferred tax liabilities/(assets):						
- Deferred tax liabilities to be recovered after more than 12 months	**34,463**	4,325	28,754	**51**	-	-
- Deferred tax liabilities to be recovered within 12 months	**48,995**	74,350	44,990	**(194)**	403	-
Deferred tax liabilities/(assets) (net)	**83,458**	78,675	73,744	**(143)**	403	-
At 31 December/1 January	**78,675**	73,744	75,378	**403**	-	-
Charged/(credited) to profit or loss (Note 14):						
- property, plant and equipment	**5,972**	9,557	(2,042)	**51**	-	-
- payables and accruals	**278**	(2,152)	-	**656**	(850)	-
- intangible assets	**(291)**	(906)	(624)	**(1,120)**	1,120	-
- receivables	**38**	-	1,032	**(133)**	133	-
- unused tax losses	**(1,214)**	(1,568)	-	**-**	-	-
	4,783	4,931	(1,634)	**(546)**	403	-
At 31 December/1 January	**83,458**	78,675	73,744	**(143)**	403	-

31 DEFERRED TAX LIABILITIES (CONTINUED)

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Deferred tax liabilities (before offsetting)						
- property, plant and equipment	**75,102**	69,130	59,573	**51**	-	-
- intangible assets	**14,041**	14,332	15,238	**-**	1,120	-
- receivables	**38**	-	-	**-**	133	-
	89,181	83,462	74,811	**51**	1,253	-
Offsetting	**(5,723)**	(4,787)	(1,067)	**(51)**	(850)	-
Deferred tax liabilities (after offsetting)	**83,458**	78,675	73,744	**-**	403	-
Deferred tax assets (before offsetting)						
- payables and accruals	**2,941**	3,219	1,067	**194**	850	-
- unused tax losses	**2,782**	1,568	-	**-**	-	-
	5,723	4,787	1,067	**194**	850	-
Offsetting	**(5,723)**	(4,787)	(1,067)	**(51)**	(850)	-
Deferred tax assets (after offsetting)	**-**	-	-	**143**	-	-

32 PAYABLES

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Non-current liabilities:						
Other payables	**32**	32	-	**32**	32	-
Current liabilities:						
Trade payables	**158,718**	91,775	240,661	**-**	-	-
Other payables	**75,797**	74,595	71,329	**684**	3,117	4,928
Provision for onerous contracts	**-**	-	16,637	**-**	-	-
Accruals	**21,208**	17,204	116,534	**2,094**	1,680	2,832
Unpaid balance for acquisition of property, plant and equipment (Note 35)	**6,425**	9,364	20,695	**-**	-	9
GST payables	**-**	168	-	**-**	168	370
	262,148	193,106	465,856	**2,778**	4,965	8,139
Total payables	**262,180**	193,138	465,856	**2,810**	4,997	8,139

Trade payables carry credit periods of between 30 days to 60 days (31.12.2017: 30 days to 60 days; 1.1.2017: 30 days to 60 days).

The fair value of the payables, excluding GST payables, approximate their carrying value, as the impact of discounting is not significant.

The payables are denominated as follows:

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
- Ringgit Malaysia	**172,852**	81,394	88,039	**2,810**	4,997	8,139
- United States Dollar	**89,328**	111,744	377,724	**-**	-	-
- Euro	**-**	-	22	**-**	-	-
- Thai Bath	**-**	-	3	**-**	-	-
- Japan Yen	**-**	-	68	**-**	-	-
	262,180	193,138	465,856	**2,810**	4,997	8,139

33 BORROWINGS

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-current liabilities:						
Islamic term loans						
- Secured	**556,284**	370,339	178,903	**556,284**	370,339	178,903
Current liabilities:						
Islamic term loans						
- Secured	**126,937**	36,185	-	**126,937**	36,185	-
Bankers' acceptances						
- Unsecured	**421,207**	669,727	356,300	**-**	-	-
Revolving credit						
- Unsecured	**-**	20,000	-	**-**	-	-
Term loan						
- Secured	**192,317**	-	-	**192,317**	-	-
	740,461	725,912	356,300	**319,254**	36,185	-
	1,296,745	1,096,251	535,203	**875,538**	406,524	178,903

All borrowings are denominated in Ringgit Malaysia.

Bankers' acceptances

The average interest rates of the borrowings range approximately 3.43% to 4.70% (31.12.2017: 3.30% to 4.73%; 1.1.2017: 3.09% to 4.23%) per annum.

Islamic term loans

The average interest rates of the borrowings range approximately 4.72% to 4.99% (31.12.2017: 4.13% to 4.73%; 1.1.2017: 3.09% to 4.23%) per annum.

As at 31 December 2018, the Islamic term loans which have a tenure of 8 years are secured against a leasehold land, debenture and certain bank balances of the Group.

The Group and the Company is required to comply with certain financial covenants i.e. consolidated net debt and financing to equity ratio, consolidated net debt and financing to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio and consolidated finance payment cover ratio (collectively known as ''financial covenants"). The financial covenant is to be complied with semi-annually.

33 BORROWINGS (CONTINUED)

Islamic term loans (continued)

During the financial year ended 31 December 2017, the Group and the Company was not in compliance with certain financial covenants for its Islamic term loans amounting to RM407 million. However, the Company had received a letter of indulgence dated 3 November 2017 from the lender allowing the requirement to comply with the financial covenants to be deferred until 31 December 2018. The financial covenants will be required to be met for the 12 month period ending 31 December 2019, with the first compliance date as 30 June 2019 and all times thereafter but subject to the following conditions:

a) No dividend declaration and/or payment by the Company without prior written consent from the financier until the financial covenants are complied with;

b) Letter of undertaking ("LOU") from FGVH to complete the construction of the new sugar refinery in Johor by second quarter of 2018.

c) The Company's ability to perform all obligations under and comply with all terms and conditions governing the facilities.

As at 31 December 2018, the waiver of the financial covenants continued to be effective as the Company met all the conditions as stipulated in the letter of indulgence dated 3 November 2017. Accordingly, the Islamic term loan of RM683.2 million was classified based on its contractual payment dates as at 31 December 2018.

On 19 March 2019, the Company received a letter of indulgence from the lender confirming the lender of the Islamic term loan facility had granted a further indulgence and extension of deferment of the imposition of the financial covenants with effect from 1 January 2019 until 31 December 2019, subject to the following conditions:

a) no dividend declaration and/or payment by the Company without prior written consent from the lender until such financial covenants are complied with; and

b) amendments to payments of the loan and the other relevant terms and conditions in the loan agreement must be in place and effective by next payment due on 27 May 2019.

Management has been in discussions with the lender to negotiate the amendments to the payment period and other relevant terms and conditions of the Islamic term loan agreement. The Directors of the Company believe that the Company would be able to finalise the amendments to the Islamic term loan agreement with the lender before 27 May 2019.

Term Loan - secured

The average interest rates of the borrowings range approximately 5.90% to 6.15% per annum.

As at 31 December 2018, the term loan which have a tenure of 10 months are secured against an assignment of proceeds from land disposal and the Assignment and Charge of the Designated Accounts.

Revolving credit

The effective interest rate of the revolving credit in 2017 ranges from 3.43% to 4.29% per annum.

The fair value of borrowings approximates their carrying amount, as the impact of discounting is not significant.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

Federal Land Development Authority ("FELDA"), a significant shareholder of the Group's ultimate holding company, FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad "FGVH"), owns 33.67% (2017: 33.67%) of the issued share capital of FGVH, which in turn has an effective 51% interest in the Company. The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", FELDA and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Company.

Apart from the individually significant transactions as disclosed in the financial statements, the Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Deposit placing with and deposit taking from government-related entities
- Utilities services provided by the government-related entities

These transactions are conducted in the ordinary course of the Group's business on terms consistently applied in accordance with the Group's internal policies and processes. These terms do not depend on whether the counterparties are government-related entities or not.

Related parties and their relationship with the Group are as follows:

Related parties	Relationship
Federal Land Development Authority ("FELDA")	Significant shareholder of FGVH
Felda D'Saji Sdn Bhd ("D'Saji")	Subsidiary of FELDA
KPF Trading Sdn Bhd (formerly known as Felda Trading Sdn Bhd) ("FTSB")	Subsidiary of FELDA
FGV Holdings Berhad (formerly known as Felda Global Ventures Holdings Berhad) ("FGVH")	Ultimate holding company
Felda Holdings Berhad	Subsidiary of FGVH
FGV Prodata Systems Sdn Bhd (formerly known as Felda Prodata Systems Sdn Bhd) ("FPSB")	Subsidiary of FGVH
FGV Security Services Sdn Bhd (formerly known as Felda Security Services Sdn Bhd) ("FSS")	Subsidiary of FGVH
Felda Engineering Services Sdn Bhd ("Felda Engineering")	Subsidiary of FGVH
Felda Global Ventures Capital Sdn Bhd ("FGVC")	Subsidiary of FGVH
FGV Fertiliser Sdn Bhd (formerly known as FPM Sdn Bhd) ("FPM")	Subsidiary of FGVH
MSM Sugar Refinery (Johor) Sdn Bhd ("MSM Johor")	Subsidiary company
MSM Logistics Sdn Bhd ("MSM Logistics")	Subsidiary company
MSM Prai Berhad ("MSM Prai")	Subsidiary company
MSM Perlis Sdn Bhd ("MSM Perlis")	Subsidiary company
MSM Trading & Distribution Sdn Bhd ("MSM Trading")	Subsidiary company
MSM Trading International DMCC ("MSM Trading International")	Subsidiary company

