MSM MALAYSIA HOLDINGS BERHAD

GULA PRAI

Attaining Balance

ANNUAL REPORT **2019**

ABOUT THIS REPORT

This year's cover depicts MSM Malaysia Holdings Berhad's diverse product offerings within a balanced layout to reflect the Group's commitment to seek new market opportunities to optimise on its current expanded production capabilities.

Challenged by increased competition due to the liberalisation of the country's sugar industry and increased market supply conditions, MSM is steadfastly realising its global and domestic expansion plans and activating key strategies towards achieving a fortified and more balanced value chain. These include diversifying into new product lines and emerging a more strategic downstream presence through merger and acquisition explorations.

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 2019 to 31 December 2019.

This report adheres to the guidelines laid down within Bursa Malaysia Securities Berhad's (Bursa Malaysia) 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.

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 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.

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 and MSM Sugar Refinery (Johor) Sdn Bhd. 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 by 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 10 and Management Discussion & Analysis (MD&A) from page 21 onwards.

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.

1 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.

2 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 Sugar Refinery (Johor) Sdn Bhd 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.

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 61%. Our production is anchored on quality certified management processes and systems.

OUR 6 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.

4 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.

5 HUMAN CAPITAL

Our skilled employees and experienced management team are our greatest assets. We have 1,249 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.

6 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 2019 microsite

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CHAIRMAN'S STATEMENT

DEAR VALUED STAKEHOLDERS,

MSM Malaysia Holdings Berhad (MSM) is today the eighth largest sugar refiner in the world by capacity, with the commercialisation of MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor) in April 2019. Whilst this may have been an advantageous situation under different circumstances, the truth of the matter is, in the prevailing market and with persistent national and industry-related challenges, this expanded capacity has not as yet delivered positive value to the Group and its stakeholders. The main reasons for this are, the continued sugar surplus in the global market which has adversely affected prices, and intensified competition within the domestic market as a result of the issuance of several approved import permits (APs) to non-refiners.

Keeping the situation in mind, your Board and Management are focused on Attaining Balance to strengthen MSM's position as market leader and to build future sustainability.

In this regard, key progress was made in redirecting investments and efforts towards opportunities in the export market. Also, new controls have been put in place to ensure that speculative decision-making and previous errors of judgement will not be repeated.

REVENUE
RM2
billion

2019 MARKET CHALLENGES

As predicted, the issue of new APs and the liberalisation of the local market has resulted in stiff competition, taking its toll on MSM's financial performance in 2019. Revenue dropped 9% to RM2 billion in Financial Year (FY) 2019 from RM2.2 billion in FY 2018, while the Group registered a net loss of RM299.77 million in FY 2019, compared to a profit of RM35.66 million a year ago.

Both the nation's sugar players experienced overcapacity in production levels as a result of new entrants flooding the local market. As running plants at an optimum level would have led to a stock build-up and an unnecessary tie-up of working capital, MSM focused on enhancing its business platform by seeking a strategic balance in the export market. This will also help to secure a more sustainable future for the Group going ahead.

SHAPING NEW STRENGTHS

As a result of the new operating challenges, the Group was able to reshape its thinking and approach, thus resulting in new achievements. In the second half of 2019, MSM Johor succeeded in the development of value-added products such as premix and liquid sugar. This extends the Group's capabilities, increases product offerings and opens up new markets for growth.

AS A RESULT OF THE NEW OPERATING CHALLENGES, THE GROUP WAS ABLE TO RESHAPE ITS THINKING AND APPROACH, THUS RESULTING IN NEW ACHIEVEMENTS. IN THE SECOND HALF OF 2019, MSM JOHOR SUCCEEDED IN THE DEVELOPMENT OF VALUE-ADDED PRODUCTS SUCH AS PREMIX AND LIQUID SUGAR. THIS EXTENDS THE GROUP'S CAPABILITIES, INCREASES PRODUCT OFFERINGS AND OPENS UP NEW MARKETS FOR GROWTH.

During the year, MSM also restructured its borrowings with lenders to more efficiently manage its cash flow. Furthermore, planned measures to streamline operations and strengthen its balance sheet were implemented. As a result, non-core assets or plantation land was monetised to pare down debt.

For the year ahead, the Board's strategic direction for the Group continues to centre around the implementation of transformation plans through diversification into downstream segments. These include potential greenfield investments or mergers and acquisitions in food based businesses to further diversify the Group's income stream and increase utilisation of MSM Johor's capacity.

These strategic initiatives are expected to gradually bear fruit from 2020 onwards.

MANAGING RISKS AND ENSURING BUSINESS CONTINUITY

At Board level, focus for the year was directed on strengthening Risk Management and Business Continuity Management (BCM). We sought to improve Risk Management policies, tools and frameworks, taking into account concerns and views of various stakeholders.

Various mitigation steps have been taken depending on the type of risks registered in the MSM Risk Register. For example:

i) Risk of default due to tight cash flow is mitigated by an agreement to step up principal repayment and debt restructuring.

ii) Risk of excess supply of refined sugar is mitigated by revising and improving the Marketing Plan and Strategy. To this end, the sales team is aggressively working on penetrating new markets, optimising product segmentation and at the same time focusing on serving the existing market better.

iii) Risk of unfavourable raw sugar price movement continues to be mitigated by constant monitoring, hedging and responsive purchase at achievable profit target price points.

Good governance continues to be a priority and towards this end, MSM has leveraged on governance activities organised by our parent company FGV Holdings Berhad, which allowed us to consolidate resources and limit the overlapping of efforts. The Group's commitment to good corporate governance for the year culminated in the achievement of the Transparency and Integrity at FGV Group level. For the year 2020, MSM targets to pursue the corporate measures activities to comply with the MACC Section 17A.

COMMITMENT TO OUR STAKEHOLDERS

In order to protect the stability of the nation's sugar supply, MSM continued to engage with authorities, to highlight the potential negative impacts of any sugar market liberalisation. These include potentially compromising our nation's self-sustainability levels and strengths, especially since other countries continue to protect their respective sugar industries.

CHAIRMAN'S STATEMENT

ON THE OPERATIONAL FRONT, AS GROWTH OPPORTUNITIES IN THE NEAR FUTURE ARE PRIMARILY LINKED TO MSM JOHOR'S CAPACITY FOR EXPANSION OF VALUE ADDED PRODUCTS, THE INTENTION MOVING AHEAD IS TO RATIONALISE GROUP-WIDE CAPACITY THROUGH CONSOLIDATION OF PRODUCTION IN MSM JOHOR.

The Board is aware, that if this situation is not managed well, MSM would have to implement alternative measures to safeguard the interests of our stakeholders, without taking into account national interests or Malaysian consumer interests. This will be a difficult decision to make, especially given MSM's history as Malaysia's first sugar refiner, one which has grown as part of the nation's economic fabric since 1964.

Meanwhile, we have been actively engaging with fund managers, institutional shareholders and lenders to explain the change in the Group's focus and to present our strategies moving forward.

We also actively engaged our customers to understand better how we could meet their needs and help with their challenges, and to improve service levels. As we enter new markets, we are also forging new relationships with different target segments to understand niche product requirements better.

LOOKING AHEAD

At the time of writing, the coronavirus (COVID-19) pandemic has taken its toll on global and domestic economy, has reached unprecedented heights. Many industries have been negatively impacted, particularly the travel and hospitality. The prolonged impact is yet to be determined, however, timely fiscal measures by the government, and the banking industry have been unleashed to help mitigate impact to the livelihoods going forward.

As MSM is a recognised producer of an essential item, impact on our refineries have been minimal at this stage. Trade remains unaffected and we have an ample stock at hand to tide over any disruptions to the supply chain.

Going forward, MSM's first priorities are profitability and returning value to shareholders which we expect to achieve by optimising the expanded capacity we now have at hand with MSM Johor. If our traditional domestic market continues to present operating challenges, we must shift our focus towards the strategic optimisation of our resources to new markets and market segments. We are already working on healthy sweetener products in line with the change in consumer demand. That gives us a broader platform to enhance MSM's business position. Some of these new products are expected to be launched in the second quarter of 2020.

On the operational front, as growth opportunities in the near future are primarily linked to MSM Johor's capacity for expansion of value added products, the intention moving ahead is to rationalise Group-wide capacity through consolidation of production in MSM Johor.

ACKNOWLEDGEMENTS

We have heard it said often enough that adversity offers us the opportunity to become more competitive and to prioritise differently. Over the last couple of years, that is exactly what you have seen the people in MSM do – they have reassessed the situation and recalibrated their objectives. While creating and providing value to all stakeholders will always be our main goal, the course we have set to reach these goals is now different. Our capacity to deliver will rest on the commitment and dedication of our people. They are the drivers of the turnaround as MSM responds to new market opportunities.

On behalf of the Board of Directors, I wish to thank our management team and to commend them for striving towards operational excellence at all production levels, even as the operating environment became tougher. I also take this opportunity to thank my fellow directors for their insights, guidance and support through this exigent year.

We offer our thanks and well-wishes to Dato' Ab. Ghani Mohd Ali (Non-Independent Non-Executive Director) for his dedicated service since 2018. Encik Anuar Malek (Non-Independent Non-Executive Director) has replaced him since 13 August 2019 as the new representative from our shareholder; Koperasi Permodalan Felda (KPF). We extend a warm farewell and our appreciation to Independent Non-Executive Directors Dato' Hajjah Rosni Haji Zahari and Dato' Zainal Haji Ismail as well, as they completed their term of service on 25 March 2020.

We also acknowledge all our performing employees for their commitment and contribution throughout the financial year.

As announced earlier, I will be retiring from the Board at the end of May 2020. During my tenure, I was privileged to work with a good team of people, along with my fellow board members, to steer them in a new direction that will deliver sustainable results for MSM. I have always believed that when change is the constant, we cannot afford to stand still; the good people at MSM are certainly not standing still.

Finally, I would like to thank all our shareholders, customers, business partners and all our other stakeholders, for their confidence and continued support. MSM is in on a stronger footing because of all of you.

Thank you.

DATUK WIRA AZHAR ABDUL HAMID

Chairman
Non-Independent Non-Executive Director

SIX CAPITALS

	INPUTS	OUTPUTS	HIGHLIGHTS
FINANCIAL CAPITAL	• Deposit, cash and bank balance • Equity capital • Total assets • Policy incentives • Operating costs • Production costs • Liability basket	• **RM2.0** billion revenue • **RM3.0** billion total assets • **(18.1)%** return on equity • **(42.64)** sen earnings per share • **RM2.36** assets per share	• **9%** decrease in revenue • **18%** decrease in total assets
MANUFACTURED CAPITAL	• Refineries • Warehouses/Distribution Centres • National sugar security • Property, plant, equipment and infrastructure efficiencies	• **1,073,888** tonnes annual production output • Wholesale sales volume of **448,347** tonnes • Industry sales volume of **415,602** tonnes • Export sales volume of **83,341** tonnes	• **93%** achievement rate for on time delivery • **48%** capacity utilisation
INTELLECTUAL CAPITAL	• IT infrastructure • Software licenses • Processes • Brand value • Product certifications and compliance	• **RM0.6** million IT CAPEX expenses • **61%** domestic market share	• Brand value of **RM627.5** million
NATURAL CAPITAL	• Water Consumption • Energy Consumption • Greenhouse Gas (GHG) Emissions	• **3,341,358** m^3 of water consumed • **47,788,573** kWh of electricity used • **4,858,897** mmBTU of natural gas usage • **360,800** litres of diesel consumed • **33,165.27** tonnes of CO_2 emissions from electricity consumption	• Reduce CO_2 from air travel by **30.4%** • Reduce CO_2 from electricity consumption by **35.5%** • Electrical consumption decreased by **31.2%**
HUMAN CAPITAL	• Number of Employees • Job Opportunities • Women in Management • Employee Training • Lost Time Injury • Incident Rate	• **1,249** employees • **69:16** male to female ratio at manager level • **10,311.6** training hours • **29.46%** incident rate	• **ZERO** fatal accidents • **47%** decrease in employee's training hours
SOCIAL & RELATIONSHIP CAPITAL	• Employee volunteer hours • Spending on CSR Programmes	• **2,000** volunteer hours • **RM48,989.44** was spent for CSR Programme	

STRATEGIC PERFORMANCE

STRENGHTHEN CORE OPERATIONS

- ✓ Increased production yield and utilisation by producing value-added sugar products e.g. Liquid Sugar and Premix
- ✓ Achieved commercialisation of MSM Johor in April 2019 and MSM is now ranked No 8 largest sugar refiner in the World by capacity
- ✓ Increased total production by 11%
- ⟳ On-going effort on divestment of MSM's non-core business
- ⟳ On-going research and development (R&D) effort on food and non-food sugar related products e.g. Low-Calorie Sucralose, Mudcake and Molasses for fertiliser
- ✗ Capacity utilisation decreased by 29.2% following low capacity utilisation rate in MSM Johor

SOLIDIFY GOOD GOVERNANCE & RISK EXPOSURE

- ✓ Placed No 38 and 60 in the List of Top 100 Companies for CG Disclosure and Overall CG & Performance in the MSWG-ASEAN Corporate Governance Awards
- ✓ Seven new and revised policies were established and subsequently endorsed by BGRMC and approved by the Board in 2019
- ✓ The content of the Risk Management policies, tools and framework were improved by having discussion with all the stakeholders to assess whether all the points raised were prevalent and applicable
- ⟳ Reviewing the Business Recovery Strategy of relevant departments or divisions to ensure validity of the current Business Continuity Plan (BCP)
- ⟳ Constantly monitoring world sugar price and only purchasing at desirable and achievable profit target to mitigate risk on unfavourable raw sugar price movement

STRONG FINANCIAL MANAGEMENT

- ⟳ Monetising non-core assets – Sale or lease of plantation land in Chuping, Perlis
- ✓ Ended the old-contracted and high-priced freight in 2019
- ⟳ Procuring raw sugar and hedging FOREX as per the Group's policy allowable time frame
- ⟳ Implementing measures to reduce refining cost e.g. Embark on Biomass effective from mid-2021 onwards
- ⟳ Restructuring borrowings with the lenders to provide breather to the Group's cash flow
- ✗ Revenue decreased by 9%

IMPROVE SUSTAINABLE VALUES

- ✓ Reduced CO_2 emissions from air travel by 30.4%
- ✓ Decreased electricity consumption by 31.2%
- ✓ Reduced CO_2 emissions from electricity by 35.5%
- ⟳ Maintaining 2,000 volunteer hours since 2013 for community programme
- ✗ Water usage increased by 14.9%
- ✗ Female representation at the management level reduced to a ratio of 69:16

Hint:
✓ Key ⟳ On-Going ✗ Non-performance

SHAPING MATERIAL MATTERS

MATERIAL MATTERS	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.	Refer to pages 24, 26, 30, 33
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.	Refer to pages 24, 26, 36, 38-39
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.	Refer to pages 24, 26, 31-32, 40, 41-45, 105-224

MATERIAL MATTERS	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.	Refer to pages 26, 98-102, 103
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	• 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.	Refer to pages 26, 54-58
SOCIAL & 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. volunteerism etc • Foster socio-economic development in Penang, Perlis and Johor.	Refer to pages 49-53
OCCUPATIONAL SAFETY & HEALTH (OSH) • 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.	Refer to pages 60-62

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

STRATEGIC THRUST	IMPACTED CAPITALS	MATERIAL MATTERS	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 Natural Capital	• Operational Performance • Occupational Safety and Health (OSH) Performance	• Excess refinery capacity • Increase tariff rate of energy and utilities
STRONG FINANCIAL MANAGEMENT To ensure our financial engine grows sustainably against a volatile environment through prudent cost management and value enhancing investment benefitting shareholders and stakeholders.	Financial Capital Manufactured Capital	• Macroeconomic Conditions • Financial Management	• Poor cash reserves • Volatility in foreign exchange (FOREX) • Unfavourable raw sugar price movement
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 Social & Relationship Capital	• Macroeconomic Conditions • Managing Regulators	• Issues of Approved Permits (AP) and market liberalisation
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 Human Capital	• Social and Environmental Empowerment • Talent Development	• Manpower turnover • Competency of production staff

	MITIGATING MEASURES	2019 PRIORITIES	OUTCOMES	PAGE REFERENCES
	• Management to revise and improve marketing plan and strategy • Increase sales activities • Aggressively seek to penetrate new markets/ segmentation/product • Minimise the unit energy cost of production by operating our factories at maximum production rate • Apply alternative energy efficiency such as biomass as new criteria in the selection of new equipment and processes when replacing machinery or adding new capacity	• Expand production of value-added products e.g. Liquid Sugar and Premix for export • Increase production yield and utilisation by producing value added sugar products • Move from Gas to Biomass Boiler • Reduce fuel cost up to 50% upon successful commissioning of Biomass Project in Dec 2021	✓ ✓ ↻ ↻	Refer to pages 4, 9 ,14, 21-24, 34-35, 37
	• Enter into new business ventures • Increase production volume and reduce refining cost • Increase sales price • Continuous monitoring on the strength of USD against Ringgit • Tenure to hedge is on quarterly basis with mandate obtained from Management • Continuous monitoring of the world sugar price • Purchase at desirable and achievable profit target	• Monetise non-core asset (plantation land) to assist in paring down debts • Procure raw sugar and hedge FOREX as per the Group's policy allowable time frame • Restructure borrowings with the lenders to provide breather to the Group's cash flow • Engagement with fund managers and also with the institutional shareholders to clarify position and explain the moving forward strategies	↻ ↻ ↻ ↻	Refer to pages 5, 9, 23-25, 32, 40
	• Provide assurance that there is optimum capacity of sugar stock for domestic market • Management has discussed with The Ministry of Domestic Trade & Consumer Affairs (KPDNHEP) on the effect of market liberalisation • Management to continuously create good rapport with local authorities	• Continuous engagement with the government and relevant ministries to discuss issues related to the sugar industry e.g. sugar AP	↻	Refer to pages 4, 21, 28, 50
	• To create a more conducive working environment • Offer better packages based on performance and productivity of refinery • Create opportunity for knowledge and experience development • Provide basic sugar process training • To engage well experienced staff from similar industries • Create Training Needs Analysis (TNA)	• Continue with Graduate Management Trainee initiative • Focus on training and development initiative to strengthen core competencies	✓ ✓	Refer to page 57

MALAYSIA'S MOST TRUSTED AND RELIABLE SUPPLIER OF QUALITY SUGAR

Incorporated on 10 March 2011, MSM has been listed on the Main Market of Bursa Malaysia and has a market capitalisation of RM618.6 million as at 31 December 2019. We are one of the biggest sugar refiners in Asia and we continue to be Malaysia's leading refined sugar producer with 61% market share.

We produce, market and sell refined sugar products under our flagship Gula Prai brand – "The No. 1 Best Selling Brand in Malaysia" since 1964. Today, Gula Prai carries an approximate brand value of RM627.5 million.

Apart 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.

VISION

To be a world class, cost efficient and high performance organisation with a sustainable business model and diverse portfolio in the food related business.

MISSION

We seek to enhance our values for the shareholders and optimise growth and achieve a sustainable, balanced and integrated economic, social and environmental performance by transforming our business model and reaping opportunities throughout the food value chain.

CORE VALUES

Sense of Belonging | **Winning Attitude** | **Integrity** | **Innovation** | **Teamwork**

Our subsidiaries:

- MSM Perlis Sdn Bhd
- MSM Prai Berhad
- MSM Sugar Refinery (Johor) Sdn Bhd
- MSM Logistics Sdn Bhd
- MSM Trading & Distribution Sdn Bhd
- MSM Trading International DMCC

Our products:

- White refined sugar of various grain sizes
- Soft brown sugar
- Sugar premix
- Liquid sugar
- Molasses

Our customers:

- Malaysian households
- Beverage and confectionery companies
- Hotels
- Restaurants and food outlets
- Distilleries and producers of ethanol, animal feed and yeast

KEY HIGHLIGHTS

Ranked
NO 8
largest sugar refiner in the World by capacity

NO 1
Selling Brand in Malaysia

FINANCIAL

Revenue
RM2.0 billion

Total Assets
RM3.0 billion

OPERATIONAL

Annual Production Capacity
2.25 million tonnes

Total Refineries
3

Production Output
1,073,888 tonnes

Capacity Utilisation
48%

TOP 5 EXPORT DESTINATIONS

- South East Asia
- South Korea
- China
- New Zealand
- Australia

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

2019
MSM is ranked the eighth largest sugar refiner in the world by capacity, upon the commercialisation of MSM Johor in April 2019

CORPORATE STRUCTURE

AS AT 31 MARCH 2020

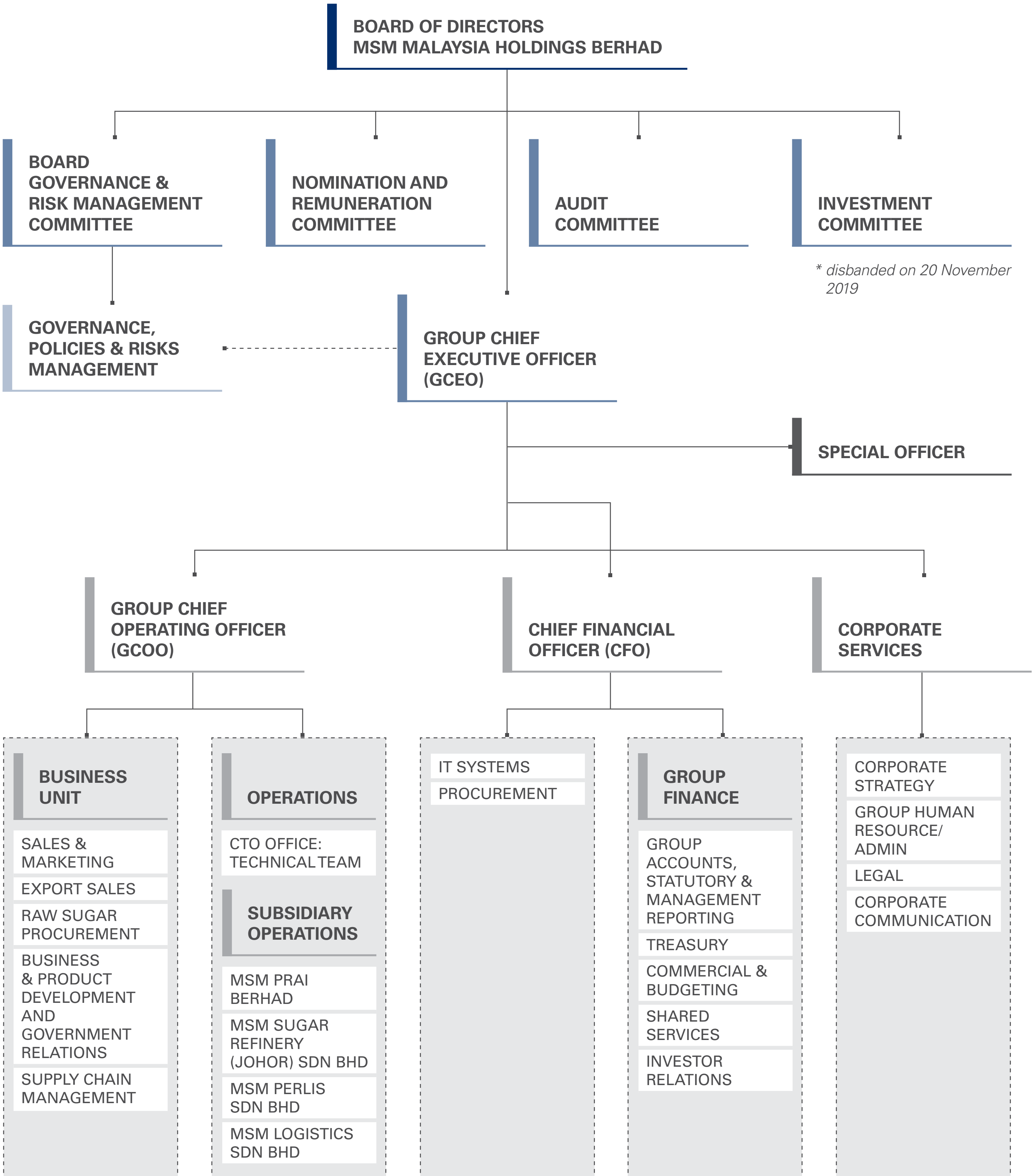
- 5.52% EMPLOYEES PROVIDENT FUND BOARD
- 7.49% AMANAHRAYA TRUSTEE BERHAD
- 15.27% KOPERASI PERMODALAN FELDA MALAYSIA BERHAD
- 10.97% FGV HOLDINGS BERHAD
- 40.03% FGV SUGAR SDN BHD
- 20.72% OTHER SHAREHOLDERS

MSM MALAYSIA HOLDINGS BERHAD

- 100% MSM PRAI BERHAD
  - 100% MSM LOGISTICS SDN BHD
- 100% MSM PERLIS SDN BHD
- 100% MSM SUGAR REFINERY (JOHOR) SDN BHD
- 100% MSM TRADING & DISTRIBUTION SDN BHD
- 100% MSM TRADING INTERNATIONAL DMCC

ORGANISATIONAL STRUCTURE

AS AT 31 MARCH 2020



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

DATO' ROSINI ABD SAMAD
Independent Non-Executive Director

DATUK LIM THEAN SHIANG
Independent Non-Executive Director

ANUAR MALEK
Non-Independent Non-Executive Director
(appointed with effect from 13 August 2019)

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

DATO' KHAIRIL ANUAR AZIZ
Non-Independent Executive Director
(resigned on 23 April 2019)

DATO' AB GHANI MOHD ALI
Non-Independent Non-Executive Director
(resigned on 13 August 2019)

DATO' ZAINAL HAJI ISMAIL
Independent Non-Executive Director
(cessation of office on 25 March 2020)

DATO' HAJJAH ROSNI HAJI ZAHARI
Independent Non-Executive Director
(cessation of office on 25 March 2020)

GROUP CHIEF EXECUTIVE OFFICER

Dato' Khairil Anuar Aziz
(appointed with effect from 23 April 2019)

CHIEF FINANCIAL OFFICER

Ab Aziz Ismail
(appointed with effect from 1 June 2019)

Raja Faridah Raja Ahmad
(resigned on 31 May 2019)

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
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor, Malaysia

Helpdesk : +603 7890 4700
Fax : +603 7890 4670

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

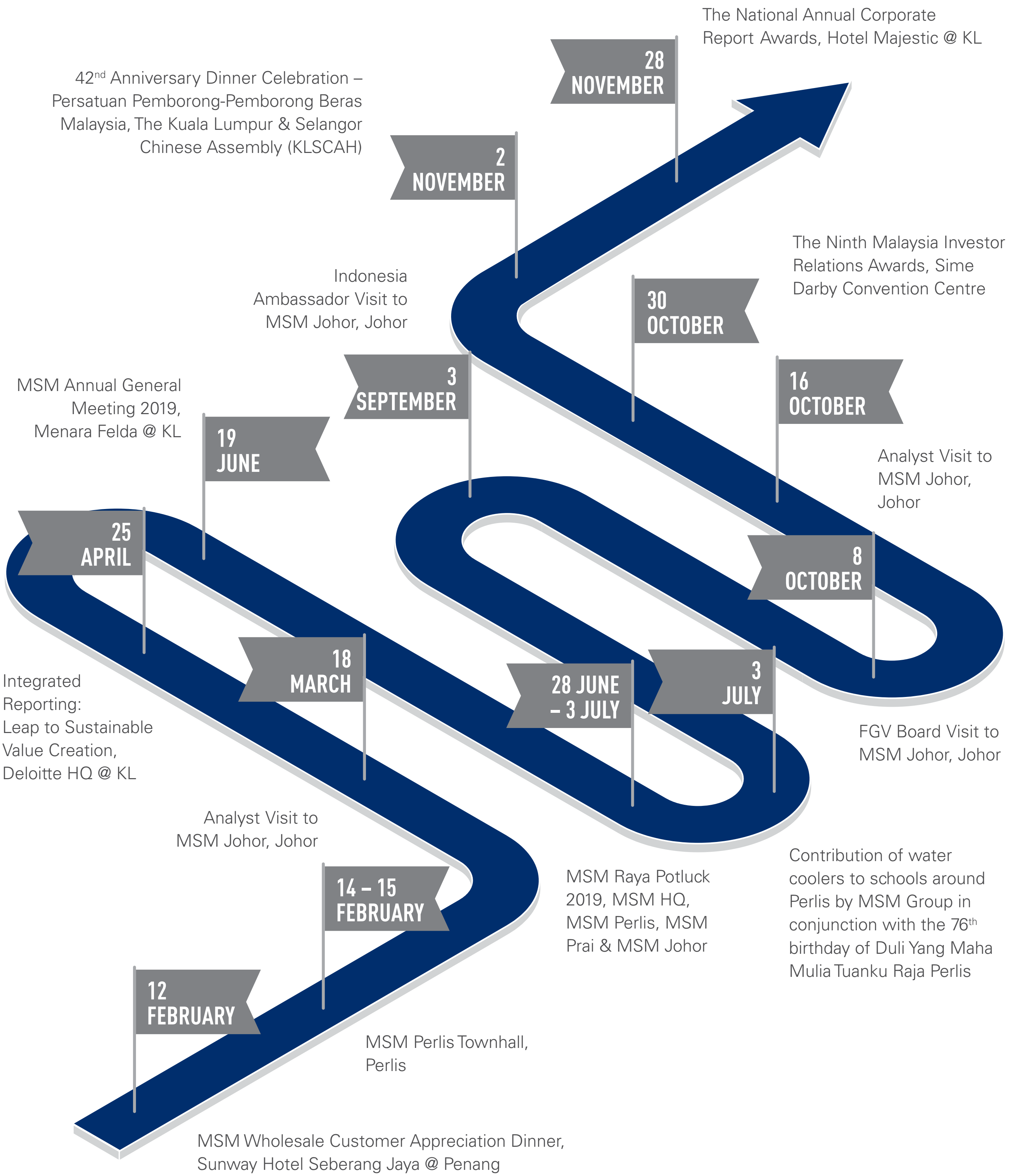
Stock Code : 5202
Stock Name : MSM

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


12 FEBRUARY
MSM Wholesale Customer Appreciation Dinner, Sunway Hotel Seberang Jaya @ Penang
14 – 15 FEBRUARY
MSM Perlis Townhall, Perlis
18 MARCH
Analyst Visit to MSM Johor, Johor
25 APRIL
Integrated Reporting: Leap to Sustainable Value Creation, Deloitte HQ @ KL
19 JUNE
MSM Annual General Meeting 2019, Menara Felda @ KL
28 JUNE – 3 JULY
MSM Raya Potluck 2019, MSM HQ, MSM Perlis, MSM Prai & MSM Johor
3 JULY
Contribution of water coolers to schools around Perlis by MSM Group in conjunction with the 76th birthday of Duli Yang Maha Mulia Tuanku Raja Perlis
3 SEPTEMBER
Indonesia Ambassador Visit to MSM Johor, Johor
8 OCTOBER
FGV Board Visit to MSM Johor, Johor
16 OCTOBER
Analyst Visit to MSM Johor, Johor
30 OCTOBER
The Ninth Malaysia Investor Relations Awards, Sime Darby Convention Centre
2 NOVEMBER
42nd Anniversary Dinner Celebration – Persatuan Pemborong-Pemborong Beras Malaysia, The Kuala Lumpur & Selangor Chinese Assembly (KLSCAH)
28 NOVEMBER
The National Annual Corporate Report Awards, Hotel Majestic @ KL

AWARDS & CERTIFICATIONS

1. **NATIONAL OCCUPATIONAL SAFETY & HEALTH EXCELLENCE AWARDS 2019 – DOSH**
   - Benchmark in Safety & Health

2. **FGV AWARDS NIGHT 2019**
   Path Finder Awards (Sugar Sector):
   - **MSM Prai Berhad** - Boiler Efficiency Improvement
   - **MSM Prai Berhad** - Optimising Co-Generator Operation
   - **MSM Prai Berhad (Warehouse Sg Buloh)** - Utilisation of ASRS
   - **MSM Perlis Sdn Bhd** - 1 kg CGS Rebundling
   - **MSM Sugar Refinery (Johor) Sdn Bhd** - Liquid Sugar Production

3. **PRESIDENT'S FGV AWARD FOR SAFETY 2018/2019 – MSM PERLIS**
   i. Best Safety Project – 3rd Place
   ii. Best Safety & Health Committee – 4th Place

1. **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

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

3. **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

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

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

6. **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

7. **PRODUCT CERTIFICATION SCHEME SIRIM**
   - To demonstrate that the products are produced in compliance with national and international standards, eliminating the need of further testing by purchaser or consumer
   - To provide an independent assurance that 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. **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

9. **GMP (GOOD MANUFACTURING PRACTICE)**
   - To establish a system for ensuring that the products are consistently produced according to a quality standard

10. **MAKANAN SELAMAT TANGGUNGJAWAB INDUSTRI, MeSTI**
    Ministry of Health (MOH)
    - Complimentary certificate (fast track) after getting HACCP

GROUP CHIEF EXECUTIVE OFFICER REVIEW

In 2019, the combination of an extended glut in global sugar supply, the weakening ringgit, locked-in high raw sugar contracts and unexpected domestic policy shifts resulting in new competition, caught MSM Malaysia Holdings Berhad (MSM or the Group) off balance leading to weaker exports, production and margins for the year. A net loss of RM299.77 million was posted for the year ended 31 December 2019, from a net profit of RM35.66 million the previous year. However, the tide has turned. Having stabilised cash flow and rationalised Group-wide capacity through consolidation of production in MSM Johor, we are currently turning setbacks into strongpoints for MSM to kick-start a turnaround journey.

ATTAINING BALANCE ON THREE FRONTS:

OPERATIONS

With the full year operational availability of MSM Johor in 2019, there was a need to optimise utilisation and manage costs better.

CASH FLOW

We embarked on a cash flow driven approach in 2019 to be able to fulfil our borrowing obligations post commercialisation of MSM Johor in April 2019.

PRODUCTION

As MSM has excess capacity for domestic demand from three operating refineries (MSM Johor, MSM Prai, MSM Perlis), production between the refineries had to be agilely balanced, and at the same time we had to secure quality sales from the production.

In the first half of the year MSM Refinery (Johor) Sdn Bhd (MSM Johor) kicked off to a smooth start despite the timing which was not providential. Our expanded production capacity created additional stress as sales orders reduced due to excess sugar supply from Thailand and India, and escalating competition domestically with the continued issuance of approved permits (AP) to import sugar. It also squeezed margins further, as MSM incurred 15% higher production cost due to lower capacity utilisation, start of depreciation, as well as the increase in gas tariffs in January and July 2019.

On the sales front, total revenue of RM2 billion for the year fell 9% year-on-year, in tandem with lower average selling price (ASP) and the decline in export volumes throughout the year. The negative margins arising from lower white sugar premium reduced export volume by 24%, however, the intense price competition did not affect our sales volume for wholesale and industry segments as we recorded 3% and 6% increase respectively and we managed to defend our market share of 61% domestically.

Against this backdrop, we decided to focus our efforts on 'Attaining Balance' which relates to the Group's various strategic initiatives to achieve balanced cash flow management and production levels.

In a bid to retain operational excellence and market leadership, MSM managed to close the year with production output of 1.07 million tonnes, an increase of 11%, compared to output in 2018 of 964,739 tonnes.

IDENTIFYING STRENGTHS IN ADVERSITY

Though performance was impacted by extraneous factors, a few milestones were achieved during the year. With the commercialisation of MSM Johor in April 2019, MSM is now ranked the eighth largest sugar refiner in the world by capacity. The challenge of optimising this expanded capacity presented new opportunities for expansion into new markets. The team responded quickly, researching and developing value added products such as Premix and Liquid Sugar. It was a feather in our cap when these products were made available by MSM Johor within the second half of 2019.

We also further streamlined our business focus with the announced disposal of the Group's Chuping plantation land parcels during the year, to F&N for RM156 million.

GROUP CHIEF EXECUTIVE OFFICER REVIEW

However, on 9 April 2020, we have exercised our rights to rescind the sale and purchase agreement entered on 8 October 2019 since F&N has not fulfilled the first Condition Precedent by the expiry of the Conditional Period as well as the Extended Conditional Period.

With this new development, we will continuously lookout for new strategic plan to monetise this asset.

Another important plus was the expiry of the previous raw sugar contract in December 2019. This will benefit MSM in terms of strategic raw sugar procurement and potentially reduce our cash outflows and ensure the sustainable supply of best quality raw sugar stocks for all MSM's refineries.

TRANSFORMING CHALLENGES INTO OPPORTUNITIES

The COVID-19 outbreak has triggered extreme reactions in the financial markets as it grapples with a cascading effect from business disruptions. Globally, restrictive movements and lockdown measures, factory shutdowns and the collapse of oil prices have been affecting supply chains. Coupled with the risks of escalated trade disputes, the upcoming US presidential elections and the lingering effects of tepid growth in 2019, a scenario of global recession looks very likely. According to Bank Negara Malaysia (BNM), GDP growth is expected to plummet, hovering between 2% and 0.5%, a drastic reduction from pre-Covid 19 forecasts.

The overall impact of the outbreak on the Malaysian economy is unprecedented and it is challenging to predict the economic and financial eventualities with a high degree of precision. Currently, at MSM, operations are as usual as sugar is classified as an essential item. Our supply chains are still intact and export possibilities have remained unaffected with no hiccups at ports for export. We are facing an overall slow demand on the domestic front with 10% to 15% reduction; however this is mitigated by increased export enquiries. As we move onwards, management is continuously monitoring the situation and our strategies going ahead have considered mitigation actions to cushion the impact from likely expansion of the national Movement Control Order.

In times of adversity, the resilient will seek new opportunities, and that's exactly what we did. Since committed service to the domestic market no longer serves the Group's best interest, MSM is now working on sustainable growth strategies that include rationalising our production capacity, downstream product diversification, research and development on food and non-food sugar-related products, initiating cost saving energy projects, and strengthening selling prices for better margins.

Strategic transformation kicked off in the second half of 2019 with MSM Johor's product diversification into Liquid Sugar and Premix for the export market. We have also developed a range of flavoured syrups that will be ready for launch soon. Following closely will be our exploration into the development of healthy sugar variants which are targeted for launch by the second quarter (Q2) of 2020. As a result of emerging trends among customers seeking healthier lifestyle choices, we see a growing market for lower calorie sugar variants domestically and are looking forward to achieving new milestones in the sugar industry with this venture.

The current focus on diversification also encompasses potential greenfield investments or mergers and acquisitions (M&A) into food-based businesses to diversify the Group's income stream and increase utilisation of MSM Johor. This diversification into adjacent segments in the food sector will be the main focus for MSM in 2020.

Cost savings initiatives and improved efficiencies have also been prioritised. To reduce refining cost, a Biomass initiative in MSM Johor is set to be the key enabler in lowering fuel costs. It was approved by the Board in the fourth quarter (Q4) of 2019 and the installation of Phase 1 of the Biomass boiler is targeted to be completed in mid-2021 and Phase 2 by end-2021.

ANCHORING STRENGTHS

- 50 years of experience in sugar refining
- 8th largest stand-alone refiner in the world by capacity
- Dominant market share in Malaysia – 61%
- Strong brand position – "Gula Prai"
- Technical and Business know-how in producing high grade refined sugar – ICUMSA 45
- Port-fronting refineries (MSM Prai at Penang Port and MSM Johor at Tanjung Langsat Port)

REDEFINING OPPORTUNITIES

- Diversification into Non-Refined Sugar related business e.g. Confectionary, Condensed Milk, Flavoured Syrup
- Consolidate production in MSM Johor to increase utilisation
- Strategic Partnership – Equity participation and worldwide market expansion from MSM Johor
- Biomass Boiler initiative to lower production cost
- Value chain expansion via M&A or JV
- New Product Development e.g. Liquid Sugar, Premix, Food (Sucralose, Stevia)
- New Business Model e.g. Remove first layer Wholesalers from supply chain, OEM for Wholesale customers and cross border sales
- Operational Excellence – optimise cost, efficiency and productivity
- Disposal of non-core assets (Land Sales)

Operationally, in supply and distribution, a new Wholesale Business Model is in the pipeline to create better supply chain efficiencies and maximise MSM's domestic sales margin. MSM aims to deliver more sugar directly to customers once it has a better grasp in the domestic sugar supply chain. In addition, plans are in place to optimise logistic cost for effective sugar handling via outsourced trucks based on refinery location (MSM Johor, MSM Prai – Sg Buloh). The addition of barge vessels into the logistics line-up is also being explored to leverage on the prime locations of our port-fronting refineries and to reduce dependence on commercial rail systems.

Finally, but just as importantly, we intend to continue to improve raw sugar procurement using the "Just-In-Time" mechanism to enhance the Group's cash flow and reduce storage costs.

By undertaking these strategic initiatives, we expect to return to profit in 2020 and anticipate that the positive momentum from 2020 will translate into a sustainable and improved bottom line especially when the long-term initiatives, such as the Biomass Boiler and food diversification initiatives, churn the desired results.

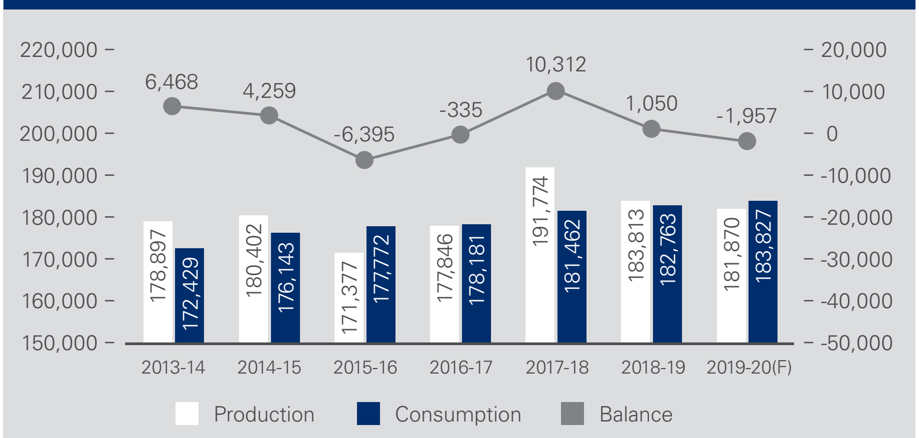
ACCELERATING FORWARD

The grey clouds looming over the sugar industry in 2019 seemed to have shifted in early 2020. However, at the time of writing, the world is facing new crises, including the corona virus pandemic, global level trade and market disruptions, and plummeting oil prices. If the spread of the virus is contained sooner rather than later, in 2020, we should be back on track and ready to face the world.

The NY11 raw sugar price was in an upward trajectory in Q4 2019 vis-à-vis a downtrend in Q4 2018 due in large part to forecasted reductions in the production by major raw sugar producing countries coupled with lower trade flows of white sugar from Thailand. In general, the global sugar stock balance is expected to be in deficit beginning from the second half of 2020 by around 1.96 million tonnes, mainly as Brazil is increasing ethanol production by the estimated ratio of 60:40. Further, market estimates lower Thailand's production from 13.0 million tonnes in 2018/19 to 11.0 million tonnes for the 2019/20 season, due to inconsistent weather causing unpredictable droughts and floods.

Despite the bullish indicators from Brazilian and Thai producers, the potential for excess sugar in the market from India's export subsidy programme may deter the market from rallying above USD16 cents per pound. Since NY11 future terminals are currently favourable ranging between USD13 – 15 cents per pound, Management has been hedging on gradual basis for the Wholesale and Industry portion in 2020 between three to six months forward (up to Q2 of 2020).

Supply/Consumption 2013-2020(F)



During the year, engagements with fund managers and institutional shareholders have been conducted regularly to clarify MSM's position and explain the Group's strategies moving forward.

Engagements with lenders have also been carried out to seek their continuous support and to boost cash flow within this challenging interim.

The progressive expansion of our production portfolio in the non-refined sugar segment promises to boost earnings and increase MSM Johor's plant utilisation factor. Meanwhile, te anticipated entry of new healthy variants in Q2 of 2020 will contribute positively to the Group. MSM is also paving a strategic path forward and shaping new horizons of growth. Despite the challenges that lie ahead in this uncertain tale, we are confident that the seeds of this new strategy will take root and bud new possibilities for the Group.

For that I am grateful for the steadfast support of our shareholders and stakeholders; as well as the continued commitment from our board, management and employees in enabling the new strategies to expand MSM's future potential.

Finaly, I take this opportunity to record the Group's utmost appreciation to our Chairman Datuk Wira Azhar Abdul Hamid as he retires from the Board at end of May 2020. His strong principles and commitment to good governance has steered MSM well. Thank you for guiding us through this challenging period.

YBHG DATO' KHAIRIL ANUAR AZIZ
Group Chief Executive Officer

MSM STRATEGY

3-YEAR STRATEGIC PLAN 2019 – 2021

SEGMENTS	PRIORITIES
2019 CASH FLOW DRIVEN **KEY STRATEGIES** 1. Export value-added sugar products (new SKU) 2. Reduce refining cost 3. Initiate energy cost savings project 4. Increase efficiency 5. Reduce stock holding 6. Dispose non-core assets	• Expand production of value added products i.e. liquid sugar and premix for export market • Increase production yield and utilisation by producing value added sugar products e.g. liquid sugar and premix • Implement measures to reduce refining cost i.e. reduce re-melting process • Continuous initiatives to lower refining cost • Implement "Just-In-Time" mechanism to optimise the raw sugar stocks level from January 2020. This will improve cash flow and lower external warehouse cost • Monetise non-core asset (plantation land) to assist in paring down debts
2020 RESTRUCTURE BUSINESS **KEY STRATEGIES** 1. Balancing production capacity within MSM Group's operation – MSM Prai, MSM Johor and MSM Perlis 2. Focus on product diversification 3. Installation of energy cost savings project 4. R&D on food and non-food sugar related products	• Ensure refineries operate at optimal level with quality sales from the production • Rationalise groupwide capacity through consolidation of production in MSM Johor, beginning 2020 • Focus on expanding MSM's production portfolio in the non-refined sugar segment in 2020 • Expand production of value added products i.e. liquid sugar and premix for export market • Increase MSM Johor plant's utilisation • Move from Gas to Biomass Boiler • Reduce fuel cost up to 50% upon successful commissioning of Biomass Project in December 2021 • Pursue transformation plans through diversification in downstream segment i.e. condensed milk production • Continue R&D effort on food and non-food sugar related products i.e. low calorie sucralose, mudcake and molasses • Focus on quick win initiatives i.e. low calorie sucralose blend with sugar and target to launch in the 2H 2020
2021 STABILISE & TURNAROUND **KEY STRATEGIES** 1. Lower refining cost – commissioning of energy cost savings 2. Increase export of value added sugar products	• Use biomass as fuel in 2021 – focus on big ticket item i.e. energy cost which contributes about 30% - 40% of refining cost • Increase production yield and utilisation • Continuous initiatives to lower Refining Cost at each refinery • Expand production of value added products i.e. liquid sugar and premix for export market

BUSINESS PLAN 2019 – 2021

SEGMENTS	ACHIEVEMENTS 2019
MARKET LEADERSHIP **KEY STRATEGIES** 1. Product Diversification & New Product Development	**Export to Asian market** • Started to export value-added sugar products to Asian market from 2H 2019 • Poised to expand the value added products capacity to leverage on the increasing demand for export market in 2020 **R&D for value added sugar products with targeted commercialisation by 2020** • On-going R&D effort on food and non-food sugar related products e.g. low calorie sucralose, mudcake and molasses **Explore sweetener business** • Developing quick win initiatives i.e. low calorie sucralose blend with sugar and target to launch in 2H 2020
CONTINOUS GROWTH **KEY STRATEGIES** 1. Commercial Collaboration 2. Explore Upstream M&A	**A new joint venture (JV) company to export refined sugar and sugar related products** • On-going effort to explore a strategic partnership for export of refined sugar • Exploring investment i.e. M&A in food based business to diversify Group's income stream and increase utilisation of MSM Johor **Advisory in raw sugar and FOREX hedging** • Procuring raw sugar and hedging FOREX as per the Group's policy allowable time frame • Cost optimisation in raw sugar procurement with "Just-In-Time" mechanism by 2020 **Benchmarking with other efficient sugar refineries** • Embark on Biomass effective from mid 2021 onwards (2-year project) **Identify target companies and plantations by region** **To serve local markets in sugar deficit countries** • On-going effort to explore feasible upstream M&A
OPERATIONAL EXCELLENCE **KEY STRATEGIES** 1. Disposal of Non-Core Assets 2. Rationalise Operations 3. Cost Savings & Operational Improvements	**Monetise non-core assets** • On-going effort to monetise non-core assets in 2020 **Potential divestment** • On-going effort on divestment of MSM's non-core business **Plan to balance operations** • Ensure MSM's refineries operate at optimal level with quality sales from the production • Rationalise groupwide capacity through consolidation of production in MSM Johor in 2020 **Raw sugar procurement** • Implement "Just-In-Time" mechanism in 2020 to optimise raw sugar stocks level • Reduce external Raw Sugar warehouse **Freight cost** • Ended the old-contracted and high-priced freight in 2019 • 2020 onwards, the freight premium will be at market rate **Lower refining cost** • Continuously improve the refining yield and utilisation through production of value added sugar products **Finance cost** • Reduce Finance cost through shorter borrowing tenure and optimum raw sugar inventory

KEY RISKS & MITIGATIONS

Various risk mitigation strategies are employed depending on type of risks identified as below:

Risk Category	Description & Impact	Mitigation Measures
Financial Risk: Poor cash reserve	**Description** Total cash reserve to remain positive as it will impact the cash flow of the business.	i. Enter into new business venture. ii. Increase production volume and reduce refining cost. iii. Increase sales price.
Strategic Risk: Issues of Approved Permit (AP) & market liberalisation	**Description** AP is an export and import license issued by the Permit Issuing Agencies (PIAs) under the Malaysian Customs Act 1967. **Impact** MSM business is disrupted by the significant increase in the number of APs issued to industrial users. This scenario is further compounded with increased smuggling of sugar into Malaysia, resulting in reduced prices in the domestic market.	i. Provide assurance that there is optimum capacity of sugar stock for domestic market. ii. Management has discussed with Ministry of Domestic Trade & Consumer Affairs (KPDNHEP) on the effect of market liberalisation. iii. Management to continuously create good rapport with local authorities.
Market Risk: Volatility in foreign exchange (FOREX)	**Description** Volatility in FOREX refers to currency fluctuations in the global foreign exchange. **Impact** Volatility in FOREX may result in losses or loss of opportunity gain.	i. Continuous monitoring on the strength of USD against Ringgit. ii. Tenure to hedge is on quarterly basis with mandate obtained from Management.
Operational Risk: Manpower turnover	**Description** High manpower turnover. **Impact** The efficiency and effectiveness of business operations could suffer due to high staff turnover.	i. To create a more conducive working environment. ii. Offer better packages based on performance and productivity of refinery. iii. Creating opportunity for knowledge and experience development.
Operational Risk: Excess refinery capacity	**Description** Excess capacity available can contribute to over supply/ production of refined sugar such that it is more than the quantity demanded by the market. **Impact** Higher cost of production and stock overload can lead to increase of warehouse rental cost.	i. Management to revise and improve marketing plan and strategy. ii. Increase sales activities. iii. Aggressively seek to penetrate new markets / segmentation / product.