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(i) Transactions with FGVH Group:				
- management fees:	**7,697**	6,013	**1,628**	1,126
- Current year				
- Fee adjustment in respect of prior year	**(955)**	(762)	**-**	(762)
- sales of refined sugar	**(47)**	-	**-**	-
- other services	**116**	-	**116**	-
	6,811	5,251	**1,744**	364
(ii) Transactions with FHB and subsidiaries of FHB:				
- FSS (security services)	**1,300**	1,159	**24**	45
- FPM (provision of plantation material)	**2**	582	**-**	-
- other services	**615**	454	**226**	438
(iii) Transactions with FTSB:				
- sales of refined sugar	**(10,774)**	(21,253)	**-**	-
- insurance service	**34**	-	**-**	-
- purchase of agro chemical	**170**	-	**-**	-
(iv) Transaction with D'Saji				
- provision of refreshment	**62**	70	**62**	70
(v) Transaction with FELDA				
- rental	**784**	1,538	**784**	523
(vi) Transaction with Felda Engineering				
- installation and construction of utilities building	**41,830**	11,573	**-**	-

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (continued)

	Company 2018 RM'000	2017 RM'000
(vii) Transactions with subsidiaries:		
Dividends received from:		
- MSM Prai	**-**	(28,119)
Interest received/receivable from:		
- MSM Prai	**-**	(97)
- MSM Perlis	**(5,855)**	(6,250)
- MSM Johor	**(48,979)**	(18,991)
Management fees from:		
- MSM Prai	**(8,562)**	(6,880)
- MSM Perlis	**(2,887)**	(2,967)
- MSM Logistics	**(161)**	(142)

These transactions were undertaken on agreed terms between the related parties.

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant financial year end balances are as follows:

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Amount due to ultimate holding company, FGVH	**(9,213)**	(505)	(6,963)	**(4,678)**	(2,783)	(3,774)
Amount due from ultimate holding company, FGVH	**702**	605	-	**-**	-	-
Amounts due from/(to) other related companies						
Due from						
- FTSB	**7,411**	17,042	-	**-**	2,202	-
- Other related companies	**36,645**	14,443	14,326	**145**	-	-
	44,056	31,485	14,326	**145**	2,202	-
Due to						
- FELDA	**(50)**	(561)	-	**-**	(511)	-
- Other related companies	**(2,844)**	(467)	(400)	**(140)**	(11)	(156)
	(2,894)	(1,028)	(400)	**(140)**	(522)	(156)
Loan due to a related company, FGVC	**(30,365)**	(108,826)	(156,452)	**-**	-	-
Amounts due from subsidiaries:						
- MSM Perlis	**-**	-	-	**3,482**	6,403	11,726
- MSM Prai	**-**	-	-	**5,303**	4,027	5,793
- MSM Logistics	**-**	-	-	**-**	254	408
- MSM Johor	**-**	-	-	**16,237**	15,266	32,384
- MSM Trading	**-**	-	-	**7**	5	3
- MSM Trading International	**-**	-	-	**72**	29	1,014
	-	-	-	**25,101**	25,984	51,328

34 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant financial year end balances are as follows: (continued)

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Amounts due to subsidiaries:						
- MSM Perlis	**-**	-	-	**(11)**	(6)	-
- MSM Prai	**-**	-	-	**(29)**	-	-
- MSM Logistics	**-**	-	-	**(21)**	-	-
- MSM Johor	**-**	-	-	**(282)**	(282)	-
	-	-	-	**(343)**	(288)	-
Loans due from subsidiaries, net of repayments:						
- MSM Perlis	**-**	-	-	**65,382**	153,130	103,966
- MSM Johor	**-**	-	-	**1,018,607**	618,058	223,068
	-	-	-	**1,083,989**	771,188	327,034
Loans due to a subsidiary, net of repayments:						
- MSM Prai	**-**	-	-	**72,394**	129,843	-

(c) Key management personnel remuneration

Key management personnel comprise Directors and senior management and above of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The aggregate amount of emoluments received/receivable by Directors of the Group during the year is disclosed in Note 12 to the financial statements.

The aggregate amount of emoluments received/receivable by key management personnel of the Group and Company during the year is as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Salary, allowances and bonuses	**7,444**	8,652	**4,288**	3,785
Defined contribution plan	**1,338**	1,135	**780**	632
Other employee benefits	**482**	452	**357**	198
Total	**9,264**	10,239	**5,425**	4,615

Benefits-in-kind provided to key management personnel of the Group and of the Company amounted to RM3,000 (31.12.2017: RM42,000; 1.1.2017: RM19,457) and RM3,000 (31.12.2017: RM42,000; 1.1.2017: RM19,457) respectively.

35 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Aggregate cost of property, plant and equipment	**347,696**	563,564	**358**	442
Capitalisation of borrowing cost	**(23,056)**	(26,233)	**-**	-
Unpaid balances included in other payables and accruals (Note 32)	**(6,425)**	(9,364)	**-**	-
Cash paid in respect of previous financial years acquisition	**9,364**	20,695	**-**	9
	327,579	548,662	**358**	451

36 OPERATING LEASE COMMITMENTS

The Group leases premises from various parties under operating lease arrangements. These leases are non-cancellable and typically run for a period.

None of the leases includes contingent rentals. There are no restrictions placed upon the Group by entering into these leases.

The future aggregated minimum lease payments under non-cancellable operating lease are as follows:

	Group	
	2018 RM'000	2017 RM'000
No later than 1 year	**1,803**	3,310
Later than 1 year and no later than 5 years	**2,017**	3,280
Later than 5 years	**83**	348
	3,903	6,938

37 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment:				
- contracted and not provided for	**131,885**	299,953	**750**	-
- authorised and not contracted for	**30,684**	162,484	**1,621**	-
	162,569	462,437	**2,371**	-

38 FINANCIAL INSTRUMENTS

The analysis of classification of financial instruments are as follows:

Group	Amortised cost 31.12.2018 RM'000	Loans and receivables 31.12.2017 RM'000	Loans and receivables 1.1.2017 RM'000	Fair value through profit or loss 31.12.2018 RM'000	Fair value through profit or loss 31.12.2017 RM'000	Fair value through profit or loss 1.1.2017 RM'000
As at 31 December						
Financial assets						
Non-current assets						
Derivative financial assets	**-**	-	-	**561**	717	-
Amount due from a related company	**1,372**	4,245	-	**-**	-	-
	1,372	4,245	-	**561**	717	-
Current assets						
Receivables (excluding prepayments, GST receivables and advance payments)	**246,397**	280,408	320,645	**-**	-	-
Amount due from ultimate holding company	**702**	605	-	**-**	-	-
Amounts due from other related companies	**44,056**	31,485	14,326	**-**	-	-
Derivative financial assets	**-**	-	-	**-**	3,147	1,970
Cash and cash equivalents	**191,563**	170,527	337,911	**-**	-	-
	482,718	483,025	672,882	**-**	3,147	1,970
Total financial assets	**484,090**	487,270	672,882	**561**	3,864	1,970

38 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

	Liabilities at amortised cost			Liabilities at fair value through profit or loss		
Group	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Financial liabilities						
Non-current liabilities						
Borrowings	**556,284**	370,339	178,903	**-**	-	-
Payables	**32**	32	-	**-**	-	-
	556,316	370,371	178,903	**-**	-	-
Current liabilities						
Payables (excluding GST payables)	**262,148**	192,938	465,856	**-**	-	-
Amount due to ultimate holding company	**9,213**	505	6,963	**-**	-	-
Amounts due to other related companies	**2,844**	467	400	**-**	-	-
Amount due to FELDA	**50**	561	-	**-**	-	-
Loan due to a related company	**30,365**	108,826	156,452	**-**	-	-
Borrowings	**740,461**	725,912	356,300	**-**	-	-
Derivative financial liabilities	**-**	-	-	**630**	-	-
	1,045,081	1,029,209	985,971	**630**	-	-
Total financial liabilities	**1,601,397**	1,399,580	1,164,874	**630**	-	-

38 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

Company	Amortised cost 31.12.2018 RM'000	Loans and receivables 31.12.2017 RM'000	Loans and receivables 1.1.2017 RM'000	Fair value through profit or loss 31.12.2018 RM'000	Fair value through profit or loss 31.12.2017 RM'000	Fair value through profit or loss 1.1.2017 RM'000
As at 31 December						
Financial assets						
Non-current assets						
Loans due from subsidiaries	**1,019,033**	618,058	223,068	**-**	-	-
Derivative financial assets	**-**	-	-	**561**	717	-
	1,019,033	618,058	223,068	**561**	717	-
Current assets						
Receivables (excluding prepayments, GST receivables and advance payments)	**834**	47	503	**-**	-	-
Amount due from subsidiaries	**25,101**	25,984	51,328	**-**	-	-
Amounts due from other related companies	**145**	2,202	-	**-**	-	-
Loans due from subsidiaries	**64,956**	153,130	103,966	**-**	-	-
Cash and cash equivalents	**116,398**	41,617	121,502	**-**	-	-
	207,434	222,980	277,299	**-**	-	-
Total financial assets	**1,226,467**	841,038	500,367	**561**	717	-

38 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

	Liabilities at amortised cost			Liabilities at fair value through profit or loss		
Company	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Financial liabilities						
Non-current liabilities						
Borrowings	**556,284**	370,339	178,903	**-**	-	-
Payables	**32**	32	-	**-**	-	-
	556,316	370,371	178,903	**-**	-	-
Current liabilities						
Payables (excluding GST payables)	**2,778**	4,797	7,769	**-**	-	-
Amounts due to subsidiaries	**343**	288	-	**-**	-	-
Amounts due to other related companies	**140**	11	156	**-**	-	-
Amount due to FELDA	**-**	511	-	**-**	-	-
Loan due to a subsidiary	**72,394**	129,843	-	**-**	-	-
Amount due to ultimate holding company	**4,678**	2,783	3,774	**-**	-	-
Borrowings	**319,254**	36,185	-	**-**	-	-
	399,587	174,418	11,699	**-**	-	-
Total financial liabilities	**955,903**	544,789	190,602	**-**	-	-

39 SEGMENT INFORMATION

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 primarily a product perspective.