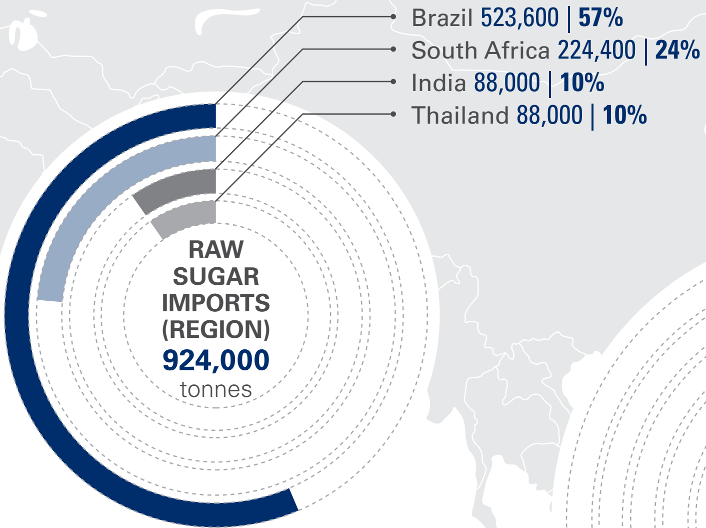
Risk Category	Description & Impact	Mitigation Measures
Market Risk: Increase in tariff rate for energy & utilities	**Description** We project from past trend that the energy and utilities producers will inevitably impose higher tariffs. **Impact** Higher cost of operation in the future.	i. Minimise the unit energy cost of production by operating our factories at maximum production rate. ii. Apply alternative energy efficiency such as biomass as new criteria in the selection of new equipment and processes when replacing machinery or adding new capacity.
Operational Risk: Competency of production staff	**Description** Staff competency refers to staff ability to operate new plant, meet production target and reduce major equipment breakdown that lead to plant disruption, etc. **Impact** Lack of competent staff or poorly trained staff will affect quality, reliability and productivity levels.	i. Provide basic sugar process training. ii. Create Training Needs Analysis (TNA) iii. To engage well experienced staff in the similar industry.
Market Risk: Unfavourable raw sugar price movement	**Description** Being fully dependent on imported raw sugar, exposes MSM to volatile price movements. **Impact** Financial implication on MSM business.	i. Continuous monitoring of the world sugar price. ii. Purchase at desirable price and profit target. iii. Maintain good rapport and communication with the government.

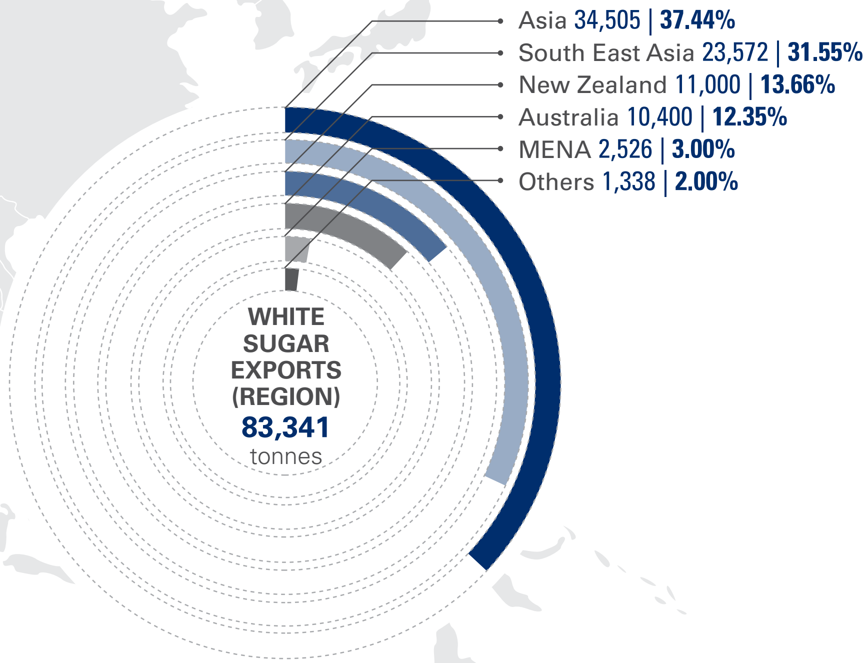
STAKEHOLDERS ENGAGEMENT

Ongoing stakeholder engagement is a core component of our business and sustainability strategies.

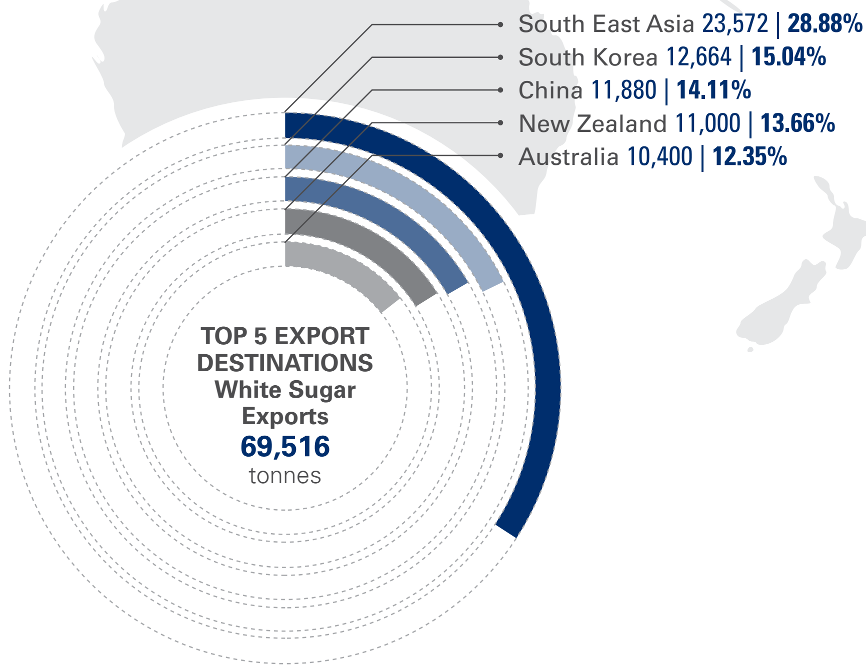
Stakeholder	Issues Raised	Strategic Response
Government, Regulatory Agencies & Statutory Bodies *The Government licences us to operate and provides a supportive regulatory environment, infrastructure as well other means of support to sustain our growth*	• Pricing structure • AP's issuance • Sugar smuggling issues • Sufficient sugar supply for the domestic market • Compliance matters • Environmental emissions and discharges • Labour practices • Healthy competition among business • Occupational safety & health	• 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
Investors, Analysts & Media *Provide wider publicity and improve the general understanding of MSM's business among investors and the public*	• Financial performance • Business performance and strategy updates • Governance & risk standards • Responsible investments • Future growth for the business	• Improve financial performance • Improve governance, compliance and transparency framework • Quarterly briefings and annual report • Pursue value enhancing opportunities
Customers & Industry Players *We are reliant on customers and potential customers to sustain our revenue-generation and growth*	• Long-term security of supply • Consistent supply and quality of products • Competitive pricing • Improve manufacturing capability	• Event and engagement sessions • Customer care email/satisfaction survey • Ensure sufficient sugar supply for the domestic market • Development of new products
Suppliers *Provide the materials to produce the products and services aimed for MSM's sustainable growth*	• Quality service delivery • Pricing of services and materials • Sustainable standards • Efficient payment cycles	• Transparent and open contract/tender negotiations • Integrity assessments • Courtesy and site visits • Trainings and briefings
Employees *Employees are our vital assets and the key to drive performance forward*	• Career development opportunities • Competitive benefits, remuneration and welfare packages • Employment security • Participation and empowerment • Workforce transformation • Occupational safety & health	• 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
Communities *Building and nurturing existing relationships with the communities where we operate allows us to contribute to transformation, development and various corporate responsibility programmes*	• 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 • Continued commitment to CSR programmes • Tithe and alms giving

GLOBAL PRESENCE





DESTINATION WISE FOR 2019
South East Asia 23,572 tonnes | **28.88%**
South Korea 12,664 tonnes | **15.04%**
China 11,880 tonnes | **14.11%**
New Zealand 11,500 tonnes | **13.66%**
Australia 10,400 tonnes | **12.35%**
Pakistan 5,200 tonnes | **6.18%**
Bangladesh 4,761 tonnes | **5.66%**
MENA 2,526 tonnes | **3.00%**
Others 1,684 tonnes | **2.00%**



* *Disclaimer - Numbers are based on estimation based on market report and forecast values*

MARKET LANDSCAPE

MARKET OVERVIEW 2019

Global sugar production for 2019/2020 is expected to reduce by 6 million tonnes (from the previous season of 2018/2019) to 178 million tonnes due to lower production in India and Thailand (the world's second and third largest sugar producers after Brazil). Brazil's production remains almost unchanged compared to the previous season of 2018/2019 at about 26 million tonnes, and is expected to produce more sugar in the next season due to the slump in oil prices which consequently makes ethanol production unattractive. Thailand which has been affected by dry-weather in key planting areas, is expected to produce 8.2 million tonnes for the season of 2019/2020 as compared to 14.6 million tonnes in the previous season.

Global sugar consumption is expected to be flattish and almost unchanged from the previous season of 2018/2019 at about 182 million tonnes as countries utilise the surpluses and carry-stocks from previous seasons. Sugar consumption for the next season of 2020/2021 is expected to increase but on a smaller quantum due to the worldwide movement restriction imposed (as an effort to curb the Covid-19 pandemic) and its impact on restaurateurs, hoteliers and the F&B Industry. Consumption for the next season of 2020/2021 is forecasted to be around 184.5 million tonnes against 185 million tonnes of sugar production.

2019/2020 SUGAR OVERVIEW

COUNTRY	OVERVIEW
USA	Production is estimated to have reduced 4% to 7.8 million tonnes due to poor harvest conditions resulting in lower sugar beet production. The largest reductions are centred in the Red River Valley in the States of North Dakota and Minnesota. Louisiana cane sugar production is also reduced due to expected lower sugarcane yields and lower recovery rate. Imports at 2.9 million tonnes are up slightly, consumption is forecast relatively flat, but stocks are estimated to decline to 1.2 million tonnes.
BRAZIL	Brazil's production is estimated to remain almost unchanged at about 26.6 million tonnes as millers produced more ethanol instead of sugar from the sugarcane. This scenario is expected to change in the next season due to the drop in oil prices where millers will be inclined to produce more sugar instead of ethanol from the sugarcane. Ethanol is a substitute for petrol in Brazil. Exports are projected to drop by about 1 million tonnes to 18.6 million tonnes which is the lowest in the past 12 years. Exports have not been competitive against the country's own domestic consumption and against ethanol production. The country's stockpile increased by about 80,000 tonnes for the season.
INDIA	Production is estimated to decline by about 5 million tonnes to 29.3 million tonnes this season due to lower planting areas and lower yield. Consumption is expected to be healthy of around 28.5 million tonnes amid its growing economy. Exports are expected to reach 5 million tonnes as the Indian government provides subsidy to cover exports costs such as handling charges, freight charges, upgrading works on exports facilities and marketing costs amongst others. Stocks are expected to be over twice the ideal requirement of two to three months and will be pivotal in supporting its increasing consumption in times of lower production.
EU	Production is forecasted to increase by about 120,000 tonnes to 17.9 million tonnes for the season. Consumption in the EU is seen to be healthy with a deficit of about half a million tonnes against production. Stock are forecasted to be around 1 million tonnes.
THAILAND	Production in Thailand is expected to be at a 10-year-low and decline by about 6 million tonnes this season (from 14.2 million tonnes last season to around 8.2 million tonnes this season) due to reduced planting areas and lower yield amid lower-than-expected precipitation in the country. Consumption numbers remains stable as the slight increase in consumption of sugar as a household item offsets the weaker demand of non-alcoholic beverages and canned pineapples for this season. Exports out of Thailand remains scarce, leading to the much higher premium compared to Brazilian sugar. Sugar production for the next season is expected to reduce by another 20% due to prolonged dry weather in key planting areas.

GROUP FINANCIAL REVIEW

2019 was a testing year for the Group due to the convergence of several challenging factors. The Group registered a net loss of RM299.77 million as revenue dropped 9% from the previous year.

The year's loss in profit was further impacted by a loan modification and repercussion of RM90 million as a result of high price and premium from the previously locked-in raw sugar purchase.

A provision of RM140.55 million for impairment of certain assets further strained the financial performance of the Group for the year. Higher production costs were also incurred in 2019 compared to FY 2018 due to lower capacity utilisation and depreciation borne by MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor), as it began commercial operations in April 2019.

THE MAIN ORDER OF BUSINESS WITHIN THIS COMPETITIVE LANDSCAPE WAS TO MAINTAIN MARKET LEADERSHIP. THE GROUP RAMPED UP MARKETING STRATEGIES AND SERVICE DELIVERY TO MAINTAIN DOMESTIC MARKET SHARE AT 61% AMIDST THE INFLUX OF COMPETITORS AND ACTIVELY EXPLORED NEW EXPORT MARKET POSSIBILITIES.

Margins were compressed mainly due to refined sugar surplus in the domestic market. This was a result of issuance of approved permits (AP) for sugar import which led to increased competition, and subsequently lowered average selling price (ASP). On the export front too, margins were thin as the industry recorded a global surplus.

Though the NY#11 price of raw sugar in 2019 was trending low at USD12-14 cents per pound (cents/lbs), this did not translate into the Group's bottom line as the Group was hampered by a previously signed raw sugar contract based on a higher price. FOREX volatility also weakened the ringgit (RM) against the US dollar (USD), further heightening MSM's raw sugar cost.

Operational cost increased as the Group had to contend with high interest on borrowings used to construct MSM Johor refinery; gas tariffs increases during the year (RM33.32 to RM33.46/MMBtu from January 2019 and to RM35.20/MMBtu from July 2019); increased depreciation that set in with the commercialisation of MSM Johor; and low capacity utilisation rate given the reduction in production volume for the year due to excess supply in the market and lower export from low premium.

Apart from that, the Group incurred massive impairment on assets in relation to the assessment carried out as part of MSM's synergistic strategy to enhance operational excellence.

FINANCIAL SCORECARDS

For ease of comparisons and to reflect continuity in reporting framework, our FY 2019 financial scorecards are outlined below:

Production Costs:

In 2019, total production volume increased by 11% to 1,073,888 tonnes from 964,739 tonnes in 2018 due to the commercialisation of MSM Johor refinery. In spite of this, total cost of goods sold for 2019 decreased by 1.2% despite the heightened raw sugar cost and weakening ringgit while the average refining cost per tonne increased by 15% due to an upward revision of gas tariff from RM33.32 per MMBtu to RM35.20 per MMBtu.

GROUP FINANCIAL REVIEW

Assets:

During the year, MSM Perlis Sdn Bhd had signed an agreement with F&N Agrivalley Sdn Bhd for the sale of plantation land in Chuping, Perlis for RM156 million. Fixed assets have thus reduced due to reclassification of Chuping Plantation Land to Assets Held for Sale, and impairment on assets of RM140 million due to this change in Group's strategy.

On 9 April 2020, MSM Perlis Sdn Bhd had exercised its rights to rescind the sale and purchase agreement. As of the date of this report, the Group continues with its plan to sell the plantation land and it is of the view that the sales consideration in the sale and purchase agreement with F&N of RM156,000,000 remains the most reflective market value to be used as fair value less costs to sell for the purposes of measurement of the assets held for sale.

Liabilities:

Liabilities have reduced in 2019 due to lower raw sugar stockholding which resulted in lower payables. Raw sugar stock reduced to 91,374 tonnes in December 2019 compared to December 2018 of 366,110 tonnes. In addition, long-term debts were restructured and rescheduled to ease cash flow over the short term.

Capital Resources

MSM's gearing ratio was sustained at 36% in 2019, resulted primarily from borrowings for the construction of MSM Johor. But liabilities have reduced due to net repayment of borrowings during the year.

STRENGTHENING FINANCIAL SUSTAINABILITY

The main order of business within this competitive landscape was to maintain market leadership. The Group ramped up marketing strategies and service delivery to maintain domestic market share at 61% amidst the influx of competitors and actively explored new export market possibilities. The latter led to introduction of value-added sugar products, such as premix and sugar syrup, to the Asian market in the second half of 2019. Strategic partnership opportunities for export and diversifying income stream were also explored to increase the utilisation of MSM Johor. Nonetheless, this still could not cover the targeted utilisation due to low premiums on the export front. The surplus situation had adversely impacted the export premium of refined sugar as a result of narrowing margins.

As part of MSM's strategy to monetise non-core assets. In October 2019, we signed an agreement with F&N Agrivalley Sdn Bhd for the sale of plantation land in Chuping, Perlis. On 9 April 2020, MSM Perlis Sdn Bhd had exercised its rights to rescind the sale and purchase agreement entered on 8 October 2019. Despite the rescission, the Group believes that it will be able to settle its term loan based on its contractual due dates.

Further, towards improving cash flow, stockholding cost has been reduced significantly by reducing raw sugar stockholding. We managed to close 2019 at USD 13.15 cents/lbs due to the surplus production globally. Unfortunately, the surplus situation had affected refined sugar export premium and the market was trending at about RM1,400 – RM1,500 per tonne which was lower than the Group's production cost.

2020 FINANCIAL PRIORITIES

Forecasts generally point to an impending sugar deficit in 2020, mainly from decrease in production from Thailand due to drought. This deficit is estimated to fetch up to 8 million tonnes, which puts projection for Raw Sugar NY#11 for 2020 between USD13 to 15 cents/lb.

Management's main focus for the year will be to:

i) Restructure Group's operation through consolidation of production

ii) Implement various initiatives to reduce operating cost mainly from energy consumption, logistics and distributions

iii) Maximise efficiency of the Group's refineries

iv) Increase production of value-added products such as sugar syrup, fine syrup and premix mainly for export market

v) Diversify into food-related products for additional income streams

vi) Review MSM's domestic business model to fatten sales margin

Moving forward, the Group remains cognizant of risks to our sales margin given the continued prevalence of APs for import sugar in the market. MSM continues to engage with the government and relevant authorities in monitoring the situation and advise them of the Group's capabilities in meeting domestic market needs. Additionally, as the price of raw sugar and FOREX rates have a high impact on MSM's margins, the Group is committed to close monitoring of the market to cautiously hedge within the Group's mandate and policy.

In the meanwhile, MSM Group continues to review the domestic business model to fatten sales margin by increasing selling price to wholesalers and raising the premium for the Industry segment. In sustaining cash flow, the Group is leveraging on just-in-time raw sugar procurement while continuing to sell selected non-core assets to pare down borrowings.

BUSINESS REVIEW

RAW SUGAR SOURCING & PROCUREMENT

Sugar supply fell by an estimated six million tonnes, primarily due to lower than estimated yields from India, and also impacted by Brazil diverting about one per cent more of its sugarcane towards ethanol production. Production declines continue to be in the cards for all sugar producing nations except for the European Union (EU). However the sugar glut is expected to continue till mid-2020 and with demand on a growth trend, the challenge is to secure optimal pricing as well as manage costs of raw sugar freight and country premium costs.

FOCUS FOR 2020

Sustain optimum raw sugar stock by enhancing internal communication between all refineries and the trading team

PERFORMANCE AT A GLANCE

Performance	2019	2018	2017
Procuring Raw Sugar (tonnes)	923,895	1,144,000	967,842
Physical Trading of White Sugar (tonnes)	88,500	136,497	132,270
Third Party Trading of White Sugar (tonnes)	N/A	4,000	7,270
Paper Trading (USD)	N/A	$810,253	$1,290,856

MAINTAINING MARKET LEADERSHIP

MSM managed the raw sugar volatility by continuing to hedge all sales back-to-back with the current raw sugar cost price (NY11). Raw sugar purchase was hedged to committed sales contracts to avoid lost opportunities in the volatile market. At the same time the team monitored the price movement closely. This strategy resulted in MSM achieving a raw sugar hedging price at USD 13.37 cents per pound which is lower than the budgeted figure at USD 14 cents per pound.

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

ENSURING CONTINUOUS GROWTH

The world sugar surplus number is expected to last until first half of 2020. For the second half 2020 the market is expected to turn to balance or even a deficit at 1.5 million tonnes with the view of non-performance of the Indian export programme.

Therefore, moving ahead, MSM will continue to focus on strengthening our position in Southeast Asia, deploy and sustain export sales to the existing premium markets of Hong Kong, South Korea, Australia, New Zealand, Pakistan and Bangladesh for the first half of 2020. Subsequently, we will ready 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 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 make sure the cost of sales tallies 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 loss-making.

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.

BUSINESS REVIEW

RAW SUGAR REFINING

The heightened domestic sugar price war, dwindling demand globally as well as higher refining and finance cost made for a challenging environment for sugar refining in 2019. This impacted MSM's overall production of refined sugar as well as profit margins for the year.

FOCUS FOR 2020

MSM PRAI:

- Reduce finance cost by implementing concept of "Just-in-Time" mechanism of raw sugar.
- Compete more effectively by using raw sugar based on current market price.
- Rent external refined sugar warehouses to reduce the congestion bottleneck at current refined sugar warehouses.
- Sale of fine syrup to increase production volume.

MSM JOHOR:

- Sale of liquid sugar, fine syrup, premix and others products to increase sale volume.
- Additional manpower for ramping up to maximum capacity of up to 3,000 tonnes/day.
- Speed up the required knowledge and experience of new process operators.
- Installation of two new biomass boilers to reduce fuel consumption and reduce future fuel costs.
- Sugar bin chute modification to enable packing of P1S and IGM sugar instead of being used as remelt sugar.

MSM PERLIS:

- Produce based on customer demand.
- Address current limitations in machinery capabilities.

REFINERY PERFORMANCE AT A GLANCE

Performance	2019	2018	2017
Production Volume (tonnes)	1,073,888	964,739	1,024,931
Raw Melted (tonnes)	1,101,708	1,015,699	1,075,234
Capacity Utilisation (%)	48	77	90
Cost Saving Initiatives (RM million)	9.3	8.58	15
Customer Complain Rate (%)	0.08	0.07	0.04

MAINTAINING MARKET LEADERSHIP

Growing liberalisation in the sugar market led to lower sugar prices on the domestic front in 2019. With export volume also affected due to stiff competition, overall production of refined sugar was below target. Margins were also challenged by escalating production cost due to lower raw melts, underutilisation and depreciation of MSM Johor facility, increase in gas tariffs and increase in packing cost due to prevalence of demand for 1kg packets.

Lower sugar demand and high refined sugar stocks led to lower than budgeted sugar production in 2019. This was however still an increase from the year before at 1.07 million tonnes compared to 964,739 tonnes in 2018. At MSM Prai, production dropped by 9.1% from 821,879 tonnes to 747,008 tonnes. At MSM Perlis, process throughput and yield were affected by low quality of raw sugar from Thailand and waning interest in 50kg packed sugar by wholesale customers, which led to an operational bottleneck.

After beginning commercial production on 1 April 2019, MSM Johor achieved 48.5% or 184,098 tonnes of targeted 380,000 tonnes production for the year. This was expected as 2019 was basically a phase dedicated to ramp up the plant and it was also a familiarisation period for our operators. Efforts were dedicated towards fine tuning all process parameters, establishing the auto sequence operation and regulating machinery adjustments based on actual and higher loads.

However, significant issues cropped up during this phase and further hampered production for the year. These included several breakdowns and a product contamination incident that required rectification and repairs to key equipment, as well as installation of an additional magnet and filter bags. In addition, the plant was challenged by high manpower turnover because of competitive demand from surrounding new factories, in particular the hyped Petronas RAPID project.

As a result, capacity utilisation for MSM Johor was only 18% (KPI 38%) and refining costs increased to RM699.65 per tonnes (KPI RM405 per tonnes). Capacity utilisation for MSM Prai was close to target at 71.1% (KPI 75.36%) while MSM Perlis was higher at 71.4% (KPI 61%). However, refining costs were higher due to the lower production overall and increased fuel costs.

Another reason for high production cost during the year was the yet unutilised old stock of raw sugar which came at a higher price than current stocks. Since raw sugar contributes 80 - 85% of production cost, this led to a substantially higher production than our competitors.

Moving forward, having completely consumed our old raw sugar stock, we are now in better position to compete with our competitors by using raw sugar based on current market price.

Another key area to be addressed going ahead is the reduction of future fuel costs. Fuel savings are anticipated with the installation of two new biomass boilers by 2021.

In order to maintain market leadership, MSM plans to be more competitive in price and secure consumer demand for its bestselling packet sizes. To optimise Johor capacity and capability, focus will be on increasing sales volume through development of new products such as liquid sugars, premix and flavoured syrups. Liquid sugar production capacity is targeted to increase from 3,500 tonnes/month to 20,000 tonnes/month; while the premix product capacity is targeted to grow from 180 tonnes/month to 1,200 tonnes/month.

ENSURING CONTINUOUS GROWTH

In line with the anticipated increase in production capacity, the refining division will need to prepare packing and storage capacity to prevent any possible bottleneck issues in our production process. Plans are underway towards constructing a new packing house and seeking more refined sugar warehouses.

Several strategies towards enhancing cost efficiency are also ongoing towards improving refining margins. These include managing operation of production lines based on silos and refined sugar stock levels to control operation cost; maximising usage of own power generation using Turbine Generator so as to reduce energy cost from Tenaga Nasional Berhad; and negotiations with vendors of packing materials for cost reduction.

At MSM Johor, rectification works are mostly completed and by end of 2019, operations has achieved better stability. The need for additional manpower is a priority in ramping up production to maximum capacity levels. Focus is also directed towards intensive training of new hires to ensure optimum plant processes in the near future.

The Johor plant will continue to raise export volume of sugar related product such as liquid sugar, fine syrup and premix product to expand market possibilities and build new strengths for MSM.

Once sale volume can be increased, lower refining cost and production cost can be achieved through higher daily melting rate as well as the increase in capacity utilisation.

ACHIEVING OPERATIONAL EXCELLENCE

The Group is proud of our safety achievements as we continue to improve operational excellence. Loss Time Injury (LTI) targets at all three plants were surpassed.

MSM Prai's Safety team organised various safety activities including Fire Drill with Jabatan Bomba. Emergency Response Team (ERT) members were sent for Bomba trainings to equip the necessary skills in the event of fire and emergency situations. First aid training too was duly conducted. All this contributed to a Occupational, Safety & Health (OSH) Achievement in the plant's operations with the number of accidents in 2019 dropped to 7 cases from 15 cases in 2018. During the year, usage of social media technology was also kicked off to disseminate information related factory operation for better coordination and response. In terms of leveraging on stakeholder engagements, the MSM Prai team also continued to strive for good rapport with KTM personnel to ensure smooth transfer of sugar from Prai to Sg Buloh by KTM train.

MSM Perlis achieved 1,133,091 hours without Lost Time Injury and won the FGV President's Award For Safety 2018/2019 as well as achieved 3rd place for Best Safety Projectand 4th place for Best Safety & Health Committee. The refinery was also nominated for the National Occupational Safety and Health Excellence Award 2019 by the Department of Occupational Safety and Health of Malaysia.

Moving forward, MSM Perlis is committed to launch an array of safety programmes, risk assessments and departmental challenges to heighten safety awareness and inculcate safety first thinking as a culture.

Following the examples set by MSM Prai and MSM Perlis, MSM Johor has outlined its 2020 OSH goals as follows:

i) Target 400 and above EAR (Employee Action Request), compared to 306 items in 2019. This will catalyse prompt action to prevent potential hazards

ii) Reduce LTI cases by 50%, which means a maximum 3 cases instead of 6 cases as recorded in 2019

iii) Prepare for ISO1400 certification

iv 100% implementation of all legislation requirements such as noise monitoring and water analysis

v) 100% implementation and enforcement on safety compliance at site especially special work (hot work, confine space work, heavy lifting and working at height)

vi) 100% participation on safety improvements such as daily safety toolbox by department heads, leaders, area owners and operators

vii) Get started on safety ownership programme familiarisation

viii) Conduct related internal and external safety training

BUSINESS REVIEW

SALES & MARKETING

Although it has been a very challenging year with global sugar surplus affecting domestic market as well, we managed to maintain domestic market share at 61%. Competition arising from AP sugar and competitors resulted in reduction of average selling price (ASP) during the year under review. Export continued to bleed with negative margin arising from low white sugar premium which reduced export volume by 24%.

FOCUS FOR 2020

Revise domestic selling price to improve our margin, in line with the price adjustment in the global sugar price due to sugar deficit

Revamp packaging design for retail market to refresh the Gula Prai brand among a younger market

Optimise sales for new products in development

PERFORMANCE AT A GLANCE

Wholesale Sales
448,347 tonnes
(2018: 434,336 tonnes)

Industry Sales
415,602 tonnes
(2018: 391,274 tonnes)

Export Sales
83,341 tonnes
(2018: 109,613 tonnes)

Performance	2019	2018	2017
Sales Volume (tonnes)	947,290	935,223	997,941
Revenue (RM)	2.0 billion	2.2 billion	2.6 billion
Debt Collection (days)	50 days	37 days	33 days

MAINTAINING MARKET LEADERSHIP

During the year, engagements with government authorities failed to gain collaborative solutions on the issuance of approved sugar permits (AP) to foreign producers. Competition was very high with margins being pressured and reduced average selling price but we remained steadfast. In October 2019, MSM's management increased the selling price to wholesale segment and this resulted in lower volume for the wholesale segment and increased volume in the industry segment.

MSM focused sales and marketing activities on delivering high service level to all of our customers. Our sales team continuously engaged with customers to increase sales by shifting sales focus and building customer loyalty. We also adopted a flexible supply chain process to be able to cope with the peaks and trough of changing sugar demand in Malaysia. Focus was directed towards minimising service failure, and ensuring sustainable supply to all customers.

Highlights for the year included an increase in penetration to high traffic outlets such as Speedmart 99, and introducing a smaller pack size to meet consumer demands for a more convenient packaging.

Moving towards 2020, MSM is embarking on product diversification on food and non-food sugar related products. With the sugar industry exposed to more threats especially from the health-concern community/organisation and therefore there is a need for us to diversify our business accordingly. We have already embarking on product diversification with continuous R&D effort on food and non-food sugar related products such as low calorie sucralose, mudcake and molasses. We are also exploring on potential to venture into downstream segment such as condensed milk and chocolate.

To-date, we have started exporting molasses to Asia-Pacific countries, targeting dairy farms and livestock companies in various packaging to get better margins.

ENSURING CONTINUOUS GROWTH

In ensuring continuous growth, MSM is focusing on current strategies to enhance service levels, increase penetration into high traffic outlets, introduce new packing sizes as well as new products such as the premix and liquid sugar launched during the year. More product opportunities are being explored as we move into 2020. With the emergence of new lifestyle trends on healthy eating and more conscious nutrition, MSM is mindful that a growing number of groups are advocating drastic reduction in sugar from their diet. As Malaysia's leading sugar producer, MSM has begun a venture to introduce a new healthy range of sugar products in-line with emerging aspirations of most Malaysians to lead a healthy lifestyle. These healthier sugar variants are targeted to be launched in 2020.

Building on current strengths, the sales team also continues to leverage on MSM refined sugar's repute as a high quality premium sugar and the preferred type of sugar for industries.

ACHIEVING OPERATIONAL EXCELLENCE

During the year, operational efficiency continued to be 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. This demarcation has proven its worth in achieving cost efficiency as well. Moving forward, in achieving operational excellence, the sales and marketing team will continuously engage with customers to realise further improvements in service level.

BUSINESS REVIEW

SUPPLY CHAIN MANAGEMENT & DISTRIBUTION

MSM's demarcation exercise was fully implemented in 2019 leading to significant load improvements, smoother replenishment of orders and optimum stock count and freshness. In 2019, the key priorities were to further streamline the supply chain and ensure safety and quality is upheld throughout the supply chain value stream. These have improved supply chain availability and efficiency.

FOCUS FOR 2020

Achieve Just-in-Time arrival of Raw Sugar stock

Optimise stock holding for refined sugar

Improve delivery timeframe and reduce downtime

Harmonise packing formats

REFINERY PERFORMANCE AT A GLANCE

For 2019, we moved 274,727 tonnes of sugar at 93% achievement rate for on time delivery.

Performance	2019	2018	2017
Sales and Distribution (RM)	25 million	20 million	20 million
On Time in Full	93%	98%	98%
Demarcated Delivery	100%	n/a	85%
Inventory Record Accuracy	100%	100%	97%
Stock Cover	19 days	12 days	8 days

MAINTAINING MARKET LEADERSHIP

MSM strengthened its supply chain management and distribution during the year through daily monitoring of available stock and sustaining service levels for on-time delivery. We also continued to enhance stock management through dynamic demand and supply planning and stock balancing. Like the previous year, stocks for the year were produced based on demand in order to avoid wastages and assure stock freshness. As safety and hygiene are crucial, all products are also expected to fulfil quality audit and quality control requirements at every stage of the distribution supply chain. The team also leveraged on sales history in order to provide more timely demand forecasts. To this end, we are proud to have achieved 100% inventory record accuracy.

On the logistics front, current challenges include addressing truck availability issues and managing breakdown issues from an ageing fleet. In terms of cost and time efficiency, the demarcation exercise has proven successful. In addition to this, a thorough review of current costs of transportation and raw sugar warehouse management was conducted in planning out further cost efficient strategies.

Other key challenges observed were the risk of daily business disruptions due to reliance on train systems that are out of our direct control and unforeseen stock management glitches with high and long stockholding period for slow moving variants and added warehousing when customers do not observe requested order dates. These require more perceptive forecasting and greater customer engagement initiatives going forward.

Building on customer relationships, an audit was conducted and a review held to identify service gaps so as to be able to fulfil expectations better.

ENSURING CONTINUOUS GROWTH

With increased focus on product diversity going forward, MSM continues to be proactive in planning responsive distribution and logistics strategies to meet future market challenges. A Supply Chain Blueprint for the next five years has been outlined towards identifying the best way forward in identified areas of our operations such as Stock, Distribution, Warehouse and Customer Service.

Dynamic demand and supply planning with stocks produced based on demand has seen less wastage and better stock management and thus will continue to be implemented and enhanced going forward. For raw sugar, just in time stock strategy will continue to be practiced so as to save on warehousing costs for purchase loading. For refined sugar, MSM is working to harmonise packing formats to reduce inventory of dedicated stock-keeping units (SKUs) for specific customers and save on packing material. Greater packing efficiency is also being sought by collaborating more closely with packers. While we continue to seek more competitive warehouse rates, warehousing cost is to be better managed by optimising internal warehouse via a racking system and reducing pallet rental costs by keeping pallet management as an option for customers.

New distribution strategies are in the pipeline with possible exploration of using barges in addition to the current trucking and railway systems, direct delivery to door-to-door customers, direct coverage to consumer market segment instead of retailers, and further refinement of the demarcation exercise. Last but not least, improvement to customer forecast are being planned through the introduction of new requirements.

ACHIEVING OPERATIONAL EXCELLENCE

MSM has set the ball rolling for further improvements in operational excellence through better integration of supply chain activities and by upgrading systems and processes. Standard operating procedures have been implemented and will be enforced towards business improvement and in ensuring better governance and transparency. These will positively impact selection and performance of third party logistic providers and other vendors. In addition, several communication matrixes have been established to improve collaborations between our sales, distribution and logistics teams as well as with customers. At the same time, reviews with external parties in our chain of activities are ongoing to seek better alignment and in coming up with effective contingency plans.

BUSINESS REVIEW

PLANTATION

A core priority during a challenging 2019 was the need to accumulate sufficient cash flow to service our debt post completion of MSM Johor refinery. Amongst the many stop-gap initiative implemented, was the need to monetise non-core assets such as plantations. With Board approval of the disposal and in anticipation of the closure, the main planting and maintenance activities namely replacement and manuring were stopped altogether during the year under review.

PERFORMANCE AT A GLANCE

Performance	2019	2018	2017
Rubber Replacement (seedlings)	0	19,696	232,222
Fertiliser Cost (RM)	0	184/ha	421/ha
Development Cost (RM)	1,035/ha	2,736/ha	3,261/ha
Mango Planting Area (ha)	0	10.7	7.4

DISPOSAL OF ASSET

MSM's plantation sector in year 2019 faced cash flow constraints and adverse climate not conducive for planting and replacement. Given the cumulative years of low returns on this segment, Plantation was identified as candidate under the Group's Monetising Non-Core Assets strategy.

The Board had approved the disposal of plantation land measuring 4,454 ha to any interested parties by way of open tender on January 2019. On 8 October 2019, MSM signed a sales and purchase agreement with F&N Agrivalley Sdn Bhd for the sale of plantation land in Chuping, Perlis for RM156 million. There are conditions precedent which must be fulfilled before the deal is concluded. However, on 9 April 2020, MSM Perlis Sdn Bhd has exercised its rights to rescind the sale and purchase agreement since F&N has not fulfilled the first Condition Precedent by the expiry of the Conditional Period as well as the Extended Conditional Period. With this new development, we will continuously keep a lookout for a new strategic plan to monetise this asset.

The entire process was conducted in a transparent manner. We were clear from the outset that the disposal should bring benefit not just to MSM but also to the state of Perlis and the communities that live in the area, to balance commercial and social values. The disposal is in the best interest of the Group as the land generates negligible revenues but requires unsustainable financial commitments due to the high operating costs of maintaining the plantation activities.

All retrenched employees are fairly compensated and some of them have been retained to assist in completing the paperwork and assets disposal before the ultimate closure of the plantation division.

5-YEAR FINANCIAL SUMMARY

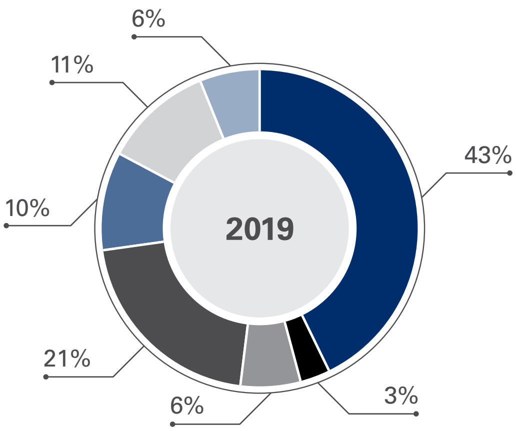
	2019 RM'000	Restated 2018 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Revenue	**2,006,911**	2,214,376	2,215,465	2,641,529	2,658,446	2,307,263
Cost of Sales	**(1,992,260)**	(2,016,022)	(2,017,749)	(2,563,490)	(2,327,896)	(1,818,173)
Gross Profit	**14,651**	198,354	197,716	78,039	330,550	489,090
Other Operating Income	**1,843**	1,401	1,839	8,685	6,500	4,686
Selling and Distribution Expenses	**(25,272)**	(19,762)	(20,035)	(19,741)	(98,406)	(71,914)
Administrative Expenses	**(73,561)**	(71,817)	(74,491)	(61,122)	(80,081)	(70,734)
Impairment of Receivables	**(4,583)**	(3,018)	(2,938)	-	-	-
Impairment of Assets	**(138,784)**	(1,390)	-	-	-	-
Other Operating Expenses	**(747)**	(44)	(4,809)	(7,005)	(5,570)	(5,085)
Other Gains/(Losses) - Net	**4,999**	(2,887)	(2,887)	(1,223)	3,428	25,769
(Loss)/Profit from Operations	**(221,454)**	100,837	94,395	(2,367)	156,421	371,812
Finance Income	**4,032**	4,057	4,057	5,293	5,511	7,862
Finance Costs	**(82,128)**	(38,508)	(38,145)	(22,500)	(13,417)	(7,546)
(Loss)/Profit Before Zakat and Taxation	**(299,550)**	66,386	60,307	(19,574)	148,515	372,128
Zakat	**(14)**	(1,500)	(1,500)	-	(2,000)	(5,000)
Taxation	**11,074**	(27,509)	(23,201)	(16,767)	(25,793)	(91,832)
(Loss)/Profit for the Financial Year from Continuing Operation	**(288,490)**	37,377	35,606	(36,341)	120,722	275,296
Discontinuing Operations						
Loss from Discontinuing Operation, Net of Tax	**(11,279)**	(1,717)	-	-	-	-
(Loss)/Profit for the Financial Year	**(299,769)**	35,660	35,606	(36,341)	120,722	275,296

FINANCIAL RATIOS

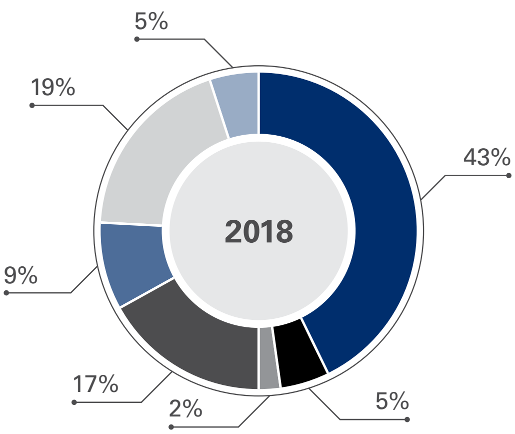
	2019 RM'000	Restated 2018 RM'000	2018 RM'000	2017 RM'000	2016 RM'000	2015 RM'000
Return on Shareholder's Equity	**(18.10)%**	1.82%	1.80%	(1.90)%	6.10%	13.50%
Return on Total Assets	**(10.1)%**	1.0%	1.0%	(1.1)%	3.7%	10.1%
Debt Equity Ratio	**0.8**	0.9	0.9	0.8	0.6	0.3
Dividend Cover	**-**	-	-	(1.3)	0.7	1.5
Total Assets	**2,980,766**	3,655,342	3,648,195	3,404,782	3,225,428	2,722,405
Net Assets Per Share	**2.36**	2.79	2.79	2.74	2.83	2.90
(Loss)/Earnings Per Share (Sen)	**(42.64)**	5.08	5.07	(5.17)	17.17	39.16

STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS



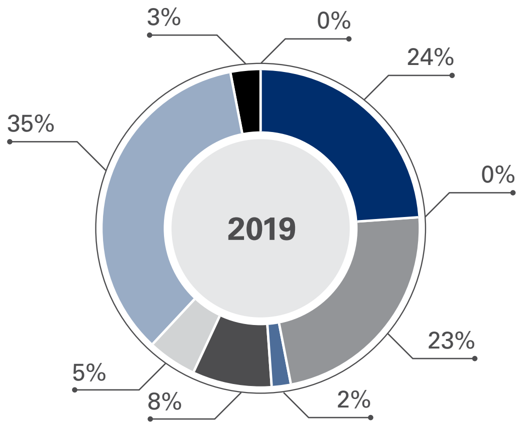
Assets Type	Amount RM'000
Property, plant & equipment	1,295,432
Right-of-use assets	96,174
Other assets	178,040
Intangible assets	630,759
Receivables	290,573
Inventories	319,252
Cash and cash equivalents	170,536



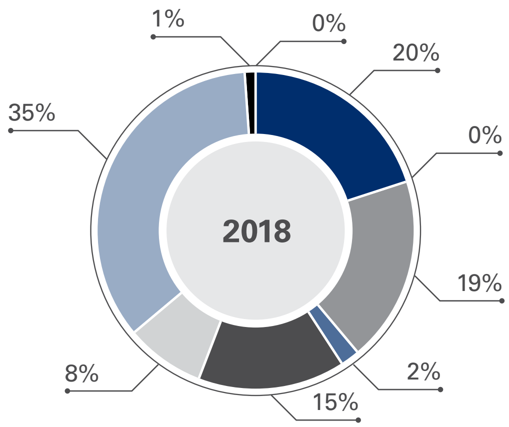
Assets Type	Amount RM'000
Property, plant & equipment	1,559,752
Right-of-use assets	190,214
Other assets	78,440
Intangible assets	640,160
Receivables	316,167
Inventories	679,046
Cash and cash equivalents	191,563

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

TOTAL LIABILITIES



Liabilities Type	Amount RM'000
Share capital	718,255
Lease liabilities	5,656
Other reserves	691,174
Retained earnings	248,102
Deferred tax liabilities	51,062
Payables and other liabilities	146,324
Loan due to a related company	70,431
Borrowings	1,044,784
Derivative financial liabilities	4,978



Liabilities Type	Amount RM'000
Share capital	718,255
Lease liabilities	6,957
Other reserves	696,848
Retained earnings	547,871
Deferred tax liabilities	83,384
Payables and other liabilities	274,287
Loan due to a related company	30,365
Borrowings	1,296,745
Derivative financial liabilities	630

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

QUARTERLY FINANCIAL PERFORMANCE

2019	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Continuing Operations				
Revenue	**485,435**	**474,022**	**531,415**	**516,039**
(Loss)/Profit from Operations	**3,971**	**(20,433)**	**(189,264)**	**(15,728)**
Profit Before Taxation and Zakat	**(1,134)**	**(62,382)**	**(204,980)**	**(31,054)**
Profit from Continuing Operations	**(4,818)**	**(65,403)**	**(180,988)**	**(37,281)**
Discontinuing Operations				
Loss from Discontinuing Operations	**(2,243)**	**(1,927)**	**(4,113)**	**(2,996)**
Profit Attributable to Equity Holders of the Company	**(7,061)**	**(67,330)**	**(185,101)**	**(40,277)**
Basic (Loss)/Earnings Per Share (Sen)	**(1.00)**	**(9.58)**	**(26.33)**	**(5.73)**
Single-Tier Dividend Per Share (Sen)	**-**	**-**	**-**	**-**

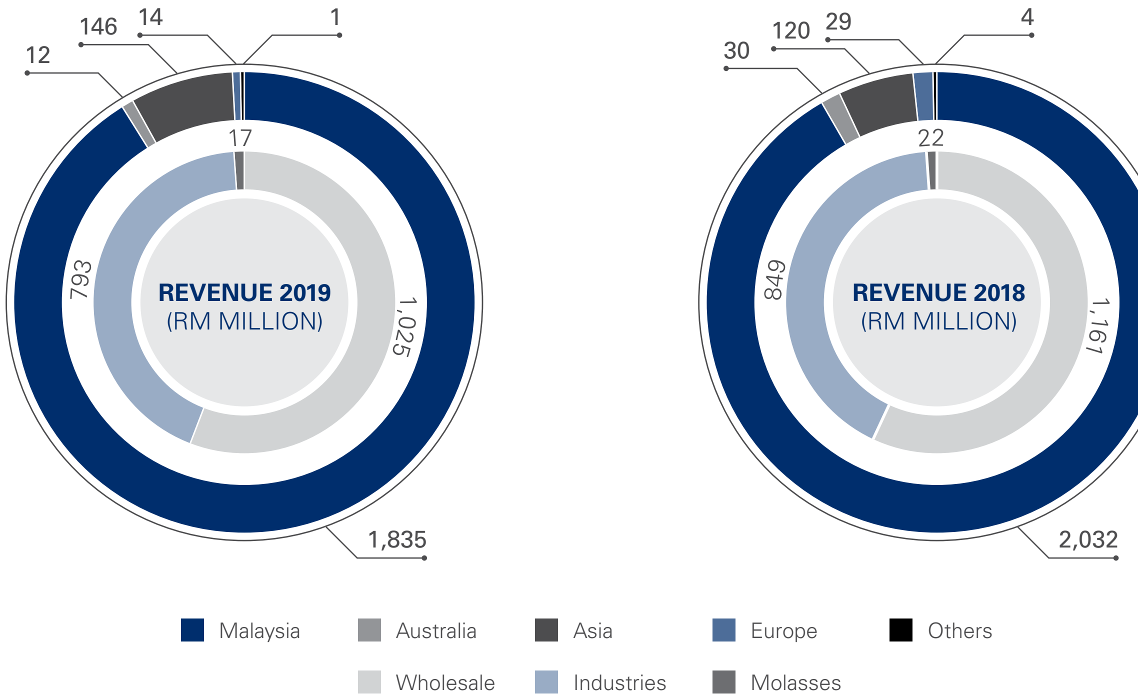
2018 (Restated)	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Continuing Operations				
Revenue	548,812	573,027	561,683	530,854
(Loss)/Profit from Operations	30,056	25,333	23,744	21,704
Profit Before Taxation and Zakat	22,690	21,668	20,616	1,412
Profit from Continuing Operations	17,551	15,903	17,311	(13,388)
Discontinuing Operations				
Loss from Discontinuing Operations	(1,745)	(1,573)	(1,435)	3,036
Profit Attributable to Equity Holders of the Company	15,806	14,330	15,876	(10,352)
Basic (Loss)/Earnings Per Share (Sen)	2.25	2.04	2.26	(1.47)
Single-Tier Dividend Per Share (Sen)	-	-	-	-

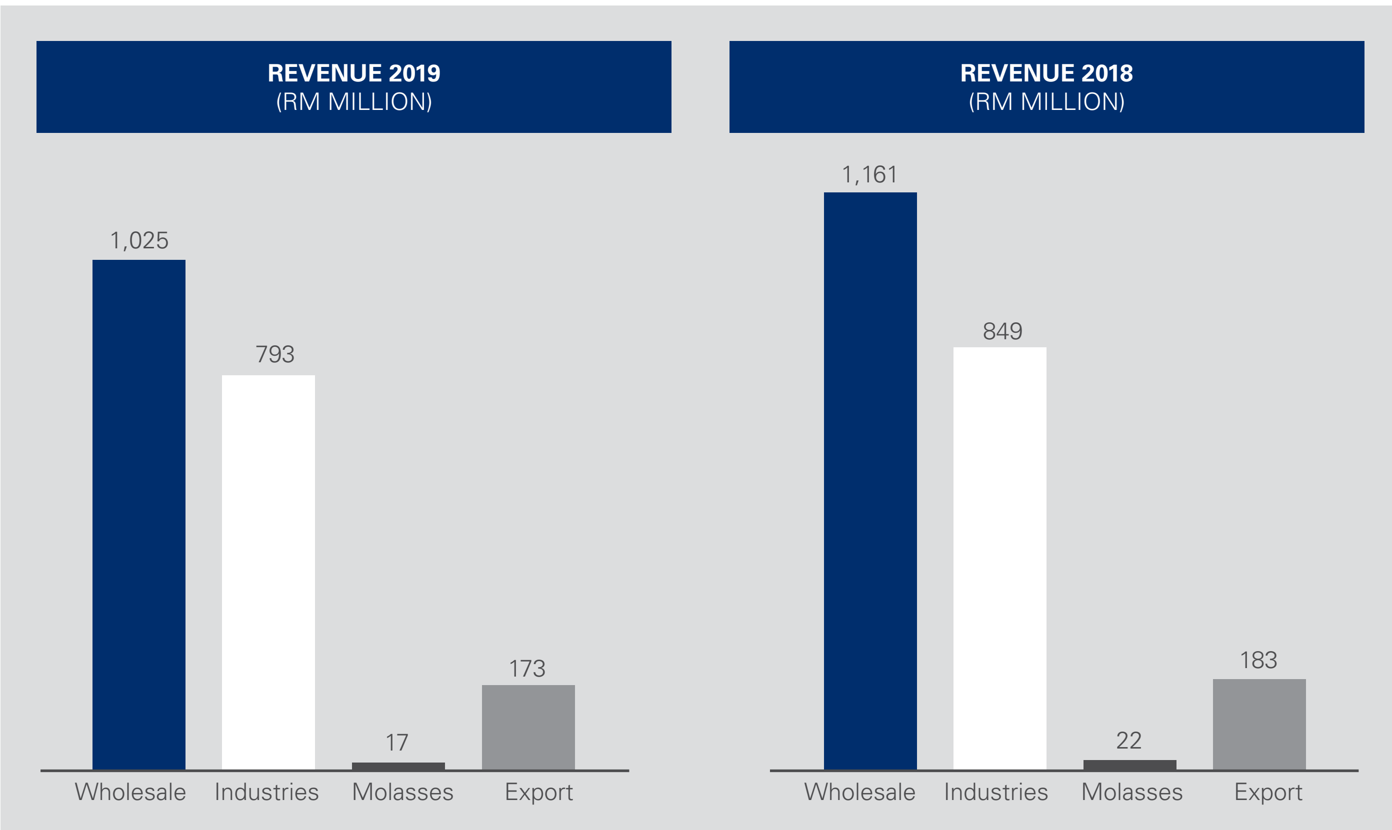
STATEMENT OF VALUE ADDED

	2019 RM'000	Restated 2018 RM'000
VALUE ADDED		
Revenue	2,007,795	2,215,465
Purchase of Goods and Services	(1,934,508)	(1,966,806)
Value Added by the Group	73,287	248,659
Other Operating Income	1,952	1,839
Other (Losses)/Gains – Net	4,999	(2,887)
Impairment of Asset	(140,546)	(1,390)
Impairment of Receivables	(4,583)	(3,018)
Finance Income	4,032	4,057
Finance Cost	(82,128)	(38,508)
Value Added Available for Distribution	**(142,987)**	**208,752**
DISTRIBUTION		
To Employees		
Employment Cost	81,214	82,418
To Government/Approved Agencies		
Taxation and Zakat	(18,905)	24,695
To Shareholders		
Dividends	-	-
Retained for Reinvestment and Future Growth		
Depreciation and Amortisation	94,473	65,979
Retained Profits	(299,769)	35,660
Total Distributed	**(142,987)**	**208,752**