The reportable operating segments have been identified as follows: -

(i) Sugar - sugar refining and sales, marketing of refined sugar and commodity trading

(ii) Palm oil, rubber and mango – palm oil, rubber and mango plantation

Reconciliation represents income and expenses related to the corporate office, which is the investment holding entity. Included in reconciliation are cash and cash equivalents, accruals of the holding company.

The Executive Director, which is the chief operating decision maker, reviews the internal management reports on a basis that is consistent with the presentation as per the statement of comprehensive income.

39 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Executive Director for the reportable segments for the financial year is as follows:

	Sugar RM'000	Palm oil, rubber and mango RM'000	Re-conciliation* RM'000	Total RM'000
31 December 2018				
Total segment revenue	**2,214,376**	**1,089**	**-**	**2,215,465**
Finance income	**4,057**	**-**	**-**	**4,057**
Finance costs	**(38,058)**	**(87)**	**-**	**(38,145)**
Depreciation and amortisation	**(58,078)**	**(2,159)**	**(3,547)**	**(63,784)**
Profit before zakat and taxation	**88,506**	**(6,117)**	**(22,082)**	**60,307**
Zakat	**(1,500)**	**-**	**-**	**(1,500)**
Taxation	**(20,518)**	**-**	**(2,683)**	**(23,201)**
Profit for the financial year				**35,606**
Total assets	**3,358,060**	**158,791**	**131,344**	**3,648,195**
Total liabilities	**1,657,954**	**19,903**	**7,628**	**1,685,485**
Additions to property, plant and equipment	**338,856**	**8,482**	**358**	**347,696**
Additions to intangible assets	**-**	**-**	**2,468**	**2,468**
31 December 2017				
Total segment revenue	2,640,334	1,195	-	2,641,529
Finance income	5,293	-	-	5,293
Finance costs	(22,489)	(11)	-	(22,500)
Depreciation and amortisation	(49,480)	(2,315)	(1,611)	(53,406)
Loss before zakat and taxation	(10,387)	(5,630)	(3,557)	(19,574)
Taxation	(14,815)	-	(1,952)	(16,767)
Loss for the financial year				(36,341)
Total assets	3,192,413	153,270	59,099	3,404,782
Total liabilities	1,449,876	22,438	6,109	1,478,423
Additions to property, plant and equipment	548,254	14,868	442	563,564
Additions to intangible assets	-	-	3,769	3,769

*Reconciliation arising from investment holding company.

39 SEGMENT INFORMATION (CONTINUED)

Analysis of revenue

The analysis of revenue by geographical locations is as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Malaysia	**2,032,053**	2,358,266
Asia	**119,676**	211,393
Australia	**30,100**	18,971
Europe	**29,219**	35,118
Others	**4,417**	17,781
	2,215,465	2,641,529

All non-current assets other than financial instruments are located in Malaysia.

40 FIRST TIME ADOPTION OF MFRS FRAMEWORK

Transition from FRS to MFRS

As stated in Note 2 to the financial statements, these are the first set of financial statements of the Group and the Company for the year ended 31 December 2018, prepared in accordance with MFRSs and applying MFRS 1 'First-time Adoption of MFRSs'. Aside from the short-term exemption on first-time application of MFRS 9 'Financial Instruments', the Group and the Company have consistently applied the same accounting policies in its opening MFRS statement of financial position at the date of transition, 1 January 2017, and throughout all periods presented, as if these policies had always been in effect. These policies comply with each MFRS effective as at 31 December 2018, including MFRS 15 'Revenue from Contracts with Customers'. The financial statements for financial year 2017 were prepared in accordance with Financial Reporting Standards (FRSs). Accordingly, the comparative figures for 2017 in these financial statements have been restated to give effect to these changes. This note discloses the impact of the transition to MFRS on the Group's reported financial position, financial performance and cash flows.

(i) The Group and the Company have applied the following mandatory exceptions as required by MFRS 1:

a) Estimates

MFRS estimates as at transition date are consistent with the estimates as at the same date made in conformity with FRS.

b) Classification and measurement of financial assets

For financial assets that exist at the beginning of the first MFRS reporting period, at 1 January 2018, an assessment was performed as to whether a financial asset meets the condition to be classified and measured as financial asset measured at amortised cost or financial asset measured at fair value through other comprehensive income in accordance with MFRS 9 on the basis of the facts and circumstances that exist at the beginning of the first MFRS reporting period.

40 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

(i) The Group and the Company have applied the following mandatory exceptions as required by MFRS 1: (continued)

c) Impairment of financial assets

Impairment requirements in MFRS 9 are applied retrospectively for debt instruments measured at amortised cost or fair value through other comprehensive income, lease receivable, contract asset or loan commitment and a financial guarantee contract. The requirements are applied using reasonable and supportable information that is available without undue cost or effort to determine the credit risk at the initial recognition of financial instrument and compare that to the credit risk at the beginning of the first MFRS reporting period, at 1 January 2018, to determine if there has been a significant increase in credit risk.

d) Hedge accounting

Hedge accounting can only be applied prospectively from the beginning of the first MFRS reporting period to a hedging relationship that qualifies for hedge accounting under MFRS 9 at that date. Hedging relationships cannot be designated retrospectively.

(ii) As provided in MFRS 1, the Group and the Company as first time adopters of MFRS have elected to apply the following exemptions on other MFRSs from a full retrospective application as explained below:

(a) Business combinations

MFRS 1 provides the option to apply MFRS 3 "Business combinations" prospectively for business combinations (including acquisition of interests in associates, joint ventures and joint operations that constitute businesses) that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2017. Business combinations that occurred prior to 1 January 2017 have not been restated. The Group has also applied MFRS 127 "Consolidated and separate financial statements" from the same date.

(b) Previous FRS carrying amounts as deemed cost – Investment in subsidiaries

The Group and Company elected to use the previous FRS carrying amounts as deemed cost as at the date of transition. Accordingly, the carrying amounts of these investment in subsidiaries have not been restated.

(c) Revenue

The Group has elected to apply the following practical expedients under MFRS 15:

(i) No restatement of completed contracts that begin and end within the same annual reporting period;

(ii) No restatement for completed contracts as at transition date;

(iii) The use of transaction price at the date contract was completed for completed contracts in the comparative period with variable consideration;

(iv) No restatement of contract modifications that occurred before transition date;

(v) No disclosure is required on the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise the amount as revenue for all reporting periods presented before the first MFRS reporting period, at 1 January 2018.

40 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

(ii) As provided in MFRS 1, the Group and the Company as first time adopters of MFRS have elected to apply the following exemptions on other MFRSs from a full retrospective application as explained below: (continued)

(d) First time application of MFRS 9

The Group and the Company elected the short-term exemption on first-time application of MFRS 9 in accordance with MFRS 1. The comparative information in the Group's and the Company's first MFRS financial statements in respect of items within the scope of MFRS 9 are accounted for based on the requirements of FRS 139 'Financial Instruments: Recognition and Measurement'. Accordingly, the comparative information in the Group's and the Company's first MFRS financial statements in respect of these items have not been restated to comply with the requirements of MFRS 9.

There is no material impact on 1 January 2018 upon adoption of MFRS 9.

(a) MFRS 15 and MFRS 141

The transition to the MFRS has resulted in changes to the Group's accounting policies when compared to those policies adopted in applying the FRS issued by the Malaysian Accounting Standards Board ("MASB"). The effects arising from these changes on the Group's and statements of profit or loss, statements of financial position and statements of cash flows are set out in the reconciliations below:

	Restatement of comparative figures Financial year ended 31 December 2017			
Statement of profit or loss	**As per previous accounting framework RM'000**	**MFRS 15 RM'000**	**MFRS 141 RM'000**	**As per current accounting framework RM'000**
Revenue	2,656,053	(14,524)	-	2,641,529
Cost of sales	(2,510,256)	(53,234)	-	(2,563,490)
Selling and distribution costs	(83,732)	63,991	-	(19,741)
Operating profit/(loss)	1,400	(3,767)	-	(2,367)
Taxation	(16,767)	-	-	(16,767)
Loss for the financial period	(32,574)	(3,767)	-	(36,341)
Loss attributable to:				
- Owners of the Company	(28,565)	(3,767)	-	(32,332)
- Non-controlling interests	-	-	-	-
	(28,565)	(3,767)	-	(32,332)

40 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

(a) MFRS 15 and MFRS 141 (continued)

The transition to the MFRS 15 and 141 frameworks have resulted in changes to the Group's accounting policies when compared to those policies adopted in applying the FRS issued by the Malaysian Accounting Standards Board ("MASB"). The effects arising from these changes on the Group's and statements of profit or loss, statements of financial position and statements of cash flows are set out in the reconciliations below: (continued)

	Restatement of comparative figures Financial year ended 31 December 2017			
Statement of financial position	**As per previous accounting framework RM'000**	**MFRS 15 RM'000**	**MFRS 141 RM'000**	**As per current accounting framework RM'000**
Inventories	718,045	14,197	-	732,242
Receivables	336,317	(17,964)	-	318,353
Total assets	3,408,549	(3,767)	-	3,404,782
Retained earnings	515,768	(3,767)	-	512,001

There is no material impact on 1 January 2017 upon adoption of MFRS 15.

The transition to MFRS 15 and 141 had no impact to the net cash flow position of the Group.

Transitioning adjustments arising from MFRS 15 and MFRS 141

(b) Revenue – Determining separate performance obligations

Separate performance obligations

Under MFRS 15, some contracts for sale of refined sugar include multiple or bundled deliverables, such as the delivery of the goods on board vessels or tankers that are often bundled with freight services. For each deliverable to be a separate performance obligation, it needs to be distinct. In order or be distinct, the good or service must be capable of being distinct such that the customer is able to benefit from the good or service on its own or with another readily available resources and the good or service is distinct from the context of the contract.

In assessing whether the multiple or bundled deliverables has separate performance obligations, management assessed and considered in most cases, these contracts are simple and the customer can benefit from each good or service on its own without having to be significantly integrated, modified, customised and not highly interrelated with each other.

Arising from this, transportation costs being incurred prior to the transfer of control of sales of goods from the sugar operation to customers are regarded as cost of fulfilment of the contract. Transportation services performed after the transfer of control of sales of goods from the sugar operation to customers are regarded as a separate performance obligation and recognised over time depending on the terms of the contract.

Arising from the above, revenue of RM9,177,000 with a corresponding cost of sales of RM5,410,000 have been deferred as at 31 December 2017, resulting in a net impact to statement of profit or loss of RM3,767,000.

40 FIRST TIME ADOPTION OF MFRS FRAMEWORK (CONTINUED)

Transitioning adjustments arising from MFRS 15 and MFRS 141 (continued)

(b) Revenue – Determining separate performance obligations (continued)

Variable considerations

Apart from the above, there were also reclassifications of selling and distribution costs to revenue of RM5,347,000 representing transportation allowances provided to customers, which are considered as variable considerations.

Cost of fulfilment

In addition, there were also reclassifications of transportation costs of RM58,644,000 from selling and distribution costs to cost of sales.

(c) Remeasurement of biological assets to fair value

Under FRS, agricultural produce growing on bearer plants was not recognised as an asset.

Under MFRS 141, the agricultural produce growing on bearer plants meets the definition of a biological asset. The agricultural produce is measured at fair value less costs to sell, with fair value changes recognised in profit or loss as the produce grows. There are no effects from the adoption of MFRS 141 on the financial statements.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 March 2019.

ANALYSIS OF SHAREHOLDINGS
AS AT 20 MARCH 2019

Issued and Paid Up Share Capital : 702,980,000
Class of Shares : Ordinary share
Voting Right : One (1) vote per ordinary share

INFORMATION ON SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)

No	Name of Shareholders	Direct		Indirect	
		No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	FGV SUGAR SDN BHD *(formerly known as Felda Global Ventures Sugar Sdn Bhd)*	281,369,800	40.03	-	-
2.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	107,393,952	15.28	-	-
3.	FGV HOLDINGS BERHAD *(formerly known as Felda Global Ventures Holdings Berhad)*	77,150,248	10.97	281,369,800*	40.03
4.	AMANAHRAYA TRUSTEES BERHAD	52,654,500	7.49	-	-
5.	EMPLOYEES PROVIDENT FUND BOARD	47,513,900	6.76	-	-

* *Deemed interested by virtue of its interests in FGV Sugar Sdn Bhd, its wholly owned subsidiary.*

INFORMATION ON DIRECTORS SHAREHOLDINGS

No	Name of Directors	Direct Interest	
		No. of Shares Held	% of Issued Shares
1.	Datuk Wira Azhar Abdul Hamid	-	-
2.	Dato' Zainal Haji Ismail	20,000	0.00
3.	Dato' Hajjah Rosni Haji Zahari	20,000	0.00
4.	Datuk Lim Thean Shiang	-	-
5.	Dato' Rosini Abd Samad	-	-
6.	Dato' Ab Ghani Mohd Ali	1,300	0.00
7.	Dato' Haris Fadzilah Hassan	-	-
8.	Dato' Khairil Anuar Aziz	-	-

Notes:
The Directors' interest in shares of the Company and its related corporations are set out in the Directors' Report of the Financial Statements for the financial year ended 31 December 2018 on pages 136 to 137 of this Annual Report.

ANALYSIS OF SHAREHOLDINGS

AS AT 20 MARCH 2019

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	497	13.69	3,230	0.00
100 to 1,000	1,611	44.38	970,581	0.14
1,001 to 10,000	1,311	36.12	5,091,549	0.72
10,001 to 100,000	175	4.82	4,590,340	0.65
100,001 to less than 5% of issued shares	30	0.83	126,241,900	17.96
5% and above of issued shares	6	0.16	566,082,400	80.53
Total	**3,630**	**100.00**	**702,980,000**	**100.00**

LIST OF TOP 30 SHAREHOLDERS

No	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	FGV SUGAR SDN BHD *(formerly known as Felda Global Ventures Sugar Sdn Bhd)*	281,369,800	40.03
2.	FGV HOLDINGS BERHAD *(formerly known as Felda Global Ventures Holdings Berhad)*	77,150,248	10.97
3.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	66,305,852	9.43
4.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	52,654,500	7.49
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	47,513,900	6.76
6.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	41,088,100	5.84
7.	URUSHARTA JAMAAH SDN BHD	35,000,000	4.98
8.	VALUECAP SDN BHD	16,797,200	2.39
9.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	15,563,400	2.21
10.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	14,768,700	2.10
11.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	9,351,800	1.33
12.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	8,260,200	1.18
13.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	7,210,000	1.03
14.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	4,405,800	0.63
15.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 - DIDIK	4,257,200	0.61
16.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	4,099,900	0.58
17.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	3,342,700	0.48

No	Name of Shareholders	No. of Shares Held	% of Issued Shares
18.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK ASSET MANAGEMENT SDN BHD (RESIDENT)	314,900	0.04
19.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROSLI BIN HAMAT	233,400	0.03
20.	BANK SIMPANAN NASIONAL	207,300	0.03
21.	CARTABAN NOMINEES (TEMPATAN) SDN BHD AIG MALAYSIA INSURANCE BERHAD	200,000	0.03
22.	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	200,000	0.03
23.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ROSLAND BIN OTHMAN	199,000	0.03
24.	KOH YONG KIANG	192,300	0.03
25.	BANK SIMPANAN NASIONAL	171,000	0.02
26.	BANK SIMPANAN NASIONAL	163,800	0.02
27.	BANK SIMPANAN NASIONAL	160,000	0.02
28.	BANK SIMPANAN NASIONAL	150,000	0.02
29.	PAK NGA PROPERTY SDN BHD	150,000	0.02
30.	SHAHRIL BIN SHAMSUDDIN	150,000	0.02

SUMMARY OF PROPERTIES OWNED

AS AT 31 DECEMBER 2018

No	Name of Registered owner/ Beneficial owner Lot no/Leasehold period	Ownership	Existing Use	Land Area (hectares unless otherwise stated)	Approximate age of Plant & Building (years)	NBV as at 31/12/2018 (RM'000)
	MSM MALAYSIA HOLDINGS BERHAD					
1.	PLO 46, Port Area, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, District of Johor Bharu, Johor	Leasehold	Factory land	50.630 acres	58	83,393
	MSM PRAI BERHAD					
1.	H.S. (D) 31960, PT 34442, Mukim Batu, Daerah Gombak, Negeri Selangor Lot 59, Jalan BRP 8/1, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor	Freehold	Vacant land	0.254	24	466
2.	H.S. (D) 31961, PT 34443, Mukim Batu, Daerah Gombak, Negeri Selangor Lot 58, Jalan BRP 8/1, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor	Freehold	Bays for trucks and primers	0.088	24	161
3.	H.S. (D) 31962, PT 34444, Mukim Batu, Daerah Gombak, Negeri Selangor Lot 58, Jalan BRP 8/1, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor	Freehold	Bays for trucks and primers	0.519	24	953
4.	H.S. (D) 31963, PT 34445, Mukim Batu, Daerah Gombak, Negeri Selangor Lot 59, Jalan BRP 8/1, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor	Freehold	Vacant land	0.353	24	648
5.	H.S. (D) 31964, PT 34446, Mukim Batu, Daerah Gombak, Negeri Selangor	Freehold	Facility for sugar distribution and storage	1.214	24	2,228
	Lot 60, Jalan BRP 8/1, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor		Building	903 sq metres		
6.	H.S. (D) 31965, PT 34447, Mukim Batu, Daerah Gombak, Negeri Selangor	Freehold	Facility for sugar distribution and storage	1.10543	15	2,029
	Lot 61, Jalan BRP 8/1, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor		Building	9,010 sq metres		