** Amount includes both continuing and discontinuing operations.*

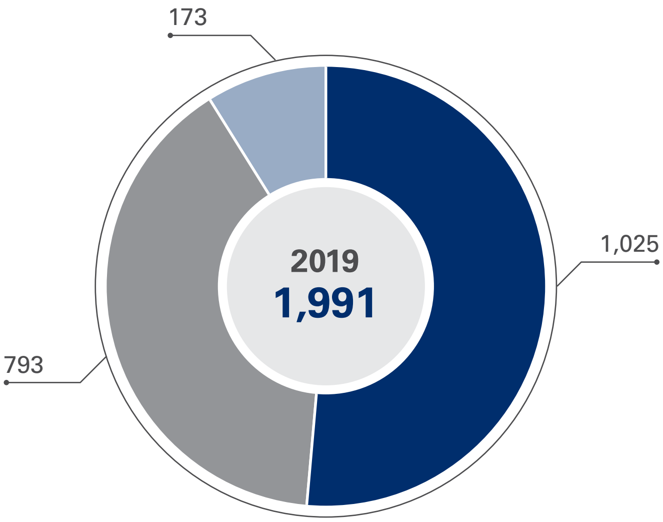
SEGMENTAL ANALYSIS

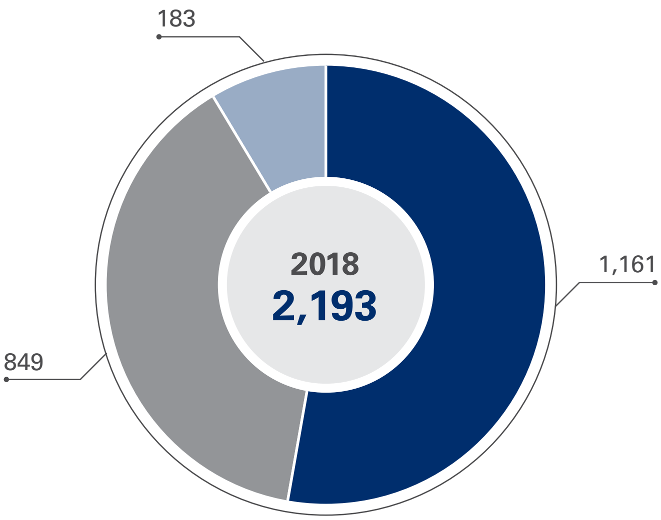




SALES ANALYSIS

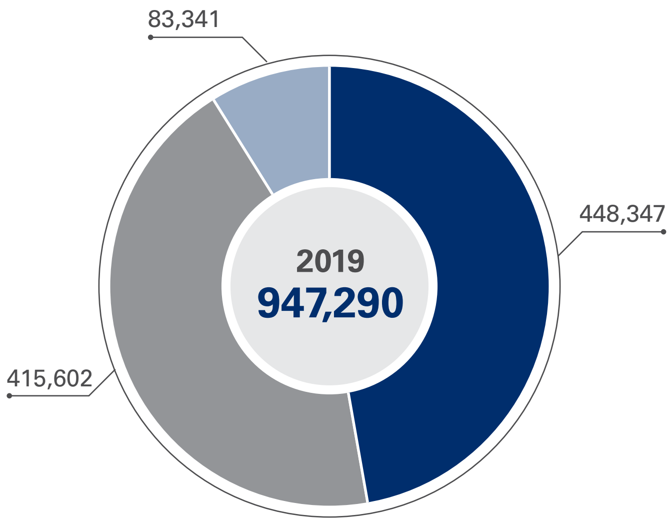
SALES REVENUE (RM MILLION)

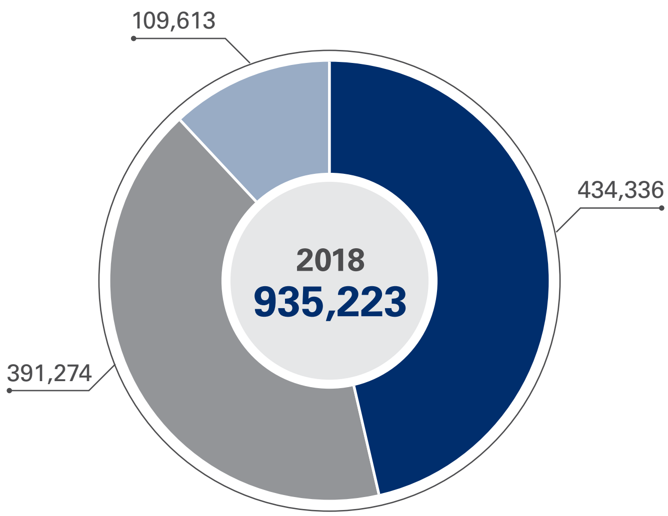




Wholesale Industries Export

TOTAL SALES (TONNES)





Wholesale Industries Export

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

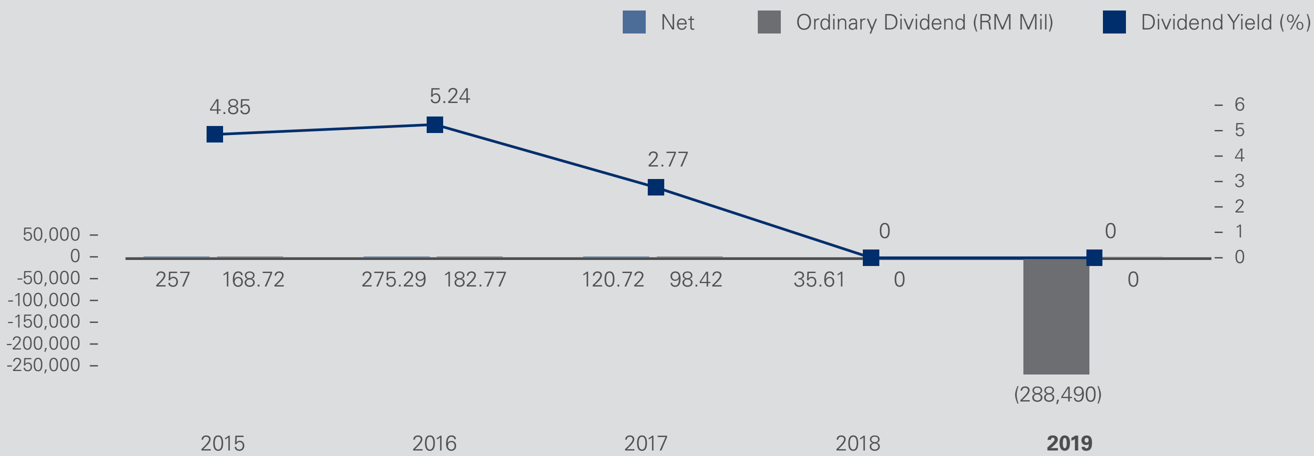
INVESTOR RELATIONS

MSM shares opened at RM2.60 on 2 January 2019 and closed the year at RM0.88 having traded approximately 164,576,500 units. The highest price for the year was recorded on 2 January 2019 at RM2.60.

SHARE PERFORMANCE

Open on 2 January 2019	RM2.60
Last Price (as at 31/12/2019)	**RM0.88**
Highest on (02/01/2019)	RM2.60
Average	RM1.47
Low on (21/11/2019)	RM0.86
Total Share Traded	164,576,500 units

RETURN TO SHAREHOLDRES



EQUITY RESEARCH COVERAGE

CIMB	Affin Hwang Investment Bank	MIDF Research	PublicInvest Research	AmInvestment Bank

FINANCIAL CALENDAR

ANNOUNCEMENT ON UNAUDITED CONSOLIDATED RESULTS

2018

- 4th quarter ended 31 December 2018 : 20 February 2019
- 1st quarter ended 31 March 2019 : 23 May 2019
- 2nd quarter ended 30 June 2019 : 21 August 2019
- 3rd quarter ended 30 September 2019 : 20 November 2019

2019

- 4th quarter ended 31 December 2019 : 25 February 2020

DIVIDENDS

2019

- No dividend was declared and paid for the financial year ended 31 December 2018

2020

- No dividend was declared and paid for the financial year ended 31 December 2019

ANNUAL GENERAL MEETING

8th Annual General Meeting

- Notice of meeting : 26 April 2019
- Issuance of Annual Report : 26 April 2019
- Meeting date : 19 June 2019

SUSTAINABILITY REPORT

OUR SWEET EES JOURNEY

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.

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)

Group Chief Operating Officer

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

Corporate Communications Department

Head of Operations

Subsidiaries

Electricity consumption **decreased** by

31.2%

CO_2 emissions from electricity **reduced** by

35.5%

Maintained

2,000 volunteer hours every year since 2013

Total Malaysian companies registered for procurement **increased** by

0.6%

Reduction of

30.4% for CO_2 emissions from air travel

Maintained

0 fatal accidents

ECONOMIC SUSTAINABILITY

GRI-203: Indirect Economic Impacts

Established to ensure Malaysia's self-sustainability in refined sugar, MSM has also been a catalyst for socio economic development within Perlis, Penang, the Klang Valley, and most recently Johor. The Group's steadfast expansion into activities throughout the sugar value chain provides employment opportunities as well as opportunities for secondary industries. Today, MSM provides job opportunities for 1,249 employees within the Group.

MSM PERLIS	MSM PRAI	MSM LOGISTICS	MSM HOLDINGS	MSM JOHOR
Plantation **36** employees Factory **356** employees	**495** employees	**49** employees	**52** employees	**261** employees

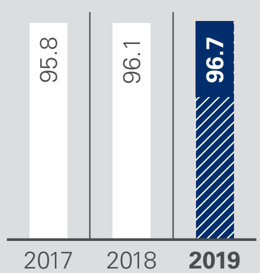
(data shown as at 31st December 2019)

The reduction in number of employees for plantation sector in MSM Perlis is due to operations ceasing following the disposal exercise of its plantation land in Q3 2019.

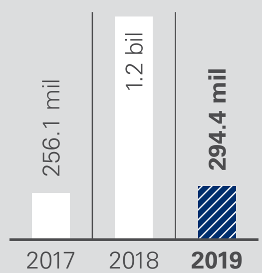
GRI-204: Procurement Practices

Taking an active part to elevate good governance within the industry, MSM is committed to ethical supplier management practices and has put in place policies, processes and systems to safeguard ethical, open and sustainable sourcing within our supply, manufacturing and distribution value chain. All employees are required to adhere to the company's procurement process and policy which are set out in the Group Procurement and Policies Handbook which is printed and distributed to staff. The online version is also made available and can be requested from the Procurement Department. These ensure accountability and transparency in procurement activities as well as governs vendors and suppliers to abide by ethical standards, fair business practices and comply with laws and policies.

Total of Malaysian Registered Companies (%)



Local Procurement Expenses (RM)



SUSTAINABILITY REPORT

Engaged & Ethical Marketplace Practices

MSM's core strength is the quality of its sugar products and reliability in service levels. Constant focus is directed towards maintaining and elevating customer satisfaction levels. These include proactively notifying our customers of our reliable service delivery commitments, encouraging feedback through a well managed dedicated online customer service channel at consumer@msmsugar.com, improving the efficiency and responsiveness of our support services, regular engagements to assess customer satisfaction and taking prompt action on feedback, issues or complaints on our products or services.

Knowledge-Sharing with Industry

A fundamentally sound and informed industry knowledge base is essential in building a sustainable economy. MSM believes in contributing to industry development and invests time to actively engage in events and discussions on current economics and industry challenges that help evolve industry practices.

The Group's years of active participation and engagement with industry stakeholders has been noted and in 2019 MSM was involved in several discussions and sessions with relevant ministries and authorities including Ministry of Domestic Trade & Consumer Affairs (KPDNHEP) and Ministry of Primary Industries (MPI) to discuss on the current issues pertaining to national economy, sugar industry and trading.

MSM was also honoured with invitations to participate in several industry events such as Deloitte's 'Integrated Reporting: Leap to Sustainable Value Creation' where MSM, as a panel member, shared its journey of producing an integrated annual report.

MSWG-ASEAN CORPORATE GOVERNANCE AWARDS 2018	
LIST OF TOP 100 COMPANIES FOR CG DISCLOSURE (BY RANK)	LIST OF TOP 100 COMPANIES FOR OVERALL CG & PERFORMANCE (BY RANK)
38	60

ENVIRONMENTAL SUSTAINABILITY

2020 GOALS

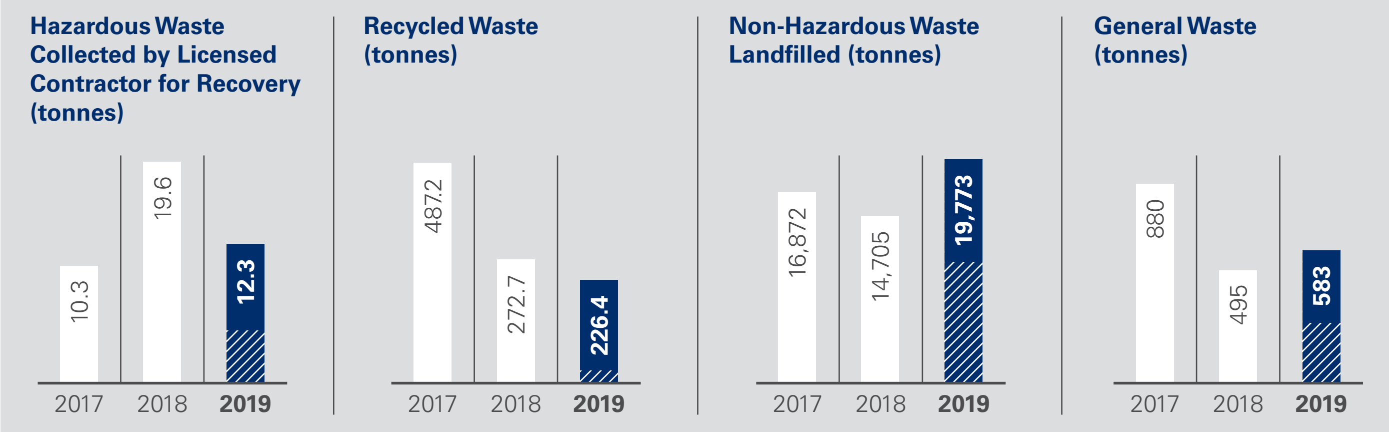
Optimising 2% of Water Usage	Reducing 3% of Energy Consumption
Reduction of 0.0508 m^3 per tonne	Reduction of 0.8778 GJ per tonne

WASTE MANAGEMENT
GRI-306: Effluents & Waste

Key Points:

Cutting-edge nano-filtration waste treatment systems enable us to process the discharge produced in our refineries. The resulting salt residue can be reused for resin regeneration, while the rest of the residue is filtered and cleaned before being discharged. Waste stream management is outsourced to a supplier licensed by the Environmental Department to collect, transport, process and dispose waste in accordance with local regulations and standards.

Total Weight of Waste by Type and Disposal Method



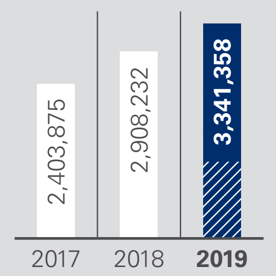
SUSTAINABILITY REPORT

WATER USAGE
GRI-303: Water & Effluents

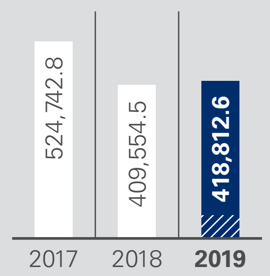
Key Points:

Vast water quantities are used in the sugar refining process. Sustained water management measures have been adopted to ensure the efficiency of water usage within our operations. The amount of water used and reused in our daily operations are constantly measured and monitored.

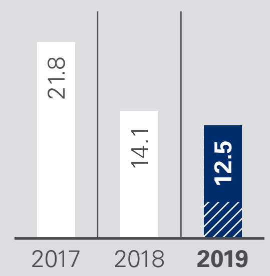
Total Water Withdrawal by Source (cubic metre (m³)/year)



Recycled and Reused Water Volume (m³/year)



Recycled and Reused (%)



Water usage increased by 14.9% during 2019 as consumption factored in MSM Johor's full year of operations (as compared to only six months of operations in 2018). River flushing activities at MSM Perlis to mitigate a low performing industrial effluent treatment system also contributed to the increase.

ENERGY OPTIMISATION
GRI-302: Energy

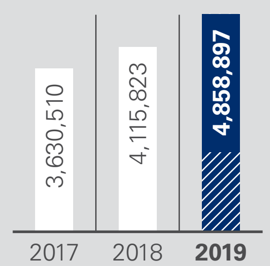
We have adopted an energy savings approach to monitor the progress of carbon footprint reduction, waste management and utilisation of clean and renewable energy sources within our operations.

We have invested heavily in back pressure turbines to generate approximately half of our energy requirements by channeling exhaust steam back to the heating process. We also recycle our process condensate for boiler steam generation. Where necessary, we use clean natural gas as an energy source at both refineries to reduce production of carbon soot and sulphur emissions. 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.

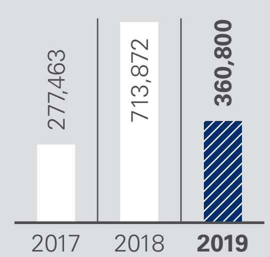
Natural Gas

The increase of 18.1% in natural gas usage was expected in 2019 due to MSM Johor's operational consumption for one full year as compared to only six months in 2018. At the other two refineries, energy consumption was lower compared to 2018.

Natural Gas Usage (mmBTU)



Diesel Consumed (litres)



Diesel

Diesel consumption lowered dramatically across the refineries during the year due to cost saving initiatives such as direct melting, production based on demand and MSM Perlis's installation of a power factor improvement capacitor.

Electricity

Electricity consumption decreased by a further 31.2% in 2019 due to the start up of MSM Johor's Steam Turbine Generator (TG) in September 2019. This means that Tenaga Nasional Berhad's (TNB) supply of electricity is now only required when the TG trips or when there is a plant shutdown. This paves the way for greater reduction of electricity consumption going forward.

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

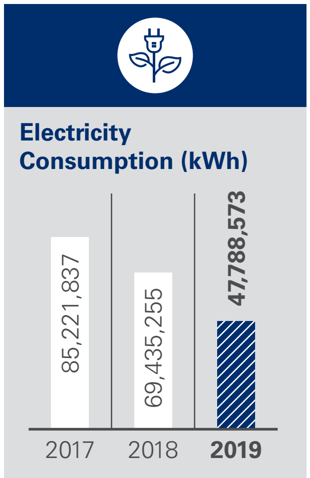
Business Air Travel

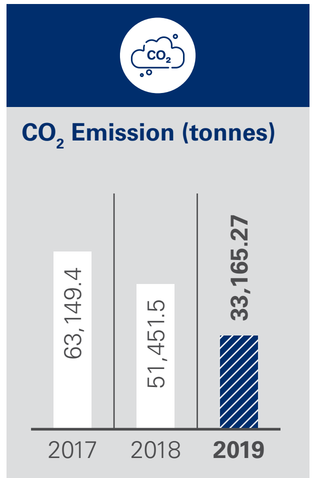
We actively attempt to reduce transport-related emissions through several initiatives. We encourage customers, suppliers and employees to adopt the usage of teleconferencing facilities; support car pooling for travels to the head office, refineries and other meeting functions; and we utilise a centralised process booking system for most of our short and long haul flights.

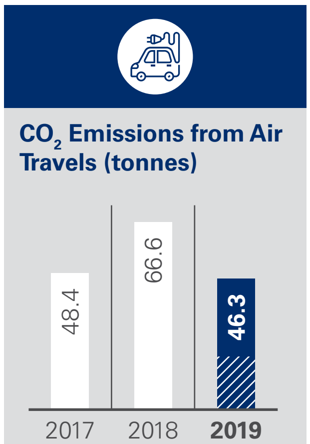
Paper Consumption & Printing

A significant decline in paper consumption and administrative costs has been achieved by encouraging double-sided printing, centralising colour printing accessible by authorised personnel only and promoting electronic communication between colleagues and clients.

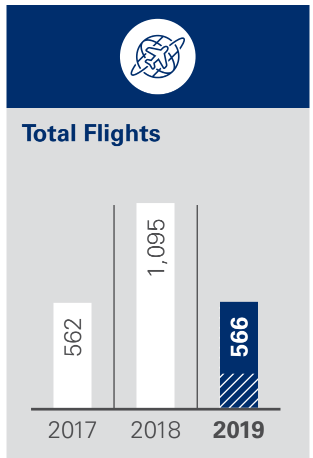
We have also identified areas which requires large amounts of paperwork and moved towards digitisation to reduce paper usage and enhance efficiencies. For example, currently, all Procurement tender announcements are uploaded onto our website under the Tender Announcement page at http://www.msmsugar.com/tender and linked with FGV's e-procurement portal.







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.



SUSTAINABILITY REPORT

SOCIAL SUSTAINABILITY

EMPLOYEE RELATIONS
GRI-405: Diversity and Equal Opportunity

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 that support diversity and ensure everyone receives equal opportunity to perform at the best of their ability. Though MSM's workforce within our refineries tends to be male dominated, in light of factory, machinery and work shift demands; we are on a journey to balance out gender diversity at all levels. We also maintain a workplace free from discrimination and harassment.

Employee Work Policies have been established to ensure professional and fair work practices that protect the rights of all employees and address discrimination among the workforce. The policies outline clear guidelines towards ensuring fairness and equality, and are communicated in the employee handbook. Feedback channels for employees to raise concerns, identify amiable solutions and report instances where they feel violated, disrespected or treated unfairly have also been established. 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 75 of this report).

Employees Gender Diversity

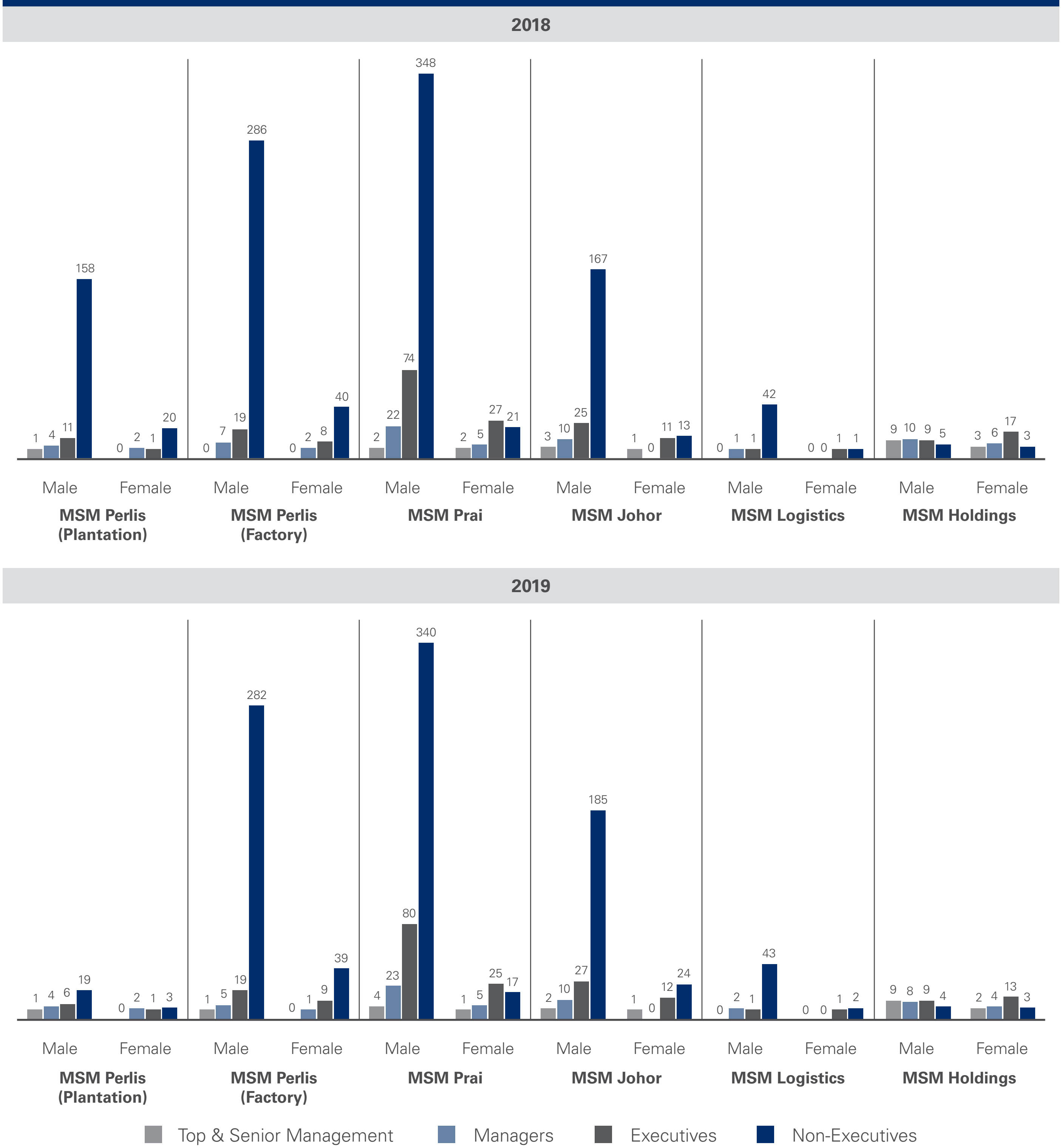
Year	Total	Male	Female
2018	1,405	1,220	185
2019	1,249	1,084	165

By Entity

Entity	Year	Total	Male %	Female %	Male	Female
MSM Perlis (Plantation)	2018	197	88.3%	11.7%	174	23
MSM Perlis (Plantation)	2019	34	77.8%	22.2%	28	6
MSM Perlis (Factory)	2018	362	86.2%	13.8%	312	50
MSM Perlis (Factory)	2019	356	86.2%	13.8%	307	49
MSM Prai	2018	501	89%	11%	446	55
MSM Prai	2019	495	90.3%	9.7%	447	48
MSM Johor	2018	230	89.1%	10.9%	205	25
MSM Johor	2019	261	85.8%	14.2%	224	37
MSM Logistics	2018	46	95.7%	4.3%	44	2
MSM Logistics	2019	49	93.8%	6.2%	46	3
MSM Holdings	2018	62	53.2%	46.8%	33	29
MSM Holdings	2019	52	57.7%	42.3%	30	22

In 2019, we recorded a 69:16 male to female ratio at manager level compared to 69:21 in 2018. More effort will be directed towards coming closer to the recommended target of 30% female representation at all levels.