No	Name of Registered owner/ Beneficial owner Lot no/Leasehold period	Ownership	Existing Use	Land Area (hectares unless otherwise stated)	Approximate age of Plant & Building (years)	NBV as at 31/12/2018 (RM'000)
7.	H.S. (D) 4976, TLO 778A, Bandar Johor Bahru, Daerah Johor Bahru, Negeri Johor	Leasehold	Facility for sugar distribution and storage	0.8599	17 to 39	510
	5, Jalan Bakti, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor		Building	3,891 sq metres		
8.	H.S. (D) 119796, PT121676, Mukim Kelang, Daerah Klang, Selangor	Leasehold	Vacant land	10,670 sq metres	0	4,563
9.	H.S. (D) 119797, PT121677, Mukim Kelang, Daerah Klang, Selangor	Leasehold	Vacant land	9,697 sq metres	0	4,147
	MSM PERLIS SDN BHD (FACTORY)					
1.	Pajakan Negeri, No Pendaftaran 38, Lot No 2039, Mukim Chuping, Daerah Perlis, Negeri Perlis	MSM Perlis Sdn Bhd (Factory)/ Leasehold	Factory land	16.353		5
			Factory Buildings	42,855 sq metres		7
2.	Pajakan Negeri, No Hakmilik 58, Lot 3142, Mukim Chuping, Daerah Perlis, Negeri Perlis	MSM Perlis Sdn Bhd (Factory)/ Leasehold	Tubewell area	28.715		46
			Building	236 sq metres		
	MSM PERLIS SDN BHD (PLANTATION)					
1.	PN 37, Lot No : 2040, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	523.940		9,686
2.	PN 39, Lot No : 2035, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	1,268.108		23,441
3.	PN 40, Lot No : 2038, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	288.877		5,340
			Building	8,149.55 sq metres		
4.	PN 41, Lot No : 2041, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	92.202		1,705
5.	PN 43, Lot No : 2037, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	277.178		5,124

SUMMARY OF PROPERTIES OWNED

AS AT 31 DECEMBER 2018

No	Name of Registered owner/ Beneficial owner Lot no/Leasehold period	Ownership	Existing Use	Land Area (hectares unless otherwise stated)	Approximate age of Plant & Building (years)	NBV as at 31/12/2018 (RM'000)
6.	PN 1755, Lot 18794, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	952.800		17,630
			Bulding	8,735.39 sq metres		
7.	PN 1754, Lot 18795, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-46 years	Rubber & other crops plantation	10.150		185
8.	H.S. (D) 145, PT, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-46 years	Rubber & other crops plantation	1,027.862		19,073
9.	H.S. (D) 2587, PT349, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-56 years	Rubber & other crops plantation	12.841		245
			Building	713.68 sq metres		

SUMMARY OF PROPERTIES LEASED

AS AT 31 DECEMBER 2018

No	Name of Lessor/Lessee or Landlord/Tenant or Grantor/ Grantee Lot No/Postal address	Description of property/ Existing use	Built-up area/ Land area (square metre unless otherwise stated)	Tenure/date of expiry	Rental per annum (Unless otherwise stated) (RM unless otherwise stated)
1.	H.S. (D) 28162, Lot 286, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang – Plot A & B 798, Main Road, 13600 Prai, Penang	Property erected with molasses tanks, refined sugar warehouse, raw sugar warehouse, container parking area, railway lines and packaging materials warehouse	3,471.5/97,494 square feet	A lease for 30 years/Expiring on 30 November 2024 with option to renew for another 30 years	26,323.00
2.	H.S. (D) 28162, Lot 286, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang – Plot D 798, Main Road, 13600 Prai, Penang	Property erected with raw warehouse and miscellaneous materials warehouse	5,374.7/ 96,140 square feet	A lease for 14 years/ Expiring on 31 May 2018 with option to renew for another 10 years	30,764.00
3.	H.S. (D) 28162, Lot 286, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang – Plot C 798, Main Road, 13600 Prai, Penang	Property erected with raw warehouse and miscellaneous materials warehouse	4,119.7/ 60,575 square feet	A lease for 30 years/Expiring on 30 November 2024 with option to renew for another 30 years	16,355.00
4.	H.S. (D) 28137, Lot 287, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang 798, Main Road, 13600 Prai, Penang	Property erected with raw warehouse and miscellaneous materials warehouse	72,451.4/ 605,484 square feet	A lease for 30 years/Expiring on 30 November 2024 with option to renew for another 30 years	163,480
5.	Penang Port Commission (as lessor)/ Kilang Gula Felda Perlis Sdn Bhd (as lessee) Bulk Cargo Terminal, 13600 Prai, Penang	Storage godown/Currently used as a storage facility for refined sugar and raw sugar	7,580.12/Not Applicable	A lease for 22 years/ Expiring on 31 January 2025	RM0.84 per square metre per month
6.	Level 44, Menara Felda, Platinum Park, 11 Persiaran KLCC, 50088 Kuala Lumpur	Office space/currently used at MSM's administrative office in KL	15,631 square feet	A lease for 3 years/ Expiring on 22 November 2019	120,358.70 per month
7.	PLO 46, Land at Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, Johor Bharu	Facility for Sugar Refinery	2,205,442.80 square feet	A lease for 60 years	RM 40.00 psf.

LIST OF TOP 10 PROPERTIES OWNED

AS AT 31 DECEMBER 2018

No	Name of Registered owner/ Beneficial owner Lot no/Leasehold period	Acquisition Date	Ownership	Existing Use	Land Area (hectares unless otherwise stated)	Age of Plant & Building (years)	NBV as at 31/12/2018 (RM'000)
1.	PLO 46, Port Area, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, District of Johor Bharu, Johor	16.03.2015	Leasehold-58 years	Factory Land	50.63 acres	-	83,393
2.	PN 39, Lot No : 2035, Mukim Chuping, Perlis	21.05.2011	Leasehold-45 years	Rubber & other crops plantation	1,268.108	-	23,441
3.	H.S. (D) 145, PT, Mukim Chuping, Perlis	21.05.2011	Leasehold-45 years	Rubber & other crops plantation	1,027.862	-	19,073
4.	PN 1755, Lot 18794, Mukim Chuping, Perlis	21.05.2011	Leasehold-45 years	Rubber & other crops plantation	952.800	-	17,630
				Building	8735.39 sq metres		
5.	PN 37, Lot No : 2040, Mukim Chuping, Perlis	21.05.2011	Leasehold-45 years	Rubber & other crops plantation	523.940	-	9,686
6.	PN 40, Lot No : 2038, Mukim Chuping, Perlis	21.05.2011	Leasehold-45 years	Rubber & other crops plantation	288.877	-	5,340
				Building	8,149.55 sq metres		
7.	PN 43, Lot No : 2037, Mukim Chuping, Perlis	21.05.2011	Leasehold-45 years	Rubber & other crops plantation	277.178	-	5,124
8.	H.S. (D) 119796, PT 121676, Mukim Kelang, Daerah Klang, Selangor	24.4.2013	Leasehold-45 years	Vacant land	10,670 sq metres	-	4,563
9.	H.S. (D) 119797, PT 121677, Mukim Kelang, Daerah Klang, Selangor	24.4.2013	Leasehold	Vacant land	9,697 sq metres	-	4,147
10.	H.S. (D) 31964, PT 34446, Mukim Batu, Daerah Gombak, Negeri Selangor.	15.9.1993	Leasehold	Facility for sugar distribution and storage	1.214	24	2,228
	Lot 60, Jalan BRP 8/1, Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh, Selangor.		Freehold	Building	903 sq metres		

GROUP CORPORATE DIRECTORY

HEAD OFFICES

1. **MSM Malaysia Holdings Berhad** (935722-K)
Level 44, Menara Felda, Platinum Park,
No 11, Persiaran KLCC,
50088 Kuala Lumpur, Malaysia

Tel : +603 2181 5018
Fax : +603 2181 5015

2. **MSM Prai Berhad** (3573-D)
Level 44, Menara Felda, Platinum Park,
No 11, Persiaran KLCC,
50088 Kuala Lumpur, Malaysia

Tel : +603 2181 4818
Fax : +603 2181 4825 (Accounts)
: +603 2181 4812 / 4827 (Marketing)

3. **MSM Logistics Sdn Bhd** (208409-P)
Level 44, Menara Felda, Platinum Park,
No 11, Persiaran KLCC,
50088 Kuala Lumpur, Malaysia

Tel : +603 2181 5018
Fax : +603 2181 5015

FACTORIES

4. **MSM Prai Berhad** (3573-D)
798, Main Road, 13600 Prai, Seberang Prai,
Pulau Pinang, Malaysia

Tel : +604 388 8888
Fax : +604 390 8122 / 399 9140

5. **MSM Perlis Sdn Bhd** (10776-K)
Postal Address : P.O Box 42, 01700 Kangar, Perlis, Malaysia
Factory Address : Mukim Chuping, 02500, Chuping, Perlis,Malaysia
Tel : +604 944 1301 / 1302 / 1303
Fax : +604 944 1027 / 1311