Total Employees by Gender & Category

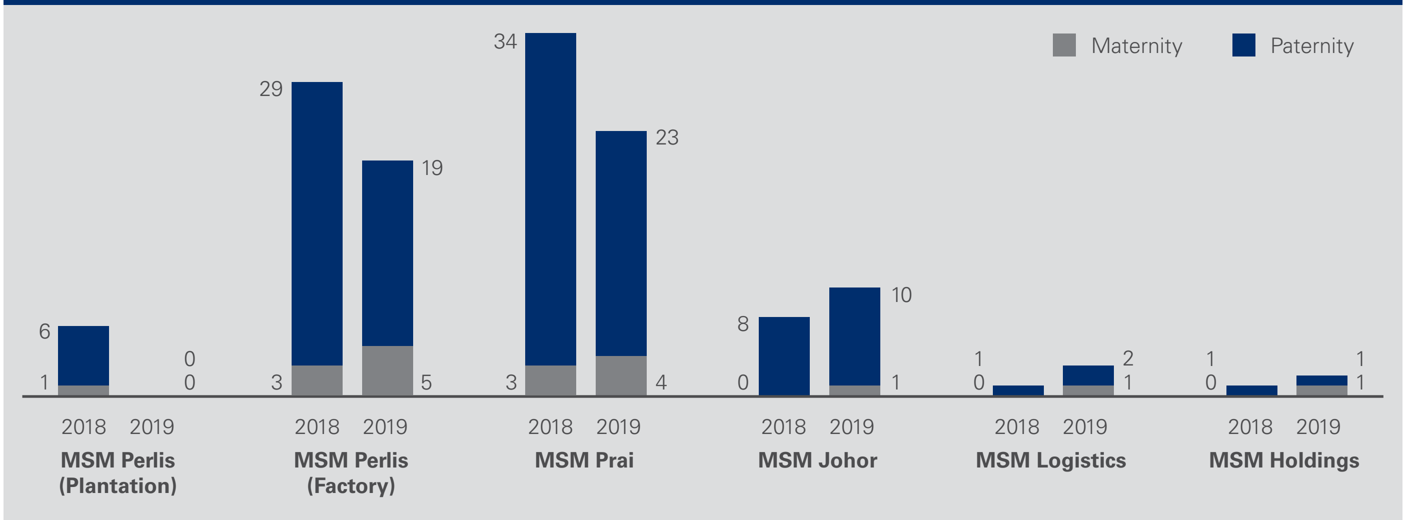


SUSTAINABILITY REPORT

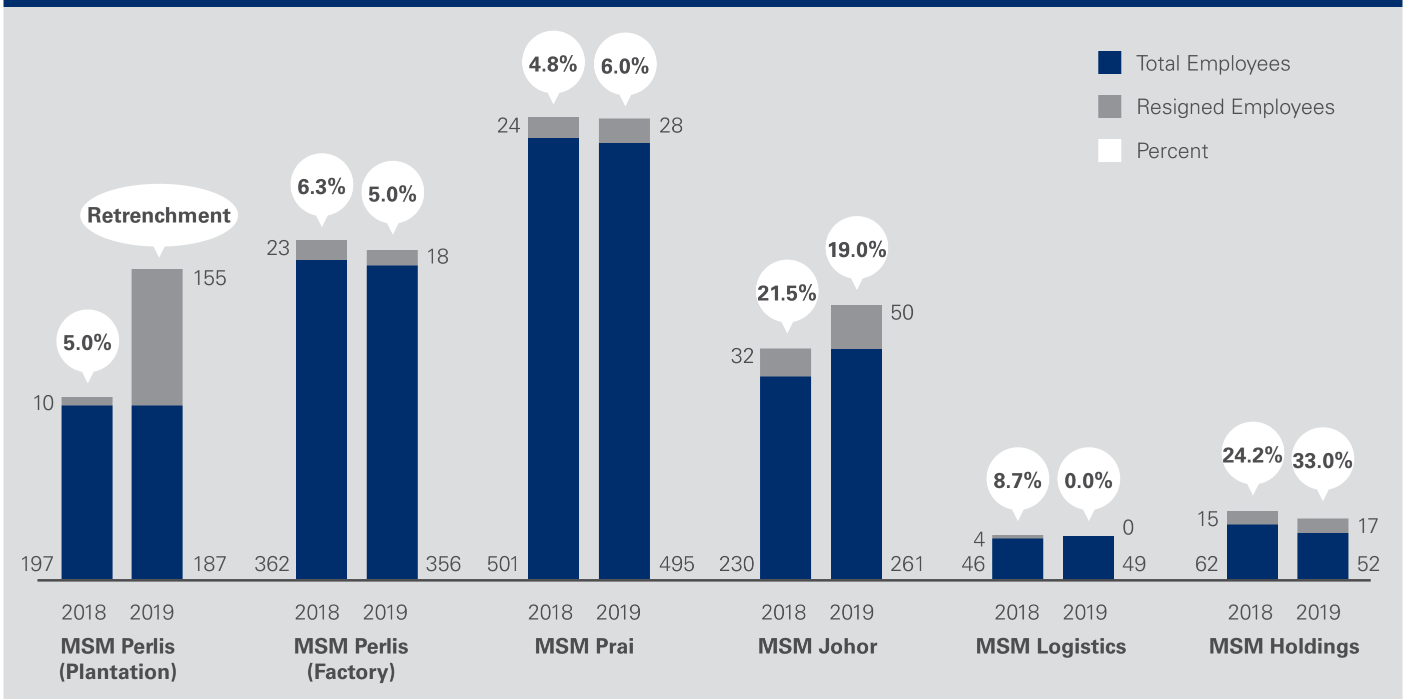
GRI-401: Employment

In 2019 we continued to offer maternity and paternity leave as part of our employee welfare benefits. Staff turnover rate for the year increased due to a retrenchment exercise held at MSM Perlis. This was due to disposal of plantation assets as part of MSM's strategic plan to focus on core refining business. All retrenchments were conducted in a transparent manner, in full compliance with the necessary processes and relevant laws. Retrenched employees were fairly compensated and some of them have been retained to assist in completing the necessary paperwork for the disposal exercise.

Number of Employees Returning to Work after Maternity/Paternity

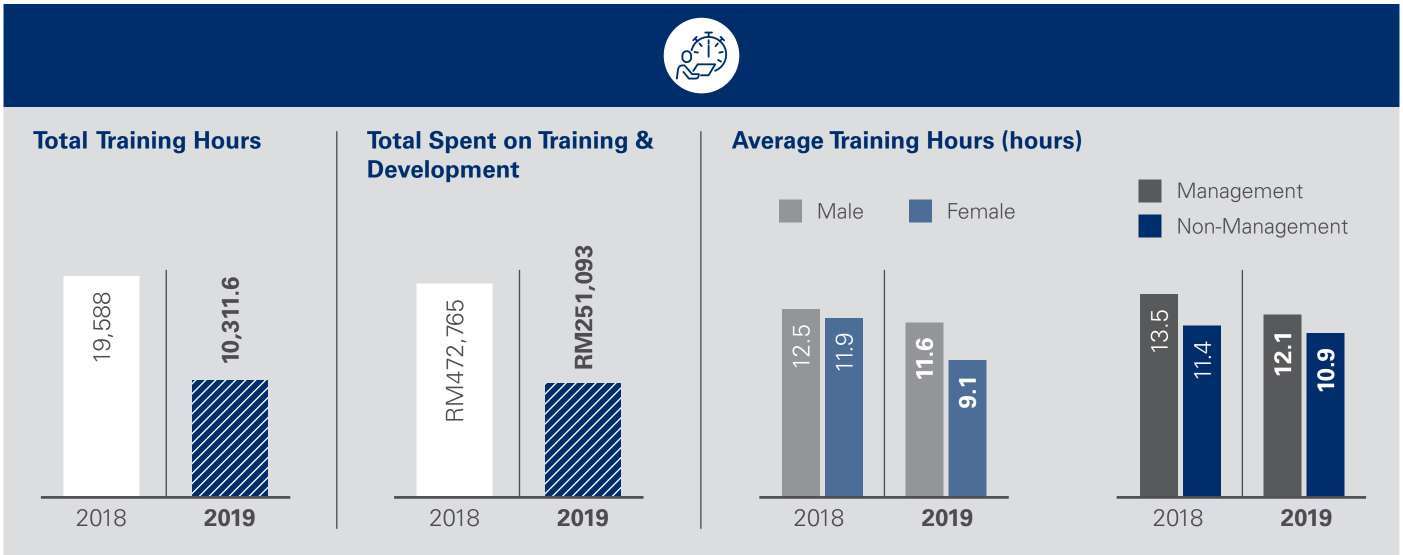


Employees Turnover Rate



GRI-404: Training and Education

One of MSM's distinct strength is its talent pool of loyal and skilled employees. In building loyalty and workforce strength, we have established a Staff Mobility programme that encourages staff training and development for career progression. The programme has been vital in speeding up learning curves among new employees through training. MSM also employs local graduate trainees under its Graduate Management Trainee Programme, that focuses on on-job engineering and management training, allowing ready deployment when required.



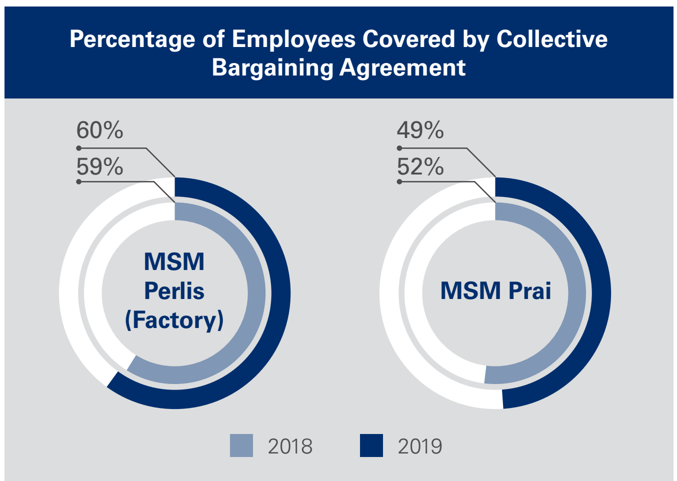
Training hours and expenditure reduced in 2019 as resources and cash flow had to be streamlined and optimised during the year. To save on costs more internal resources were used during the year. However it continues to rank as a main priority and average training hours achieved showed only a slight drop.

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.

In 2019, we sustained the number of employees covered by the Collective Bargaining Agreement in promoting employee rights and welfare.

Note: the reduction in percentage for MSM Prai in the chart shown reflects the drop in total number of employees from 2018 to 2019, and not a reduction in employees covered.



SUSTAINABILITY REPORT

EMPLOYEE ENGAGEMENT 2019

14 – 15 FEBRUARY 2019
MSM Perlis
Townhall @ MSM Perlis

15 MARCH 2019
Desaru @ Johor
Value Inculcation Training

29 MARCH 2019
G-Tower @ KL
Senior Management Performance Planning Session

7 APRIL 2019
Shah Alam @ Selangor
Bowling Sakan 2019

28 JUNE – 3 JULY 2019
MSM Perlis, MSM Holdings, MSM Prai & MSM Johor
***Sambutan Hari Raya Aidilfitri* 2019**

13 JULY 2019
Setapak @ KL
***Pertandingan Futsal Piala Dato' Haris Antara Syarikat:* FIGHT FOR THE ULTIMATE PRIDE**

1 AUGUST 2019
MSM Johor
MSM Audit Committee Visit to MSM Johor

8 OCTOBER 2019
MSM Johor
FGV Board of Directors Visit to MSM Johor

19 OCTOBER 2019
Mutiara Damansara @ KL
Bank Islam's Corporate Banking Bowling Tournament

28 NOVEMBER 2019
MSM Johor
BCM Simulation Test

CORPORATE SOCIAL RESPONSIBILITY
GRI-413: Local Communities

MSM's corporate social responsibility initiatives are stemmed from a commitment to aid the disadvantaged and underprivileged within communities through the encouragement of employee volunteerism and in providing financial and sugar contributions on a regular basis. In order to optimise resources and effectiveness, MSM works to support existing programmes spearheaded by government agencies, welfare institutions, Non-Governmental Organisations (NGOs) and educational institutions.

PURPOSE
- Supporting Corporate Responsibility Programmes organised by relevant government agencies, welfare institutions and NGOs
- Supporting Corporate Responsibility Programmes intended for educational organisations or organised by relevant educational institutions

INITIATIVES
- Sugar contributions to uplift the poor and disadvantaged
- Contributions to Food Banks
- In support of Pertubuhan Teknikal Insaf Malaysia, Persatuan Cerebral Palsy, Himpunan Anak Kedah Malaysia, among others
- Sugar contributions to the Orang Asli community
- Working with Universiti Malaysia Perlis, Universiti Teknologi Malaysia, Kolej Poly-Tech MARA, among others

QUANTITY OF SUGAR CONTRIBUTED
6,576 kg

AMOUNT
RM18,989.44

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 of the less fortunate, in a spiritually progressive 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 2019, MSM continued with our zakat contributions to the underprivileged, which comprise the poor and destitute, single mothers, senior citizens and orphans.

List of Zakat Contributions 2019:

Musolla An Nur, SK Khir Johari @ Perai, Penang

RM5,000.00

To support the cost for repair and upgrading the surau for the usage of schools and students

10 selected schools in Perlis

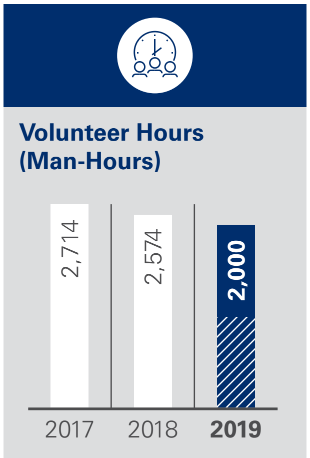
RM25,000.00

To sponsor and supply water cooler facilities to selected schools in Perlis

Assistance & Volunteerism

Every year, volunteer programmes and activities are organised to expose our employees to marginalised groups and provide avenues of engagement on how they can assist communities.

Total volunteer hours in 2019 have reduced compared to 2018, due to a reduction in outdoor activities and events. However, MSM Prai employees continued to chalk up 2,000 man-hours performing volunteer services based on our Community Programme with Seberang Prai Municipal Council, which has been established since 2013. Activities included maintaining the cleanliness of the recreational public park, mowing the lawn, as well as cleaning the area and its facilities.



GRI-416: Customer Health & Safety

MSM's key competitive strength has always been our consistent delivery of the highest quality of sugar products to our customers, both locally and abroad. This has built our market leading position for our Gula Prai brand - the number one best-selling sugar brand in Malaysia.

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 certified bodies 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 fulfil the requirements by the Occupational Health and Safety Advisory Services (OHSAS18001) 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 20 – Awards & Certifications)

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH & SAFETY

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.

GRI-403: Occupational Health & Safety

Adhering to International and Local Health and Safety Industry Standards

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

Internal Audits	External Audits
• MS 1722 • OHSAS 18001:2007	• 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

Monitoring & Measurement of Health Safety and Environment (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 HSE performance. This includes a monthly workplace inspection at all our locations conducted by the respective Safety Health 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 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

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 Warehouse) 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.

Monitoring our Accident Statistics

MSM Perlis had an exemplary year of safety, winning several awards for excellence in OSH management and for achieving 1 million man hours without lost time injury. However, safety performance at the other refineries dropped as days lost due to injury increased by 27 days. Causes for all incidents were identified and mitigation plans have been set in place to prevent future severity of impact. We are committed to continue reducing loss time injury days as we make greater headway on improving operational excellence at all our refineries.

Lost Time Injury (LTI)

Year	2017	2018	2019
Cases	35	39	36
Days Lost to Injury	170	149	176
Incident Rate	34.18%	33.60%	29.46%

ZERO Fatal Accidents

SUSTAINABILITY REPORT

Activities, Awards & Recognition

Areas of Training	Training Programmes
Emergency Preparedness Trainings	• Personal Protective Equipment Training | MSM Johor • Fire Fighting Training | MSM Johor • Fire Drill | MSM Prai • Chemical Exposure | MSM Prai
HSE Awareness & Trainings	• Permit to Work (PTW) Training (Staff & Contractors) | MSM Johor • Tool Box Talk | MSM Johor • First Aid Training | MSM Prai
Competency Trainings	• Forklift Training by Toyota | MSM Johor
Emergency Response Team (ERT)	• Emergency Response Team (ERT) | MSM Johor • Emergency Response Team (ERT) | MSM Prai
Noise Pollution Control	• NOISE Training (Staff) | MSM Johor • Audiometric Test | MSM Prai

CERTIFICATION/AWARD/RECOGNITION	ASPECT	EVALUATOR/PROVIDER
President's FGV Award for Safety 2018/2019 – MSM Perlis **i. Best Safety Project – 3rd Place** **ii. Best Safety & Health Committee – 4th Place**	Occupational Safety & Health Management	FGV Group Health & Safety
Achieving 1 Million Man-Hour Without Lost Time Injury – MSM Perlis	Lost Time Injury	Department of Occupational Health & Safety Malaysia

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: 58
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

Board Meeting Attendance:
9/9

Directorship of Public Companies (if any):
- Chairman, FGV Holdings Berhad
- Icon Offshore Berhad
- Hume Industries Berhad

Qualification(s):
- A Chartered Accountant by training
- Member of the Malaysian Institute of Accountants

Working Experience and Occupation:
- Chairman, FGV 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 Bhd, 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' ROSINI ABD SAMAD

Independent Non-Executive Director

Age: 65
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 Meeting Attendance:
9/9

Board Committee Attendance:
AC: 6/6 **BGRMC:** 5/5

Directorship of Public Companies (if any): Nil

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

Working Experience and Occupation:
- Independent Non-Executive Director on 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)
- Accountant General's Nominee, Council of Malaysia Institute of Accountant (MIA) (2011 - 2014)
- Deputy Accountant General (Corporate), Accountant General's Department Malaysia (2010 - 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)
- Member of the Disciplinary Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Board Member, Percetakan Nasional Malaysia Berhad (2007 - 2014)

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

PROFILE OF DIRECTORS

DATUK LIM THEAN SHIANG

Independent Non-Executive Director

Age: 48
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 Meeting Attendance:
9/9

Board Committee Attendance:
AC: 6/6 **BGRMC:** 5/5

Directorship of Public Companies (if any):
- Daya Materials Berhad

Qualification(s):
- Bachelor of Business Administration, University Utara Malaysia
- Bachelor of Law, University of London

Working Experience and Occupation:
- Executive Chairman, Daya Materials Berhad (2019 - present)
- Director, Tropicana Kajang Hills Sdn Bhd (2018 - present)
- 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)

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

ANUAR MALEK

Non-Independent Non-Executive Director

Age: 57
Gender: Male
Nationality: Malaysian

Appointment to the Board:
13 August 2019

Length of Tenure as Director:
< 3 year

Date of Last Re-election:
-

Board Meeting Attendance:
2/3

Board Committee Attendance:
BGRMC: 1/1

Directorship of Public Companies (if any): Nil

Qualification(s):
- Bachelor in Corporate Communication (Hons.), Universiti Putra Malaysia (UPM)

Working Experience and Occupation:
- Chairman, Koperasi Permodalan FELDA Malaysia Berhad (2019 - present)
- Chairman, KPF Plantation Sdn Bhd (2019 - present)
- Chairman, KPF Hotel Management Sdn Bhd (2019 - present)
- Director, Felkur Survey Sdn Bhd (2019 - present)
- Director, Felda Technoplant Sdn Bhd (2019 - present)
- Director, FGV Prodata Systems Sdn Bhd (2019 - present)
- Director, FGV Palm Industries Sdn Bhd (2019 - present)
- Director, Nextgreen Global Berhad (2019 - present)
- President, *Kelab Bola Sepak Felda United* (FUFC) (2019 - present)
- Chairman, KPF Trading Sdn Bhd (formerly known as Felda Trading Sdn Bhd) (2018 - present)
- Director, Felda D'Saji Sdn Bhd (2018 - present)
- Director, FGV Refineries Sdn Bhd (2017 - present)

Membership of Board Committee:
- Member of the Board Governance & Risk Management Committee

DATO' HARIS FADZILAH HASSAN

Non-Independent Non-Executive Director

Age: 52
Gender: Male
Nationality: Malaysian

Appointment to the Board:
11 February 2019

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
19 June 2019

Board Meeting Attendance:
9/9

Board Committee Attendance:
NRC: 5/5 **IC:** 1/1

Directorship of Public Companies (if any): Nil

Qualification(s):

- Advanced Management Program (AMP) 2016, Columbia Business School, Columbia University, New York
- Senior Management Development Program (SMDP) 2008, Harvard Business School Alumni of Malaysia
- Master of Business Administration (MBA), 1991, University of Miami, Coral Gables, Miami, Florida, U.S.A
- Bachelor of Business Administration (BBA), 1989, University of Miami, Coral Gables, Florida, Miami, U.S.A

Working Experience and Occupation:

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

Membership of Board Committee:

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

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 2019 are set out in the Corporate Governance statement on page 70 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: 57
Gender: Female
Nationality: Malaysian
Appointed: 20 May 2011
Directorship in other public companies: Nil
Conflict of interest with the Company: Nil
Family relationship with any director and/or major Shareholder: Nil
List of convictions for offences within the past five years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any: Nil

Qualification(s):

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

Skill and Eperiences:

- Company Secretary, FGV Holdings Berhad (FGV) and its Group of Companies (2014 - present)
- Company Secretary, MSM Malaysia Holdings Berhad and its Group of Companies (2011 - present)
- Senior Vice President, Group President/Chief Executive Officer's Office, FGV (July 2016 - December 2017)
- Head of Budgeting Unit, FGV (2015 - August 2016)
- Head of Cluster Finance & Accounting Unit, FGV (2013 - August 2016)
- Company Secretary, Felda Holdings Berhad and its Group of Companies (1995 - 2012)
- Senior General Manager, Group Finance, Felda Holdings Berhad (2011 - 2012)
- Group Accountant, Downstream Division, Felda Holdings Berhad (2009 - 2010)
- Head of Finance, Felda Enterprises Sdn Bhd (2007 - 2008)
- Head of Finance, Felda Engineering Services Sdn Bhd (1991 - 2006)

PROFILE OF SENIOR MANAGEMENT

DATO' KHAIRIL ANUAR AZIZ

Group Chief Executive Officer
MSM Malaysia Holdings Berhad

Age: 53
Gender: Male
Nationality: Malaysian
Appointment of Position: 23 April 2019
Details of any interest in the securities of the listed issuer or its subsidiaries: None
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:

- Malaysia-Qatar Business Council Committee Member (MQBC) (2020 - present)
- Non-Executive Director, Cadbury Confectionery (M) Sdn Bhd (2018 - present)
- Chief Operating Officer, Sugar Sector, FGV Holdings Berhad (2018 - present)
- Executive Director, MSM Malaysia Holdings Berhad (2017 - 2019)
- Chief Operating Officer of Logistics & Other Sector, Felda Global Ventures Holdings Berhad (2017)
- Executive Vice President, Felda Global Ventures Holdings Berhad (2014 - 2017)
- Chief Operating Officer of Domestic Business Operation, Felda Global Ventures Holdings Berhad (2012 - 2014)
- Member of the Programme Advisory Committee (PAC) "Technical Promotion & Market Development Sub-Committee" by Malaysian Palm Oil Board (MPOB) (2017 - 2019)
- 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 Berhad (an associate company of Universiti Sains Malaysia) (2004 - 2006)
- Head of Marketing and Sales Division, JARING Communications Sdn Bhd (a subsidiary of MIMOS Berhad) (2001 - 2004)
- Time Engineering Bhd (TEB) (1999 - 2000)
- Cement Industries of Malaysia Berhad (1996 - 1998)
- United Engineers Malaysia Berhad (UEM) (1994 - 1995)
- Renong Management Trainee, Renong Group Berhad (1993 - 1994)
- Systems Analyst, Resource Management Division, National Health Service (NHS) in Wakefield, UK (1992 - 1993)

MOHD SHAFFIE SAID

Group Chief Operating Officer
MSM Malaysia Holdings Berhad

Age: 56
Gender: Male
Nationality: Malaysian
Appointment of Position: 23 April 2019
Details of any interest in the securities of the listed issuer or its subsidiaries: None
Directorship in MSM Group of Companies: None
Directorship of Public Companies/Listed Issuers: None

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 Holdings Berhad (January 2018 - April 2019)
- Chief Technical Officer, MSM Malaysia Holdings Berhad (2016 - present)
- Project Director, MSM Johor Refinery 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, Negeri 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)