6. **MSM Sugar Refinery (Johor) Sdn Bhd** (1139464-W)
PLO 46, Jalan Ipil 2,
Kawasan Perindustrian Tanjung Langsat,
Mukim Sungai Tiram,
81700 Pasir Gudang,
Johor, Malaysia

Tel : +607 257 2888

WAREHOUSES

7. **MSM Prai Berhad** (3573-D)
Lot No 61, Jalan BRP 8/1V,
Kawasan Perusahaan Bukit Rahman Putra,
47000 Sungai Buloh, Selangor, Malaysia

Tel : +603 6157 6358
Fax : +603 6157 5358

8. **MSM Prai Berhad** (3573-D)
No 5, Jalan Bakti,
Kawasan Perindustrian Larkin,
80350 Johor Bharu, Johor, Malaysia

Tel : +607 238 3687
Fax : +607 238 3766

PLANTATION

9. **MSM Perlis Sdn Bhd** (10776-K)
Postal Address : P.O Box 42, 01700 Kangar, Perlis, Malaysia
Office Address : KM23, Jalan Kilang Gula Chuping, 02400 Beseri, Perlis, Malaysia

Tel : +604 944 1002
Fax : +604 944 1211

TRADING

10. **MSM Trading International DMCC** (DMCC28344)
No Unit 404 & 405,
Jumeirah Bay X3 Cluster X,
Jumeirah Lakes Towers (JLT),
Dubai, United Arab Emirates

Tel : +9714 557 4635
Fax : +9714 552 9125

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eight (8th) Annual General Meeting of MSM Malaysia Holdings Berhad ("MSM" or "the Company") will be held at Banquet Hall 1, Level B2, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur, Malaysia on Wednesday, 19 June 2019, at 11.00 a.m., or any adjournment thereof, for the transaction of the following business:

AGENDA

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.
   Please refer to Explanatory Note 1

2. To approve the payment of Directors' fees amounting to RM1,251,349.00 in respect of the financial year ended 31 December 2018. ***(Resolution 1)***
   Please refer to Explanatory Note 2

3. To approve the payment of a portion of Directors' fees payable to the Non-Executive Directors up to an amount of RM840,000.00 from 20 June 2019 until the next Annual General Meeting of the Company to be held in 2020. ***(Resolution 2)***
   Please refer to Explanatory Note 3

4. To approve the payment of benefits payable to the Non-Executive Directors based on the remuneration structure as disclosed in Explanatory Note 4 for the period from 20 June 2019 until the next Annual General Meeting of the Company to be held in 2020. ***(Resolution 3)***
   Please refer to Explanatory Note 4

5. To re-elect the following Directors who retire by rotation in accordance with Clause 99 of the Company's Constitution and who, being eligible, offer themselves for re-election:
   i) Dato' Zainal Haji Ismail ***(Resolution 4)***
   ii) Dato' Hajjah Rosni Haji Zahari ***(Resolution 5)***
   Please refer to Explanatory Note 5

6. To re-elect the following Directors who retire in accordance with Clause 105 of the Company's Constitution and who, being eligible, offer themselves for re-election:
   i) Dato' Ab Ghani Mohd Ali ***(Resolution 6)***
   ii) Dato' Haris Fadzilah Hassan ***(Resolution 7)***
   Please refer to Explanatory Note 6

7. To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorize the Board of Directors to determine their remuneration. ***(Resolution 8)***
   Please refer to Explanatory Note 7

As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolutions :

8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR MSM MALAYSIA HOLDINGS BERHAD ("MSM HOLDINGS") AND ITS GROUP OF COMPANIES** ***(Resolution 9)***

"**THAT**, subject always to the Companies Act, 2016 ("Act"), the Constitution of MSM Holdings, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), other applicable laws, guidelines, rules and regulations, and the approval of the relevant governmental/regulatory authorities (where applicable), approval be and is hereby given to the Company and its subsidiaries to enter into all arrangements and/or transactions involving the interests of the related parties as specified in Appendix 1 of the Circular to the Shareholders dated 26 April 2019, provided that such arrangements and/or transactions are:

(i) recurrent transactions of a revenue or trading nature;

(ii) necessary for the day-to-day operations;

(iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and

(iv) not detrimental to the minority shareholders of the Company;

("Proposed Renewal of Shareholders' Mandate");

AND THAT the Proposed Renewal of Shareholders' Mandate shall commence immediately upon passing of this ordinary resolution and continue to be in force until:

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM, at which time the Proposed Renewal of Shareholders' Mandate will lapse, unless the Proposed Renewal of Shareholders' Mandate is renewed by a resolution passed at the next AGM of the Company; or

(b) the expiration of the period within which the next AGM is required by law to be held; or

(c) the Proposed Renewal of Shareholders' Mandate is revoked or varied by a resolution passed by the Shareholders of the Company in a general meeting of the Company,

whichever is the earlier;

AND FURTHER THAT authority be and is hereby given to the Directors of the Company and/or its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to such transactions as authorized by this resolution and the Proposed Renewal of Shareholders' Mandate."
Please refer to Explanatory Note 8

9. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016** ***(Resolution 10)***

   "**THAT**, pursuant to Section 75 of the Companies Act, 2016 and subject always to the Company's Constitution, the Listing Requirements and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorized to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be allotted and issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company as at the date of such allotment **AND THAT** the Directors be and are also hereby authorized to obtain all necessary approvals from the relevant authorities for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."
   Please refer to Explanatory Note 9

10. To transact any other business of the Company for which due notice shall be given in accordance with the Company's Constitution and the Companies Act, 2016.

BY ORDER OF THE BOARD

KOO SHUANG YEN (MIA 7556)
Company Secretary

Kuala Lumpur
26 April 2019

NOTES:

1. Proxy

(i) A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. **Where a member appoints more than one (1) proxy, to attend, participate, speak and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.**

(ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with provisions of Section 25A(1) of SICDA.

(iii) Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

(iv) The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorized attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy.

(v) **The instrument appointing a proxy shall be deposited at the office of Share Registrar of the Company at Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan no later than Tuesday, 18 June 2019 at 1.00 p.m., and in default the instrument of proxy shall not be treated as valid.**

2. Members entitled to attend

For purposes of determining a member who shall be entitled to attend the 8th AGM, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 63 of the Company's Constitution and Section 34(1) of SICDA, to issue a General Meeting Record of Depositors as at 3 June 2019. **Only a depositor whose name appears on the General Meeting Record of Depositors as at 3 June 2019 shall be entitled to attend, speak and vote at the AGM or appoint a proxy(ies) to attend, speak and vote on their behalf.**

3. Registration of Members/Proxies

Registration of members/proxies attending the meeting will start at 8.30 a.m. on the day of the meeting and will remain open until such time as may be determined by the Chairman of the meeting. Members/proxies are required to produce original MyKad or valid passport for registration and requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.

4. Voting

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all resolutions set out in the Notice of the 8th AGM of MSM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling via e-voting process and to verify the results of the poll.

EXPLANATORY NOTES ON ORDINARY BUSINESS:

Explanatory Note 1:
Audited Financial Statements for the Financial Year Ended 31 December 2018

This agenda item is meant for presentation and discussion only as under the provisions of Section 340(1)(a) of the Companies Act, 2016 ("Act") and Clause 137 of the Company's Constitution, the Audited Financial Statements does not require the final approval of shareholder and hence, will not be put for voting.

Explanatory Note 2:
Resolution 1 – Payment of Directors' Fees for the Financial Year Ended 31 December 2018

Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 8th AGM on the Directors' remuneration in three (3) separate resolutions as below:

- **Resolution 1** on payment of Directors' fees in respect of the preceding year 2018;
- **Resolution 2** on payment of a portion of Directors' fees payable to the Non-Executive Directors from 20 June 2019 until the next AGM of the Company to be held in 2020 ("Relevant Period"); and
- **Resolution 3** on payment of Directors' benefits payable to the Non-Executive Directors in respect of the Relevant Period.

The Non-Executive Directors' annual fees structure are set out in the table below:

Board/Board Committee	Annual Fees (RM)	
	Chairman	Directors
Board	315,000	120,000
Audit Committee	24,000	12,000
Other Board Committees: - Nomination and Remuneration Committee - Board Governance & Risk Management Committee - Investment Committee	10,000	8,000

Please refer to page 192 of the Notes to the Financial Statements in the 2018 Annual Report for the amount of Directors' fees at the Company and Group levels, to be approved at this AGM under Ordinary Resolution 2. The detailed amount of the Directors' fees is set out in the Corporate Governance Overview Statement on page 108 of the 2018 Annual Report.

Explanatory Note 3:
Resolution 2 – Directors' Fees Payable to the Non-Executive Directors

The proposed Ordinary Resolution 2, if passed, will allow the Company to pay a portion of Directors' fees of RM20,000.00 per month to the Non-Executive Chairman and RM5,000.00 per month to the Non-Executive Directors for the Relevant Period.

Explanatory Note 4:
Resolution 3 – Benefits Payable to the Non-Executive Directors

The Company is seeking shareholders' approval on the benefits payable to the Non-Executive Directors for the Relevant Period in accordance with the remuneration structure (excluding Directors' fees) set out below:

Meeting Allowance	• Board and Board Committee meetings: RM2,000 per attendance
Benefits	• Company car (Chairman only): One (1) Company car of at least 2000 cc • Driver allowance or Security services allowance: Not more than RM2,500 per month • Medical expenses, insurance coverage, travelling expenses and other claimable benefits

Payment of the benefits payable will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Ordinary Resolution 3 is passed at the 8th AGM. The Board is of the view that it is just and equitable for the Directors to be paid benefits payable on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Relevant Period.

Explanatory Note 5:
Resolution 4 and 5 – Re-election of Directors who retire in accordance with Clause 99 of the Company's Constitution

Clause 99 of the Company's Constitution states that at every AGM, at least one-third (1/3) of the Directors for the time being shall retire from office. In addition, all Directors shall retire from office at least once every three years. The retiring Directors shall be eligible for re-election.

The Nomination and Remuneration Committee has recommended and the Board has approved the Directors to stand for re-election.

The independence of Dato' Zainal Haji Ismail and Dato' Hajjah Rosni Haji Zahari, who have served as Independent Non-Executive Directors of the Company have been assessed by the Nomination and Remuneration Committee and also affirmed by the Board to continue to act as Independent Non-Executive Directors of the Company. Both Directors standing for re-election have not exceeded the nine (9) years tenure as Independent Directors.

Explanatory Note 6:
Resolution 6 and 7 – Re-election of Directors who retire in accordance with Clause 105 of the Company's Constitution

Clause 105 of the Company's Constitution stipulates at any time and from time to time, the Director shall have power to appoint any person to be a Director either to fill a casual vacancy or as an additional Director by way of ordinary resolution. Any Director so appointed shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at the meeting.

Dato' Ab Ghani Mohd Ali and Dato' Haris Fadzilah Hassan, who were appointed since the last AGM, have successfully completed their Mandatory Accreditation Programmes pursuant to the provision of the MMLR.

The Board recommended the re-election of all Directors on the Resolution 4, 5, 6 and 7 at the 8th AGM. All Directors standing for re-election have abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Nomination and Remuneration Committee and Board meetings, and will continue to abstain from deliberations and decisions on their own eligibility to stand for re-election at the 8th AGM.

Explanatory Note 7:
Resolution 8 – Re-appointment of Auditors

The present auditors, Messrs. PricewaterhouseCoopers PLT ("PwC"), has indicated their willingness to continue their services for another year. The Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company for financial year ending 31 December 2019 and have collectively agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the Listing Requirements.

The Board at its meeting held on 25th March 2019 approved the Audit Committee's recommendation for the shareholders' approval to be sought at the 8th AGM on the appointment of PwC as External Auditor for financial year ending 2019 under Resolution 8.

Abstention from Voting

(i) All the Non-Executive Directors who are shareholders of the Company will abstain from voting on Ordinary Resolution 1, 2 and 3 concerning Directors' fees and benefits payable at the 8th AGM of the Company.

(ii) The Directors referred to in Ordinary Resolutions 4, 5, 6 and 7 who are shareholders of the Company will abstain from voting on the resolution in respect of her/his re-election at the 8th AGM of the Company.

EXPLANATORY NOTES ON SPECIAL BUSINESS:

Explanatory Note 8:
Resolution 9 – Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")

The proposed Ordinary Resolution 9, if passed, will allow the Company and/or its subsidiary companies to enter into recurrent transactions involving the interests direct or indirect of the related parties, which are recurrent transactions of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business on normal commercial terms which are not favourable to the related party than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Detailed information on the Proposed Renewal of Shareholders' Mandate is set out in the Circular to Shareholder dated 26 April 2019.

Explanatory Note 9:
Resolution 10 – Authority to Directors to allot and issue shares

The proposed Ordinary Resolution 10 is a general mandate to be obtained from the Shareholders of the Company at this AGM and, if passed, will empower the Directors pursuant to Section 75 of the Companies Act, 2016 to allot and issue ordinary shares in the Company of up to an aggregate amount not exceeding ten percent (10%) of the issued share capital of the Company as at the date of such allotment of shares without having to convene a general meeting.

This general mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company. The general mandate from shareholders is to provide the Company flexibility to undertake any share issuance during the financial year without having to convene a general meeting.

The rationale for this proposed mandate is to allow for possible share issue and/or fund raising exercises including placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on an urgent basis and thereby reducing administrative time and costs associated with the convening of additional shareholders' meeting(s). In any event, the exercise of the mandate is only to be undertaken if the Board considers it to be in the best interest of the Company.

STATEMENT ACCOMPANYING NOTICE OF THE 8TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE LISTING REQUIREMENTS)

1) DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 8TH AGM

Directors standing for re-election pursuant to Clause 99 of the Company's Constitution and Section 205(3)(b) of the Companies Act, 2016:

- Dato' Zainal Haji Ismail
- Dato' Hajjah Rosni Haji Zahari

Directors standing for re-election pursuant to Clause 105 of the Company's Constitution and Section 208(4)(a) of the Companies Act, 2016:

- Dato' Ab Ghani Mohd Ali
- Dato' Haris Fadzilah Hassan

The profile of the abovementioned Directors who are standing for re-election (as per Resolutions 4 to 7 as stated above) at the 8th AGM of the Company are set out from pages 86 to 93 of this Annual Report.

Except for Dato' Haris Fadzilah Hassan, Dato' Zainal Haji Ismail, Dato' Hajjah Rosni Haji Zahari and Dato' Ab Ghani Mohd Ali have interest in the securities of the Company or its subsidiaries. The details of their shareholdings in the Company are set out on page 135 of this Annual Report.

2) ORDINARY RESOLUTION ON AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES

Details on the authority to Directors to allot and issue shares in the Company pursuant to Section 75 of the Companies Act, 2016 are provided under the Explanatory Note 9 on special business in the Notice of the 8th AGM set out on page 252 of this Annual Report.

ADMINISTRATIVE DETAILS

FOR THE EIGHT ANNUAL GENERAL MEETING ("8TH AGM")

Event	:	8th AGM
Date	:	19 June 2019
Time	:	11.00 a.m.
Venue	:	Banquet Hall 1, Level B2, Menara Felda, Platinum Park, No. 11 Persiaran KLCC, 50088 Kuala Lumpur

PROXY

1. The instrument appointing a proxy shall be deposited at the Share Registrar of the Company at Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan **no later than Tuesday, 18 June 2019 at 1.00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

2. **Only original duly executed Form of Proxy is acceptable.** The duly executed Form of Proxy submitted via fax or email is not acceptable.

3. If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting yourself, please inform the Help Desk to cancel the Proxy Form.

CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to attend this AGM should lodge the certificate of appointment under the seal of the corporation at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan **no later than Tuesday, 18 June 2019 at 1.00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

ENTITLEMENT TO ATTEND, SPEAK AND VOTE

Only shareholders' whose names appear in the Record of Depositors as at 3 June 2019 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the AGM or appoint proxies to attend, speak and vote on such shareholders' behalf.

REGISTRATION

1. Registration of members/proxies attending the Meeting **will start at 8.30 a.m. on the day of the Meeting and will remain open until such time as may be determined by the Chairman of the Meeting. At the closure thereof, no person will be allowed to register for the Meeting nor enter the Meeting Hall.**

2. Please read the signage to ascertain which registration area to register yourself for the Meeting and join the queue accordingly.

3. Please produce your **ORIGINAL MYKad** or passport (for foreigners) during registration to the registration employees for verification. Only original MYKad or passport will be accepted as for purposes of identity verification. Please make sure you collect your MYKad or passport thereafter.

4. **No person will be allowed to register on behalf of another person** even with the original MYKad of that other person.

5. The registration counter will handle only verification of identity and registration. If you have any clarification or enquiry, please proceed to the Help Desk.

HELP DESK

1. Please proceed to the Help Desk for any clarification or enquiry.

2. The Help Desk will also handle revocation of proxy's appointment.

ADMINISTRATIVE DETAILS

FOR THE EIGHT ANNUAL GENERAL MEETING ("8TH AGM")

IDENTIFICATION WRISTBAND

1. Upon verification and registration, you will be given an identification wristband for you to enter to the Meeting Hall.
2. The identification wristband has to be worn during the whole duration of the AGM. There will be no replacement in the event that you lose or misplace the identification wristband.
3. No person will be allowed to enter the Meeting Hall without wearing the identification wristband.

VOTING PROCEDURE

1. The voting at the AGM will be conducted on a poll.
2. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling via e-voting process and to verify the results of the poll.
3. All attendees at the AGM will be briefed and/or guided accordingly by the Poll Administrator before the commencement of and during the voting process.

SEATING ARRANGEMENT FOR THE AGM

1. Free seating. All shareholders/proxies will be allowed to enter the Meeting Hall starting from 10.15 a.m. onwards.
2. All shareholders/proxies are encouraged to be seated at least five (5) minutes before the commencement of the AGM.

DOOR GIFTS

1. As a token of appreciation, each member or proxy who is present at the AGM will be entitled to **one (1) door gift only upon registration (per head count),** irrespective of the number of members he/she represents.
2. A door gift coupon will be provided upon registration. Please bring your door gift coupon to the Door Gifts Counter to collect your door gift.

REFRESHMENTS

Each shareholder or proxy who is present at the AGM will be entitled to **one (1) food voucher only upon registration (per head count),** irrespective of the number of members he/she represents.