PROFILE OF SENIOR MANAGEMENT

AB AZIZ ISMAIL
Chief Financial Officer
MSM Malaysia Holdings Berhad

Age: 52
Gender: Male
Nationality: Malaysian
Appointment of Position: 1 June 2019
Details of any interest in the securities of the listed issuer or its subsidiaries: None
Directorship in MSM Group of Companies:
- MSM Prai Berhad
- MSM Perlis Sdn Bhd
- MSM Sugar Refinery (Johor) Sdn Bhd
- MSM Trading & Distribution Sdn Bhd
- MSM Logistics Sdn Bhd

Directorship of Public Companies/Listed Issuers: None

Qualification(s):
- Fellow Member of the Association of Chartered Certified Accountants (ACCA), United Kingdom
- Chartered Accountant, Malaysian Institute of Accountants

Working Experience and Occupation:
- Chief Financial Officer, MSM Malaysia Holdings Berhad (2019 - present)
- Deputy Chief Financial Officer, MSM Malaysia Holdings Berhad (Apr 2019 - May 2019)
- Group Financial Controller (Plantation Sector), Group Finance Division, FGV Holdings Berhad (Jan 2018 - Mar 2019)
- Senior General Manager (Support Services), FGV Trading Sdn Bhd (2015 - 2017)
- Chief Financial Officer, Felda Iffco Sdn Bhd (2007 - 2015)
- General Manager, Felda Trading Sdn Bhd (2004 - 2007)
- Senior Audit Manager, Group Internal Audit, Felda Holdings Berhad (1994 - 2004)
- Auditor in a Chartered Accountant Firm, London, United Kingdom (1991 - 1994)

CHEAH POH LYE
Head of Operations
MSM Prai Berhad

Age: 51
Gender: Male
Nationality: Malaysian
Appointment of Position: 1 December 2018
Details of any interest in the securities of the listed issuer or its subsidiaries: None
Directorship in MSM Group of Companies: None
Directorship of Public Companies/Listed Issuers: None

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:
- Senior General Manager Operations (Jan 2019 - present)
- Acting Head of Operations (Dec 2018)
- Assistant General Manager/General Manager, Engineering (Dec 2009 - Nov 2018)
- Manager Mechanical (Sep 2004 - Nov 2009)
- Assistant Manager Mechanical (Feb 2000 - Aug 2004)
- Mechanical Engineer, MSM Prai (Jul 1993 - Jun 2000)
- Mechanical Production Engineer, Sony Electronic Malaysia (Jul 1992 - Jun 1993)

HASMANAN ZAQUIER SALLEH

Head of Operations
MSM Sugar Refinery (Johor) Sdn Bhd

Age: 46
Gender: Male
Nationality: Malaysian
Appointment of Position: 21 October 2019
Details of any interest in the securities of the listed issuer or its subsidiaries: None
Directorship in MSM Group of Companies: None
Directorship of Public Companies/Listed Issuers: None

Qualification(s):

- Master in Business Administration (MBA), Management Science University
- Degree in Chemical Engineering (Hons.), University Technology Malaysia

Working Experience and Occupation:

- Vice President Operations, MSM Sugars Refinery (Johor) Sdn Bhd (Present)
- Senior General Manager, GCTO Office, MSM Malaysia Holdings Berhad (2018 - 2019)
- General Manager Operations, Central Sugars Refinery Sdn Bhd (2018)
- Assistant General Manager (Factory), Central Sugars Refinery Sdn Bhd (2014 - 2018)
- Production Manager, Central Sugars Refinery Sdn Bhd (2007 - 2013)
- Assistant Production Manager, Central Sugars Refinery Sdn Bhd (2001 - 2006)
- Production Superintendent, Central Sugars Refinery Sdn Bhd (2000)
- Chemical Engineer, Central Sugars Refinery Sdn Bhd (1996 - 1999)

ASMAWY ARIFFIN

Head of Operations
MSM Perlis Sdn Bhd

Age: 41
Gender: Male
Nationality: Malaysian
Appointment of Position: 1 December 2018
Details of any interest in the securities of the listed issuer or its subsidiaries: None
Directorship in MSM Group of Companies: None
Directorship of Public Companies/Listed Issuers: None

Qualification(s):

- Bachelor of Science (Chemistry), University Sains Malaysia

Working Experience and Occupation:

- General Manager, Operations (2019 - present)
- Manager/Senior Manager, Production, MSM Perlis (2016 - 2019)
- Assistant Manager, Production, KGFP/MSM Perlis (2011 - 2016)
- Production Shift Chief, KGFP/MSM Perlis (2004 - 2011)
- Management Trainee, MSM Prai (2003 - 2004)

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

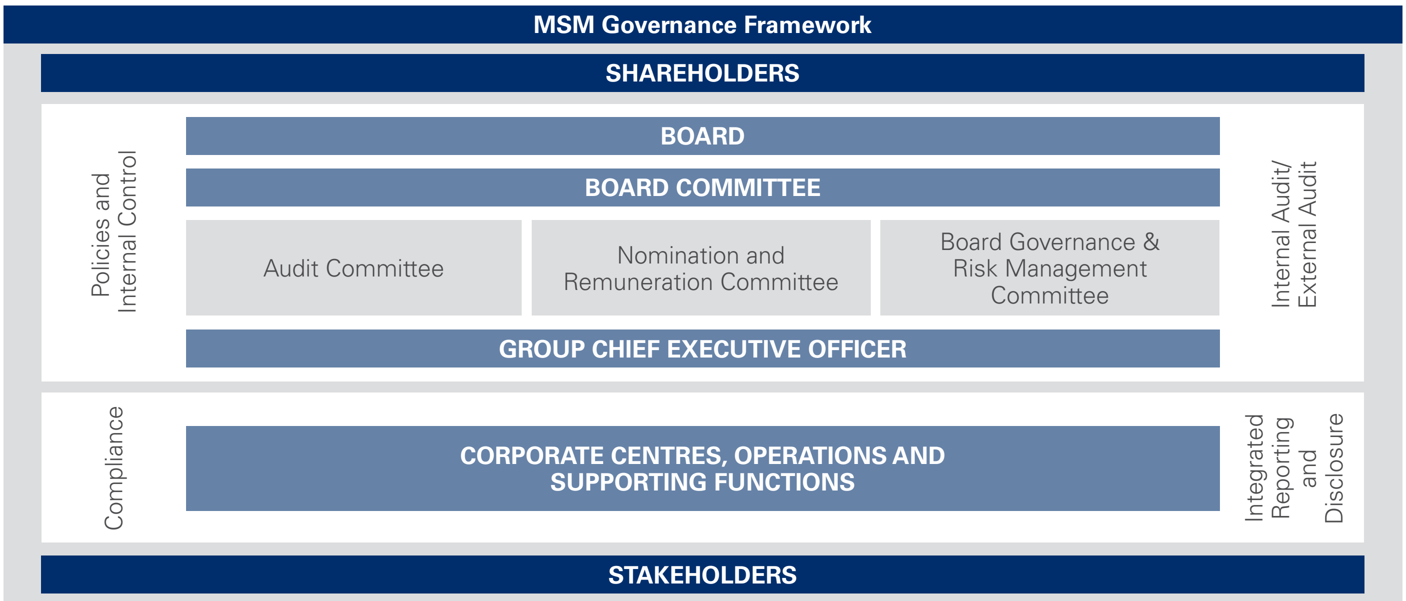
The Board of MSM Malaysia Holdings Berhad (MSM or Company) is pleased to present the Corporate Governance Overview Statement (Statement or CGOS) which provides the highlights on how MSM complied with the principles and best practices recommended under the Malaysian Code on Corporate Governance 2017 during the financial year ended under review 31 December 2019 (FY 2019). 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 FY 2019 (2019 CG Report) of MSM.

Our Board is committed to ensure that it provides effective leadership and promotes a culture of uncompromising ethical standards based on honesty and integrity. The Board achieves this by requiring that good governance principles and practices are adhered to and are embedded throughout the Company.

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).
- Malaysian Code on Corporate Governance 2017 (MCCG 2017) published by the Securities Commission.
- Corporate Governance Guide – 3rd Edition 2017 (3rd CG Guide) published by Bursa Securities.

MSM Governance framework is depicted below:



The Board presents this statement to provide an insight into the Corporate Governance practices of MSM Group under the leadership of the Board with reference to the following principles:

(a) Board leadership and effectiveness

(b) Effective audit and risk management

(c) Integrity in corporate reporting and meaningful relationship with stakeholders

Detailed explanation on how MSM has applied the practices are provided and described in the 2019 CG Report found on the corporate website at http://www.msmsugar.com/our-company/corporate-governance.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Board of Directors

Under the Company's Constitution, the number of Directors shall not be less than two and not more than 12. The composition of the Board fairly reflects the interest of the significant shareholders, without compromising, is also in compliance with Paragraph 15.02 of the MMLR. As at the date of this statement, there are five members on the Board, comprising:

- Two Independent Non-Executive Directors; and
- Three Non-Independent Non-Executive 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. The profiles of the Directors are presented on pages 63 to 65 of this Annual Report.

Appointments to the Board are made via formal, rigorous and transparent process, premised on meritocracy and taking into account objective criteria such as competencies, experience, character, integrity, diversity and the ability to devote time as needed on the Board in the context of the Group's strategic direction.

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.

The Board is chaired by Datuk Wira Azhar Abdul Hamid, a Non-Independent Non-Executive Director, who provides leadership for the Board so that the Board can perform its responsibilities effectively.

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.

The Board is supported by:

- Audit Committee;
- Nomination and Remuneration Committee;
- Board Governance & Risk Management Committee;
- Investment Committee (Disbanded on 20 November 2019).

These Committees play a significant role in reviewing matters within their respective Terms of Reference (TOR), and facilitate the Board's discharge of its duties and responsibilities. Each of the Board Committee has specific TOR, scope and authorities to review matters before tabling it to the Board Meeting for decision making as a whole.

Even though there is delegation of responsibilities from the Board to the Board Committees, Group CEO, Chief Financial Officer (CFO) and Group Chief Operating Officer (Group COO), there are still a number of matters reserved solely for the Board's undertaking.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Committee	Key Responsibilities
Audit Committee (AC) **Chairman** • Dato' Rosini Abd Samad (INED) **Members** • Datuk Lim Thean Shiang (INED) • Dato' Hajjah Rosni Haji Zahari (INED) *(cessation of office on 25 March 2020)*	• Assess the risks and control environment • Oversee the financial reporting • Review the internal and external audit process • Review related party transactions • Reviewed the Corporate Governance Report for the financial year ended 31 December 2018 • Reviewed the disclosures in the following reports for inclusion in the 2018 Annual Report i. Statement on Risk Management are Internal Control and Corporate Governance activities ii. Corporate Governance Overview Statement iii. Sustainability Reporting on Economic, Environment and Social • Undertake any such other functions as may be determined by the Board from time to time Details of the AC is set out on pages 83 to 88 of this Annual Report.

Committee	Key Responsibilities
Nomination and Remuneration Committee (NRC) **Chairman** • Dato' Zainal Haji Ismail (INED) *(cessation of office on 25 March 2020)* **Members** • Dato' Haris Fadzilah Hassan (NINED) • Dato' Hajjah Rosni Haji Zahari (INED) *(cessation of office on 25 March 2020)*	• Review the composition of the Board, the Board Committees, the directorship in Group and the Group Top Management • Review the processes for nomination and election, appointment, reappointment and re-election • Evaluate the contribution and commitment of Directors • Review the Board assessment/AC 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 CEO and Group Top Management Details of the NRC Report is set out on pages 89 to 94 of this Annual Report.

Committee	Key Responsibilities/Meetings Held & Activities in 2019
Board Governance & Risk Management Committee (BGRMC) **Chairman** • Datuk Lim Thean Shiang (INED) **Members** • Dato' Rosini Abd Samad (INED) • Anuar Malek (NINED) *(appointed as member with effect from 13 August 2019)* • Dato' Ab Ghani Mohd Ali (NINED) *(resigned as member on 13 August 2019)*	• Governance • Ethics & Integrity • Risk Management The Committee had five meetings during 2019 and summary of key matters discussed among others are: • Reviewed the disclosures in the following reports for inclusion in the 2018 Annual Report: i) Statement on Risk Management and Internal Control and Corporate Governance activities ii) Corporate Governance Overview Statement iii) Sustainability Reporting on Economic, Environment and Social

Committee	Key Responsibilities/Meetings Held & Activities in 2019
	• Reviewed the Quarterly Report on Group Risk Registers • Reviewed for revision and adoption of MSM Group Policies and Procedures Manual • Reviewed the Legal Authority Limit and Signing Protocol version 2.0 for MSM Group • Reviewed the Corporate Governance Report for the financial year ended 31 December 2019
Investment Committee (IC) *(disbanded on 20 November 2019)* **Chairman** • Dato' Hajjah Rosni Haji Zahari (INED) **Members** • Dato' Zainal Haji Ismail (INED) • Dato' Haris Fadzilah Hassan (NINED)	• 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 two meetings during 2019 and summary of key matters discussed among others are: i) Reviewed the progress update on MSM Johor Sugar Refinery Project ii) Reviewed the Strategic Initiatives Update The Committee was disbanded on 20 November 2019. All investment matters shall be tabled direct to the Board meeting for deliberation.

Note:
INED : Independent Non-Executive Director
NINED : Non-Independent Non-Executive Director

The Board Committees' are governed by their respective TOR.

The Board Committees' TOR 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 in discharging their duties and responsibilities. Ms Koo Shuang Yen is the Company Secretary of MSM Group since 20 May 2011.

The details of information on the roles and responsibilities of the Company Secretary can be found in the 2019 CG Report and Board Charter at Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Our Board and Board Committee Meetings and Attendance

The Board meetings conducted in 2019 were scheduled ahead and approved by the Board on 21 November 2018. 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 nine Board meetings held during FY 2019. Out of the numbers, three were unscheduled meetings held on 23 April 2019, 7 May 2019 and 2 December 2019. Board agendas are set by the Chairman in consultation with the Group CEO and assisted by the Company Secretary.

Number of meetings convened by each Board Committee:

	Number of Meetings in 2019
AC	6
NRC	6
BGRMC	5
IC *(disbanded on 20 November 2019)*	2

The agenda and supporting papers were distributed at least five business days prior to Board and Board Committee meetings to allow sufficient time for appropriate review to facilitate discussion at the meetings.

Upon conclusion of each of the Board and Board Committee meeting, minutes were prepared accurately record all issues raised, discussions, deliberations, decisions and conclusions including dissenting views made by the directors at Board and Board Committee meetings along with clear actions to be taken by responsible parties. The completed minutes of the Board and Board Committee meetings were then circulated to the Board members including the Chairman of the Board and the Group CEO in timely manner. This has allowed the Board to comment and seek clarifications of the minutes or request for any necessary corrections prior to confirming the minutes as true and correct in the following respective meetings.

The Board and Board Committee meetings held in FY 2019 together with the attendance are set out below:

Board and Board Committee Meetings and Attendance in 2019						
Directors	Board		Board Committee			
	%	No.	AC	NRC	BGRMC	IC
Datuk Wira Azhar Abdul Hamid	100	9/9	-	-	-	-
Dato' Zainal Haji Ismail#	100	9/9	-	6/6	-	2/2
Dato' Hajjah Rosni Haji Zahari#	89	8/9	3/3	6/6	-	2/2
Dato' Rosini Abd Samad	100	9/9	6/6	-	5/5	-
Datuk Lim Thean Shiang	100	9/9	6/6	-	5/5	-
Dato' Haris Fadzilah Hassan	100	9/9	-	5/5	-	1/1
Anuar Malek*	67	2/3	-	-	1/1	-
Dato' Ab Ghani Mohd Ali**	100	6/6	-	-	2/4	-
Dato' Khairil Anuar Aziz***	100	3/3	-	-	-	-

Notes :

* *Appointed as Board member and BGRMC member with effect from 13 August 2019.*

** *Resigned as Board member and ceased as BGRMC member on 13 August 2019.*

*** *Resigned as Board member on 23 April 2019.*

Cessation of office on 25 March 2020

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

Summary of Board Key Activities in FY 2019

Below are among the key matters considered by the Board throughout the nine meetings held during FY 2019:

Board Structure

- Approved for reappointment/re-election of Directors retiring at the 2019 Annual General Meeting (AGM), appointment of new director, revised the composition of MSM Board of Directors.
- Acceptance of the final report of the Annual Effectiveness Evaluation of the Board, Board Committees and Individual Directors together with the highlighted improvement areas and mandated NRC to follow through.

Financial

- Reviewed and approved the 2018 quarterly results and the Financial Statements for the FY 2018.
- Assessed and approved the reappointment of external auditors in accordance with MSM External Auditor Policy.
- Reviewed the Quarterly report on:
  - MSM Group Recurrent Related Party Transactions
  - MSM Group's Capital Expenditure (CAPEX)
  - Recoverability and Trade Receivables
  - Financial Covenants
  - Cashflow Projection
- The implementation of MSM Group Long Term Strategic Initiatives under Strategic Plan 2019-2021.
- The Board deliberated and approved the 3-Year Business Plan (2020-2022) and budget for MSM Malaysia Holdings Berhad Group for FY 2020.

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 effectiveness of the operations, the Board focus on the progress on the disposal of Plantation Land by MSM Perlis Sdn Bhd.
- The Board also emphasize onto the progress of Johor refinery.

Other Key Matters

- The Board also reviewed, deliberated and approved among others, reports for disclosure in 2018 Annual Report, policies and procedures and matters related to the 2019 Annual General Meeting.
- The Board, on 20 November 2019 reviewed, revised and approved the TOR of Board Committees, Board Charter, Board Nomination and Election Policy and Procedures. The revised policies are made available in the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

Priorities in 2020

- Rationalise and consolidate production capacities in all the three refineries
- Reduce refining cost through increasing utilisation factors and various cost savings initiatives
- Review the wholesale business model in the domestic market
- Look for overseas markets to expand export sales
- Diversification into value added and food related products

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 whistleblowing process, the reporting process and protection to whistleblowing and confidentiality afforded to the whistleblowing.

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 2019 CG Report and published in the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

Board Composition

The following were the changes in the Board of Directors during FY 2019:

- Resignation of Dato' Khairil Anuar Aziz on 23 April 2019.
- Appointment of Anuar Malek on 13 August 2019, replacing Dato' Ab Ghani Mohd Ali who resigned on the same day.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

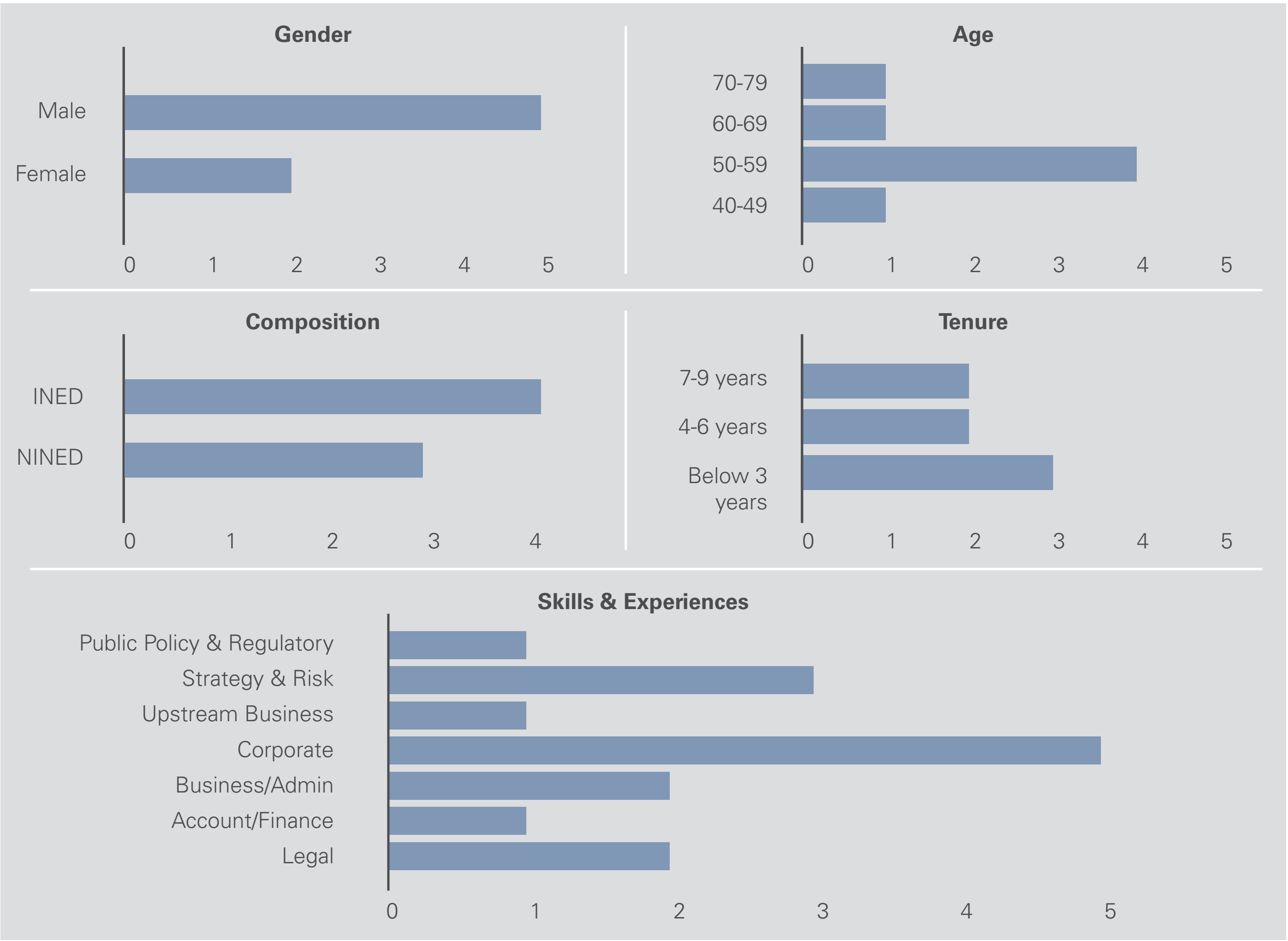
The most recent changes were the cessation of Dato' Zainal Haji Ismail and Dato' Rosni Haji Zahari as Independent Non-Executive Directors on 25 March 2020 upon conclusion of their nine years term in accordance with the Clause 6.4.5(v) of the MSM Board Charter and Clause 6.2.4 of the MSM Board Nomination and Election Policy and Procedures.

With this change, the Board now stand with five members, out of those only two are Independent Non-Executive Directors and the other three are Non-Independent Non-Executive Directors.

The Board is actively looking for additional independent directors to ensure that the Board's composition complies with the requirement under the MCCG 2017.

Board Diversity for FY 2019

The Board recognises the importance of diversity in its composition to ensure effectiveness and good corporate governance. The NRC and Board regularly review the composition of the Board to ensure proper discharge of its functions and obligations. All Directors are appointed via a robust process, based on merit and in line with the standards set out in Paragraph 2.20A of the MMLR. Below diagrams demonstrate the Board's diversity for FY 2019:



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.

The details on the said appointments are disclosed in the NRC Report on pages 89 in this Annual Report.

All Directors have attended trainings, seminars and briefings during the FY 2019.

No.	Director	List of Training & Organiser	Date
1.	Datuk Wira Azhar Abdul Hamid	• MPOC Seminar 2019 – Dialogue and Soft Launch of "Love My Palm Oil" Campaign with YB Minister of Primary Industries Malaysian (Malaysia Palm Oil Council (MPOC))	08 January 2019
		• 2019 Price Outlook Workshop #1 – In-House Training Programme by FGV Trading Sdn Bhd	22 January 2019
		• A Boardroom Colloquium on Innovation Governance (MeLearn Global)	13 February 2019
		• Palm and Lauric Oils Price Outlook Conference and Exhibition 2019 (POC) (Bursa Malaysia Derivatives Berhad (BMD))	5-6 March 2019
		• KLBC's Fireside Chat with YBhg Tan Sri Datuk Dr Rebecca Fatima Sta Maria, Executive Director of the Asia-Pacific Economic Cooperation (APEC) Secretariat (Kuala Lumpur Business Club (KLBC))	25 March 2019
		• Integrated Reporting (IR): Communicating Value Creation (Bursa Malaysia Berhad)	25 April 2019
		• Understanding Corporate Liability - Section 17A Malaysian Anti-Corruption Commission Act 2009: Offence by Commercial Organisation by Legal and Prosecution Division, Malaysian Anti-Corruption Commission (MACC) - Conformity assessment on ISO 37001:2016 Anti-Bribery Management System – Effective tool to combat corruption by SIRIM QAS International Sdn Bhd – In-House Training Programme by FGV Group Governance Division	13 May 2019
		• Development in Corporate Governance (KPMG Management & Risk Consulting Sdn Bhd)	13 May 2019
		• Audit Oversight Board Conversation With Audit Committees (Securities Commission Malaysia)	8 November 2019
2.	Dato' Zainal Haji Ismail	• Talk on Corporate Governance – Understanding The Corporate Liability – Section 17A MACC Act 2018 & Guidelines on Adequacy Procedure (FGV Group Governance Division)	13 May 2019
		• Board Composition: Nominating Committee's Role to Achieve Effective Stewardship (Bursatra Sdn Bhd)	10 September 2019
3.	Dato' Hajjah Rosni Haji Zahari	• Sustainability Governance: "Towards Long Term Value Creation" (CG Board Asia Pacific Sdn Bhd)	27 February 2019
		• Talk on Corporate Governance – Understanding The Corporate Liability – Section 17A MACC Act 2018 & Guidelines on Adequacy Procedure (FGV Group Governance Division)	13 May 2019
		• Development in Corporate Governance (KPMG Management & Risk Consulting Sdn Bhd)	13 May 2019

CORPORATE GOVERNANCE OVERVIEW STATEMENT

No.	Director	List of Training & Organiser	Date
		• Board Composition: Nominating Committee's Role to Achieve Effective Stewardship (Bursatra Sdn Bhd)	10 September 2019
		• BURSA MALAYSIA DIVERSITY XPERIENCE: The Board "Agender" (Bursa Malaysia Berhad)	2 October 2019
		• IIA – Audit Committee Leadership Track Session (The Institute of Internal Auditors Malaysia)	8 October 2019
4.	Dato' Rosini Abd Samad	• Audit Committee Conference 2019 – Meeting the new expectations (Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia)	15 April 2019
		• Talk on Corporate Governance – Understanding The Corporate Liability – Section 17A MACC Act 2018 & Guidelines on Adequacy Procedure (FGV Group Governance Division)	13 May 2019
		• Development in Corporate Governance (KPMG Management & Risk Consulting Sdn Bhd)	13 May 2019
		• BURSA MALAYSIA DIVERSITY XPERIENCE: The Board "Agender" (Bursa Malaysia Berhad)	2 October 2019
		• IIA – Audit Committee Leadership Track Session (The Institute of Internal Auditors Malaysia)	8 October 2019
		• International Directors Summit on 14 & 15 October 2019 (Institute of Corporate Directors Malaysia	14-15 October 2019
		• Audit Oversight Board Conversation with Audit Committees (Securities Commission Malaysia)	8 November 2019
5.	Datuk Lim Thean Shiang	• Audit Committee Conference 2019 – Meeting the new expectations (Malaysian Institute of Accountants & The Institute of Internal Auditors Malaysia)	15 April 2019
		• Talk on Corporate Governance – Understanding The Corporate Liability – Section 17A MACC Act 2018 & Guidelines on Adequacy Procedure (FGV Group Governance Division)	13 May 2019
		• Development in Corporate Governance (KPMG Management & Risk Consulting Sdn Bhd)	13 May 2019
6.	Anuar Malek	• Libat Urus Lembaga dan Jawatankuasa KPF 2019	15 August 2019
		• On-boarding session for Newly Appointed Director by Management	19 August 2019
		• Mandatory Accreditation Programme for Directors of Public Listed Companies (The Iclif Leadership and Governance Centre)	30-31 October 2019
7.	Dato' Haris Fadzilah Hassan	• Invest Malaysia 2019 – The Capital Market Forum (Bursa Malaysia)	19 March 2019
		• Accelerating the Fourth Industrial Revolution in Malaysia (Perdana Leadership Foundation)	4 April 2019
		• Mandatory Accreditation Programme for Directors of Public Listed Companies (The Iclif Leadership and Governance Centre)	11-12 April 2019
		• Talk on Corporate Governance – Understanding The Corporate Liability – Section 17A MACC Act 2018 & Guidelines on Adequacy Procedure (FGV Group Governance Division)	13 May 2019
		• Development in Corporate Governance (KPMG Management & Risk Consulting Sdn Bhd)	13 May 2019
		• 9th International Planters Conference 2019 (ISP Management (M) Sdn Bhd)	16 July 2019
		• Audit Committee Seminar for the Public and Private Sectors 2019 (ARAM Global Sdn Bhd)	17 December 2019

Board Evaluation Assessment

A formal performance evaluation of the Board and Board Committee is completed annually to assess the Board's performance. Performance 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 92 of this Annual Report.