PERSONAL BELONGINGS

Please take care of your personal belongings. The organiser will not be held responsible for any item that has gone missing.

PARKING

MSM provides free parking only at Park Rite, an open parking space located behind Menara Felda from 7.00 a.m. to 4.30 p.m. and at the parking space available in Menara Felda. Please produce your parking ticket during registration for validation.

ENQUIRIES

Contact details for queries from shareholders pertaining to the registration and Proxy Form are as follows:

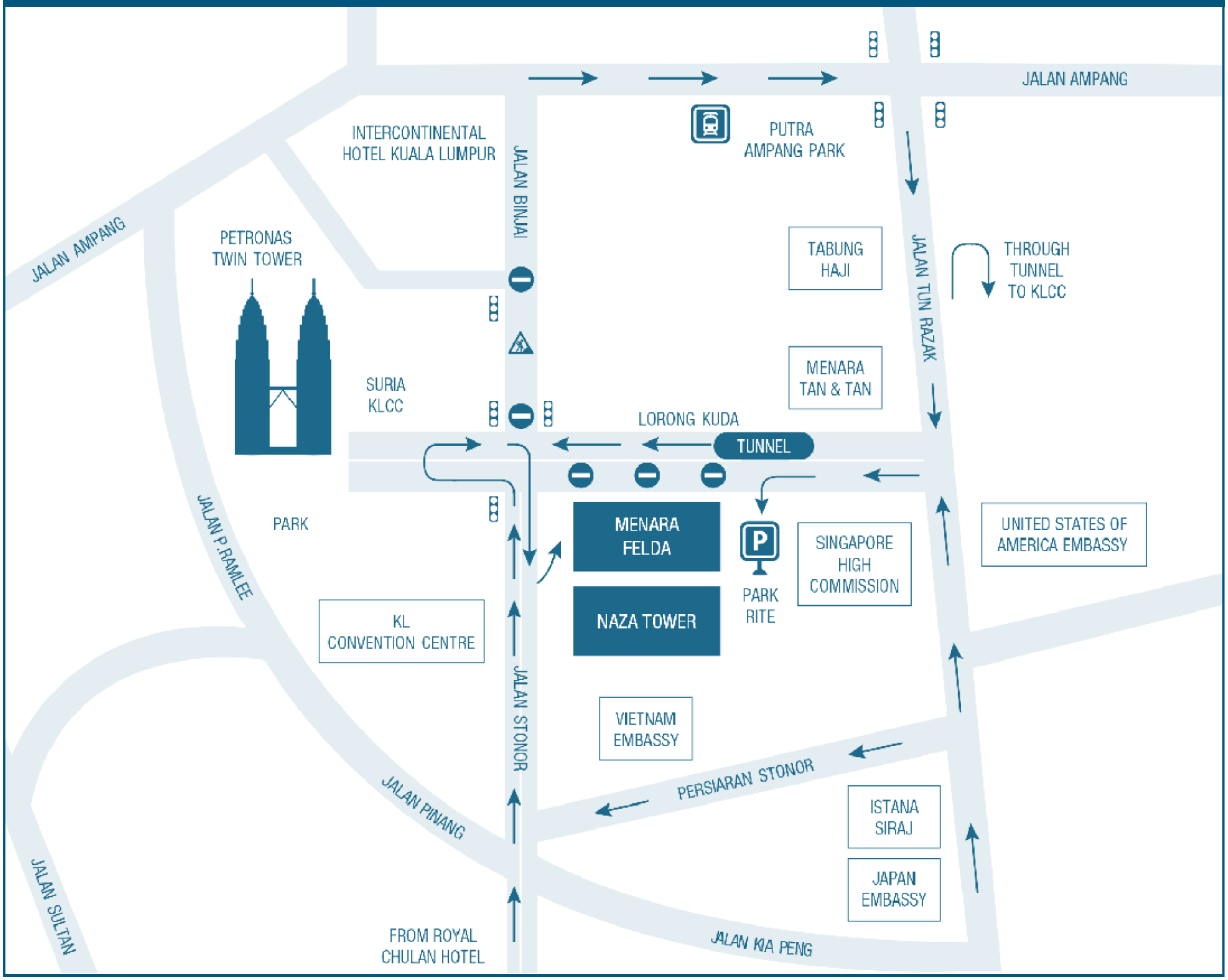
Tel (Help Desk) : +603 7849 0777
Fax : +603 7841 8151/52

ANNUAL REPORT 2018

The Annual Report 2018 is available on Bursa Malaysia Berhad's website at www.bursamalaysia.com under Company Announcements of MSM Malaysia Holdings Berhad and also at the Company's website at:

http://msmsugar.listedcompany.com/ar.html

LOCATION MAP FOR AGM & PARKING



Kindly take note that **the Company will not reimburse any parking or transportation cost incurred.**

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MSM MALAYSIA HOLDINGS BERHAD

PROXY FORM

CDS Account No.	No. of Shares held

I/We ____

(Full name in BLOCK LETTERS as per Identity Card (MYKad/Passport/Certificate of Incorporation))

MYKad/Passport No. (for non-Malaysian only)/Company No. : ______________________________ of

____

(Address in full)

telephone no. ______________________ being a member of **MSM MALAYSIA HOLDINGS BERHAD** ("the Company"), hereby appoint ______________________________

(Full name of proxy in BLOCK LETTERS as per MYKad/Passport)

MYKad/Passport No. (for non-Malaysian only): ______________________ of ______________________

____

(Address in full)

and/or failing him/her ____

(Full name of proxy in BLOCK LETTERS as per MYKad/Passport)

MYKad/Passport No. (for non-Malaysian only): ______________________ of ______________________

____

(Address in full)

and failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Eighth (8^{th}) Annual General Meeting ("AGM") of the Company to be held at Banquet Hall 1, Level B2, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur on Wednesday, 19 June 2019 at 11.00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

NO.	AGENDA				
1	To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon.				
ORDINARY BUSINESS		**RESOLUTION**	**FOR**	**AGAINST**	**ABSTAIN**
2	To approve the payment of Directors' fees of RM1,251,349.00 in respect of the financial year ended 31 December 2018.	1			
3	To approve the payment of a portion of Directors' fees payable to the Non-Executive Directors up to an amount of RM840,000.00 from 20 June 2019 until the next AGM of the Company to be held in 2020.	2			
4	To approve the payment of benefits payable to the Non-Executive Directors based on the remuneration structure as disclosed in Explanatory Note 4 for the period from 20 June 2019 until the next AGM of the Company to be held in 2020.	3			
5	(i) To re-appoint Dato' Zainal Haji Ismail who retires pursuant to Clause 99 of the Company's Constitution and who has offered himself for re-election.	4			
	(ii) To re-appoint Dato' Hajjah Rosni Haji Zahari who retires pursuant to Clause 99 of the Company's Constitution and who has offered herself for re-election.	5			
6	(i) To re-appoint Dato' Ab Ghani Mohd Ali who retires pursuant to Clause 105 of the Company's Constitution and who has offered himself for re-election.	6			
	(ii) To re-appoint Dato' Haris Fadzilah Hassan who retires pursuant to Clause 105 of the Company's Constitution and who has offered himself for re-election.	7			
7	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019, and to authorise the Directors to fix the remuneration.	8			
SPECIAL BUSINESS					
8	Proposed Renewal of Shareholders' Mandate.	9			
9	Authority to Directors to allot and issue shares.	10			

(Please indicate with an "X" in the space whether you wish your votes to be cast for or against the resolutions. In the absence of such specific instructions, your proxy will vote or abstain as he thinks fit).

Dated this __________ day of __________ 2019.

____

Signature(s)/Common Seal of Member(s)

The proportions of my/our holding to be represented by my/our proxies are as follows:

	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		**100%**

Notes:

1. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
2. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with provisions of subsection 25A(1) of SICDA.
3. Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
4. The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorized attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and shall have the right to vote on a show of hands on any question at any general meeting. A proxy appointed to attend and vote on a show of hands on any question at a meeting of the Company shall have the same rights as the member to speak at the meeting.
5. The instrument appointing a proxy shall be deposited at the Share Registrar of the Company at Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd), Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan no later than Tuesday, 18 June 2019 at 1.00 p.m., and in default the instrument of Proxy shall not be treated as valid.
6. Members entitled to attend
   Only members registered in the General Meeting Record of Depositors as at 3 June 2019 shall be entitled to attend the Annual General Meeting or appoint a proxy/(ies) to attend and vote/or vote on their behalf.
7. Registration of Members/Proxies
   Registration of members/proxies attending the meeting will start at 8.30 a.m. on the day of the meeting and will remain open until such time as may be determined by the Chairman of the meeting. Members/proxies are required to produce original MYKad or valid passport for registration and requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.
8. Voting
   Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 8th AGM of MSM will be put to vote by poll.

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MSM

Annual General Meeting
MSM MALAYSIA HOLDINGS BERHAD
19 June 2019

Stamp

SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd
(formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

please fold here to seal

www.msmsugar.com

MSM MALAYSIA HOLDINGS BERHAD (935722-K)

Level 44, Menara Felda
Platinum Park
No 11, Persiaran KLCC
50088 Kuala Lumpur

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Fax No : +603 2181 5015
E-mail : info@msmholdings.com.my

A Member of FGV