Directors' Remuneration

The level of Directors' remuneration is generally set to be competitive to attract and retain Directors of calibre to provide the necessary skills and experience as required and commensurate with 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.

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' remuneration as members of the Board and Board Committees in the form of fees are as follows:

Description	Fees (RM)	
	Chairman	Member
Board of Directors' Fees		
- Annually	RM75,000.00	RM60,000.00
- Monthly	RM240,000.00 (RM12,000/month)	RM60,000.00 (RM5,000/month)
Board Committees' Fees		
- Audit Committee	24,000.00	12,000.00
- Nomination and Remuneration Committee	10,000.00	8,000.00
- Board Governance & Risk Management Committee	10,000.00	8,000.00
- Investment Committee	10,000.00	8,000.00

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 Company car of at least 2000cc • Driver allowance or Security service allowance of not more than RM2,500 per month • Medical expenses, insurance coverage, travelling expenses and other claimable benefits

Summary of Group CEO's Remuneration Policy

The Group CEO receives a remuneration package 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 Group CEO is not entitled to annual fees nor any meeting allowances for the Board and Board Committee meetings. The Group CEO is also not entitled to any annual fees in MSM Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The summary of the Group CEO'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 FY 2019 are as follows:

	Salary, Bonus & Allowances (RM)	Directors' Annual Fees			Meeting Allowance (RM)	Benefits (RM)	Total (RM)	Range of Remunerations (RM'000)
		MSM Board (RM)	MSM Board Committee (RM)	MSM Subsidiaries (RM)				
Non-Executive Directors								
Datuk Wira Azhar Abdul Hamid		315,000	–	–	18,000	510.90	333,510.90	300-350
Dato' Zainal Haji Ismail *(cessation of office on 25 March 2020)*		120,000	18,000	–	34,000	38,295.93	210,295.93	200-250
Dato' Hajjah Rosni Haji Zahari *(cessation of office on 25 March 2020)*		120,000	27,271.23	–	38,000	34,498.14	219,769.37	200-250
Datuk Lim Thean Shiang		120,000	22,000	–	40,000	34,498.14	216,498.14	200-250
Dato' Rosini Abd Samad	Not applicable	120,000	32,000	–	40,000	34,498.14	226,498.14	200-250
Anuar Malek *(appointed on 13 August 2019)*		46,242.60	3,090.41	–	6,000	12,298.62	67,631.63	50-100
Dato' Ab Ghani Mohd Ali *(resigned on 13 August 2019)*		74,083.07	4,931.51	–	16,000	–	95,014.58	50-100
Dato' Haris Fadzilah Hassan *(appointed on 11 February 2019)*		106,474.56*	14,202.74*	–	30,000*	766.36	151,443.66	150-200
Executive Director/Group CEO								
Dato' Khairil Anuar Aziz *(resigned as Executive Director on 23 April 2019 and re-designated as Group CEO on the same date)*	978,455.70	–	–	–	–	7,200	985,655.70**	950-1000
Total	**978,455.70**	**1,021,800**	**121,496**	**–**	**222,000**	**162,566.23**	**2,506,318.05**	**2,500-3,000**

Figures exclude GST/SST/Tax

* Directors' Annual Fees and meeting allowance will be paid to FGV Holdings Berhad

** Amount received was from January 2019 to December 2019 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:

RM100,001 – RM150,000
RM250,001 – RM300,000
RM350,001 – RM500,000
RM550,001 – RM2,200,000

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committee

The Board has established an Audit Committee (AC) to provide robust oversight on financial reporting, external and internal audit processes and related party transactions. The AC members possess the requisite financial literacy and business knowledge that support the sound understanding of matters under their purview.

The AC has unrestricted access to both the internal and external auditors, who report functionally and directly to the AC. The AC has established transparent arrangements to maintain an appropriate relationship with the Company's external auditors. The external auditor has provided assurance that its personnel are and have been independent throughout the conduct of the audit in accordance to the terms of relevant professional and regulatory requirements.

Oversight of 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 and Analysis (MD&A) on page 105, page 43, page 4 and page 33 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 AC updates the Board on the matters deliberated in the AC Meetings. Details on the summary of work carried out during the year is set out in page 84 in the AC Report.

Risk Management and Internal Controls

The Board affirms its overall responsibility for the Group's Statement of Risk Management and Internal Control (SORMIC). The AC provides an independent assessment of the effectiveness of the MSM's Enterprise Risk Management (ERM) framework and reports to the Board yearly. Key elements of the Group's control environment include Organisation Structure, Audit Committee, Group Internal Audit, Code of Business Practice, Business Continuity Management, Legal, Company Secretary, Limits of Authority, Polices and Procedures, Financial and Operational Information and Systems and Information Security.

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.

Further information on the Group's risk management and internal control framework is made available on the SORMIC of the page 98 of Annual 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 Bursa Malaysia 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 9th Annual Report produced since its listing on Bursa Malaysia 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 days after receiving 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 Malaysia announcements, corporate presentations and other information on the Company are published on the Company's corporate website. The presentation slides for research analyst briefings and press releases are also made available to the public via Company's corporate website, http://www.msmsugar.com

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

The Chairman of the Board chaired the 8th AGM of the Company held on 19 June 2019 in an orderly manner and allowed the shareholders or proxies to speak at the meeting. All Directors were present to the 8th AGM to respond to the questions raised by the shareholders or proxies.

The Group CEO presented the Company's operational and financial performance for the financial year under review. The presentation covered salient points on financial, operational performance and return on shareholders' fund. Questions raised by the Minority Shareholder Watch Group (MSWG) prior to the AGM together with 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.

A media conference was held immediately after the 8th AGM whereby one of the Board of Director, Group CEO, Group COO, 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 8th 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 17 April 2020.

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 transaction. Audit Committee (AC) plays a crucial role in ensuring appropriate challenge and governance in matters relating to internal control and risk management and financial reporting.

COMPOSITION AND MEETINGS

The Board has established the AC with three members who are all Independent Non-Executive Directors. The Chairman of the Committee is not the Chairman of the Board. The Committee is chaired by Dato' Rosini Abd Samad, an Independent Director who is a member of the Malaysian Institute of Accountants (MIA). She is also an Honorary Fellow of CPA Australia and a professional member of the Institute of Internal Auditors Malaysia. The Chairman of the AC meets the requisite qualifications as stipulated in paragraph 15.09(1)(c)(i) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad (MMLR).

On 25 March 2020, the number of AC has changed from three to two members due to the cessation of Dato' Hajjah Rosni Haji Zahari as Director and AC member. The current composition are Independent Non-Executive Directors and this is consistent with Practice 8.4 (Step-up) of the Malaysian Code on Corporate Governance 2017 (MCCG 2017). As per the Term of Reference of AC, former key audit partner will not be appointed as AC member unless the former key partner has observed a cooling-off period of at least two years before being appointed as member of the AC.

The AC discharges its responsibilities through a series of scheduled meetings during the year. The AC held a total of six meetings including one unscheduled meeting which were held on 13 February 2019. The Company Secretary acts as the AC's secretary in all the AC meeting. The meetings were also attended by Group Chief Executive Officer (Group CEO), Chief Financial Officer (CFO), FGV Chief Internal Auditor, Company Secretary together with the members of Senior Management, external auditor, upon invitation, to brief the AC on related issues.

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

Members	Type of membership	No. of meetings attended during 2019	
		Held	Attended
Dato' Rosini Abd Samad *(appointed with effect from 7 January 2015)*	Chairman/Independent Non-Executive Director	6	6
Datuk Lim Thean Shiang *(appointed with effect from 23 August 2016)*	Member/Independent Non-Executive Director	6	6
Dato' Hajjah Rosni Haji Zahari *(appointed with effect from 25 March 2019 and cessation of office on 25 March 2020)*	Member/Independent Non-Executive Director	3	3

All AC meeting minutes, including meeting papers, on matters deliberated by the Committee in the discharge of its functions are properly documented. Reports on the proceeding of the AC meetings were tabled to the Board and minutes of AC were circulated to the members for confirmation.

AUDIT COMMITTEE REPORT

TERMS OF REFERENCE

The AC's Terms of Reference (TOR) has been established pursuant to the MMLR and was approved by the Board to guide the AC 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 3rd Edition.

The AC continuously reviews and updates its TOR with the last review and approved by the Board on 20 November 2019.

The full details of the AC's TOR is published in the Company's corporate website at http://www.msmsugar.com/our-company/corporate-governance.

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

SUMMARY OF WORK OF THE AUDIT COMMITTEE IN 2019

Throughout the six meetings held and various private sessions with the external auditors, and internal auditors, the AC undertook the following principal activities in the discharge of its responsibilities:

Financial Reporting

- Reviewed unaudited quarterly financial results, any change in accounting policies, the going concerns assumption, and compliance with accounting standards and regulatory requirements for recommendation to the Board for approval.
- Considered and reviewed the draft of the audited financial statements for the year ended 31 December 2018 in March 2019 together with the Directors' and Auditor's and concluded that the financial report presented a true and a fair view of the Company's financial performance for the year and was in compliance with regulatory requirements.
- Reviewed the significant matters highlighted by the auditors in the financial statements and significant judgment made by management.
- 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.
- Reviewed the compliance of the financial covenants.
- Reviewed the closure of MSM Perlis Sdn Bhd (MSM Perlis)
- Reviewed the process for the closure of MSM Trading International DMCC (MTID).

Assessing the Risks and Control Environment

- Evaluated the reports on the assessment of the risks and control environment based on the external auditor's quarterly financial statement review and statutory financial audits at each AC 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 Group CEO and CFO that the risk management and internal control system of the Group for the financial year 2019 have been operating adequately and effectively, in all material aspects.
- Monitored the implementation of corrective actions under 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 of the Group, particularly in the areas of raw and refined sugar trading which was the key focus area of the Group during the financial year. This includes improvements in the monitoring and systems.

Internal Audit Process

- Reviewed and approved MSM Group Annual Internal Audit Plan for the year 2020 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 and reviewed quarterly reports summarising the following at every quarterly meeting during the FY 2019:
  - The observations from the internal audit reports issued during the quarter. The AC gave direction to management on key matters requiring management's special and immediate attention. The AC has reported to the Board on these key significant 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.
- Considered major findings, key significant internal audit matters, outcome of any special reviews and investigations, including those arising from management and recommendation raised by AC Chairman and AC members and management's response and follow-up actions thereto, and reported to the Board.
- Reviewed the performance of the Chief Internal Auditor and competency of the internal audit functions to ensure that the internal audit team has the required expertise and professionalism to discharge its duties.

Reviewing the External Audit Process

- Held two private discussion sessions with external auditor, Messrs Pricewaterhousecoopers PLT (PwC) without management on 11 February 2019 and 13 August 2019.

  In these sessions, the matters discussed include the following:

  (i) Finance function in improvement of consolidating the account

  (ii) Transfer of MSM Perlis Sdn Bhd operation to Johor

  (iii) The implications of closing down MSM Perlis Sdn Bhd

  (iv) Sales of plantation land in Perlis

  (v) MSM Sugar Refinery (Johor) Sdn Bhd's Plan
- Reviewed the financial results prior to the approval by the Board and 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) Impairment assessment on Goodwill from Sugar Cluster

  (iii) Status of construction of the Johor Refinery

  (iv) Assessment of the Group Plantation operations in accordance with MFRS 5

  (v) Recoverability of Trade Receivables above credit terms and credit limit assessment
- Reviewed and approved the External Auditor's Audit Plan and scope of work in August 2019.
- PwC presented the MSM 2020 Group Audit Plan at the AC meeting held on 13 August 2019. During their presentation, PwC confirmed their independence as auditor. As included in the 2020 Group Audit Plan, PwC also highlighted to the AC

  (a) MSM's 2020 focus areas:

  i) Risk of Management override of controls (in line with International Standard of Auditing requirement)

  ii) Recoverability of non-current assets (including Goodwill)

  iii) Recoverability of inventories and adequacy provision of onerous contracts

  iv) Risk on non-compliance of financial covenants attached to the construction of new sugar refinery

  v) Ensuring restructuring of CIMB long term loan is accounted for in accordance with MFRS 9

  vi) Risk of inconsistency of practice and account treatment in MSM Sugar Refinery (Johor) Sdn Bhd

AUDIT COMMITTEE REPORT

(b) Recent developments in laws and regulations which cover the following:

i) Development in Accounting Standards

ii) Recent Tax Developments

iii) MIA Competency Framework for Finance function in Public Interest Entities

- The AC 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 meetings with PwC in February, May, August and November 2019 to review the financial results and areas of concerns identified.
- Reviewed the assessment of the external auditor for FY 2018 for reappointment based on input from management and recommended the same for approval by the Board.

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 the existing Recurrent Related Party Transactions of the Group and recommended the same for approval of the Board.
- Periodically reviewed the Recurrent Related Party Transactions that were mandated at the 8th AGM held on 19 June 2019 and tracked the transaction against the mandated amount.
- Reviewed the internal audit report on Recurrent Related Party Transactions.

Governance

- The AC Chairman updated the Board on significant matters deliberated at AC meeting. The report by the Chairman of AC to the Board was made standing agenda item at the quarterly meetings of the Board.
- Reviewed the following reports and recommended them for the Board's approval for inclusion in the Annual Report for the FY 2018:

  i) Corporate Governance Overview Statement and Corporate Governance Report

  ii) AC Report

  iii) Statement of Risk Management and Internal Control

  iv) Sustainability Reporting on Economic, Environmental and Social

  The AC reviewed the reports with focus on meeting the MMLR and reporting best practises 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 practise references.
- Reviewed and approved the schedule of AC Meetings for year 2020.

EXTERNAL AUDITOR POLICY

The External Auditor Policy (Policy) was developed to provide guidance on matters related to dealing with the External Auditor for the statutory audit of MSM Group. This Policy was approved by the Board on 23 February 2016.

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

During the FY 2019, there was no non-audit fees services rendered by the external auditor.

CONTINUOUS LEARNING AND DEVELOPMENT

The AC members are updated regularly on changes of accounting standards and issues related to financial reporting through quarterly meetings.

The members of the AC had attended various seminars, training programme and conferences to keep abreast with changes in the industry and business environment.

A training on the Malaysian Financial Reporting Standards (MFRS) Training was conducted by Messrs. PricewaterhouseCoopers PLT on 29 November 2019. The AC Chairman was updated on the MFRS that impact MSM.

Further details on the training attended by AC members during FY 2019 are detailed out in the Corporate Governance Overview Statement under Directors' Training on page 77 of this Annual Report.

AUDIT COMMITTEE EVALUATION

For year of assessment of 2018, Board Evaluation Assessment was carried out in 2019 which encompassed the performance of the AC and the AC Chairman as well as the independence of the Independent Directors. The assessment focused on how effective the AC has conducted its activities. Based on the evaluation performed, the AC had effectively and professionally discharged its duties and responsibilities to the benefit of the Company.

For year of assessment of 2019, the AC's Evaluation is in progress and will be disclosed in the 2020 Annual Report.

INTERNAL AUDIT

The internal audit role for the MSM Group is undertaken by the Group Internal Audit (GIA) of the holding company, FGV Holdings Berhad (FGV). The FGV Chief Internal Auditor reports functionally directly to the AC 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 Messrs. Ernst & Young Advisory Services Sdn Bhd in 2019.

The FGV Chief Internal Auditor, Puan Zalily Mohd. Zaman Khan, is a fellow member of CPA Australia, a Chartered Accountant with the Malaysian Institute of Accountants, a professional member of the Institute of Internal Auditors Malaysia, a Certified Internal Auditor of the Institute of Internal Auditors (IIA), USA and holds an accounting degree from University of South Australia. She holds a Certification in Control Self-Assessment and a Certification in Risk Management Assurance awarded by the IIA in USA and had served as a member of the IIA Malaysia's Research and Technical Advisory Committee for several years. She has accumulated almost 30 years of experience in various industries.

The FGV Chief Internal Auditor leads the internal audits across MSM Group. Four internal auditors comprising of a Senior General Manager, a Manager and one team of two 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 work 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 Auditor (CIA) or post graduate (MBA or Masters)	2
Graduate	2
Total	**4**

The above includes two internal auditors who are members of the Institute of Internal Auditors Malaysia. The total cost incurred for FGV GIA for the FY 2019 was RM1,175,579 (2018: RM 1,119,599).

OBJECTIVITY AND INDEPENDENCE OF GIA

FGV GIA has undertaken a survey of the relationship of its internal auditors in October 2019 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 years and ensures that the rotation of internal auditors does not result in any compromise of objectivity and independence.

AUDIT COMMITTEE REPORT

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 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 year audit plan and forms the basis to derive the Annual Group Internal Audit Plan. The three year audit plan was developed based on the exposure prioritisation. Once the key audit areas are developed, the staff and resource allocation plan, budget estimates and staff development progress are established to support the Audit Plan. The Annual Group Internal Audit Plan is presented to the AC for approval.

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

   - Governance Framework and Structure
   - Finance Processes
   - Inventory Management
   - Trading Processes
   - Project Management
   - Procurement
   - Fixed Asset Management

   In 2019, GIA undertook seven internal audit assignments (i.e. three assurance audits, two special reviews and two investigations) which consumed 592 mandays in comparison to 526 budgeted mandays during the year.

c) Presented to the AC at its quarterly meetings, key findings from the internal audit reports issued.

d) Reported to the AC, 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 AC'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, GIA also undertook consulting role and investigation role. Key activities carried out were amongst others, as follows:

   i) Undertook investigation and reported the outcome of such investigations to the AC and management.

   ii) Provided feedback on the Statement on Risk Management and Internal Control 2018, the Report on the AC 2018 and the Corporate Governance Overview Statement 2018 before submission to the AC.

STATEMENT BY THE BOARD

This AC Report is made in accordance with a resolution of the Board of Directors duly passed on 17 April 2020.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The Nomination and Remuneration Committee is pleased to present its report for the financial year ended 31 December 2019 (FY 2019).

Members	Type of membership	No. of meetings attended	Key/Areas of Responsibilities
Dato' Zainal Haji Ismail *(appointed with effect from 25 March 2011 and cessation of office on 25 March 2020)*	Chairman/Independent Non-Executive Director	6/6	• Review the composition of the Board, the Board Committee, the directorship in the Group and the Group Top Management • Review the nomination and election process and appointment/reappointment/re-election process • Evaluate the contribution and commitment of Directors • Review letter of appointments • Induction and continue 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, the Executive Director and the Group Top Management • Review other general remuneration across MSM Group
Dato' Hajjah Rosni Haji Zahari *(appointed with effect from 25 March 2011 and cessation of office on 25 March 2020)*	Member/Independent Non-Executive Director	6/6	
Dato' Haris Fadzilah Hassan *(appointed with effect from 11 February 2019)*	Member/Non-Independent Non-Executive Director	5/5	

COMPOSITION

On 25 March 2020, the number of member of the Nomination and Remuneration Committee (NRC) has changed from three to one following to the cessation of Dato' Zainal Haji Ismail and Dato' Hajjah Rosni Haji Zahari as Independent Non-Executive Director upon conclusion of their nine years term in accordance with the Clause 6.2.4(v) of the MSM Board Charter and the Clause 6.2.4 of the MSM Board Nomination and Election Policy and Procedures.

The current composition is not 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. However, the Board is actively looking for additional Independent Directors to ensure that the Board's and NRC composition complies with the requirement under the MMLR.

NOMINATION AND REMUNERATION COMMITTEE REPORT

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. 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 latest TOR was reviewed and revised in 20 November 2019. All amendments to the TOR were tabled and approved by the Board.

The latest revised NRC TOR is published in the Company's corporate website at http://www.msmsugar.com/our_company/corporate_governance.

MEETING

NRC meetings were 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 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 FY 2019 were scheduled ahead in November 2018.

During the FY 2019, NRC held a total of six meetings. Out of the total, one meeting was an unscheduled meeting to discuss:

a) Redesignation of Executive Director and Acting Chief Executive Officer

b) Appointment of Chief Financial Officer for MSM Malaysia Holdings Berhad

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

BOARD APPOINTMENT PROCESS

NRC carried 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 directorships in the Group based on its TOR and Board Nomination and Election Policy and Procedures (Policy). The Policy has been revised and approved by the Board on 20 November 2019 formalises 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 the Board diversity to be considered for new appointment of Directors.

NRC considers the following selection criteria 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 purposes of meeting statutory obligations including obligations arising from MMLR or other regulatory requirements.

During the FY 2019, the following changes had taken place:

Board of Directors

Name	Changes	
	Type	Effective Date
Dato' Khairil Anuar Aziz Non-Independent Executive Director	Resigned	23 April 2019
Anuar Malek Non-Independent Non-Executive Director	Appointed	13 August 2019
Dato' Ab Ghani Mohd Ali Non-Independent Non-Executive Director	Resigned	13 August 2019

In August 2019, Koperasi Permodalan Felda Malaysia Berhad (KPF) nominated Anuar Malek 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, Anuar Malek was appointed to MSM Board effective 13 August 2019 replacing Dato' Ab Ghani Mohd Ali who resigned on the same day. Anuar Malek was also appointed as member of Board Governance & Risk Management Commitee.

Anuar Malek being the newly appointed Director was furnished with a Director's Kit which consist among others the Board Charter and Board Committee TORs 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 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.

Dato' Khairil Anuar Aziz, who was appointed as Executive Director (ED) on 11 December 2017 was then redesignated and appointed as Group Chief Executive Officer (Group CEO), reporting to the Board with effect from 23 April 2019. With the redesignation, Dato' Khairil Anuar Aziz resigned as Director of the Company and therefore ipso facto immediately ceased to be an ED on 23 April 2019.

Senior Management

Name	Changes	
	Type	Effective Date
Dato' Khairil Anuar Aziz Group Chief Executive Officer	Redesignated/ Appointed	23 April 2019
Mohd Shaffie Said Group Chief Operating Officer	Appointed	23 April 2019
Raja Faridah Raja Ahmad Chief Financial Officer	Resigned	31 May 2019
Ab Aziz Ismail Chief Financial Officer	Appointed	1 June 2019

As for the Senior Management, the NRC has recommended to the Board for approval that Dato' Khairil Anuar Aziz and Encik Mohd Shaffie Said be appointed as Group CEO and Group Chief Operating Officer (GCOO) respectively effective 23 April 2019.

On 31 May 2019, the Board has approved NRC's recommendation on the appointment of Ab Aziz Ismail as Chief Financial Officer (CFO) effective 1 June 2019 replacing Raja Faridah Raja Ahmad due to the expiry of her contract as CFO of MSM effective 31 May 2019.

REAPPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Constitution of the Company, newly appointed Directors during the year must offer themselves for re-election at the first Annual General Meeting (AGM) following their appointment and one-third of the 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 reappointment and re-election of Directors at the AGM are assessed by NRC whereupon recommendations are submitted to the Board for decision on the tabling of the proposed reappointment or re-election of the Director concerned for shareholders' approval at the next AGM.

NOMINATION AND REMUNERATION COMMITTEE REPORT

As evaluated by NRC and recommended by the Board, the following are to be re-elected at the forthcoming 9th AGM:

Director	Designation	Provision
Datuk Lim Thean Shiang	Independent Non-Executive Director	Re-election pursuant to Clause 99
Dato' Rosini Abd Samad	Independent Non-Executive Director	Re-election pursuant to Clause 99
Anuar Malek	Non-Independent Non-Executive Director	Re-election pursuant to Clause 105

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

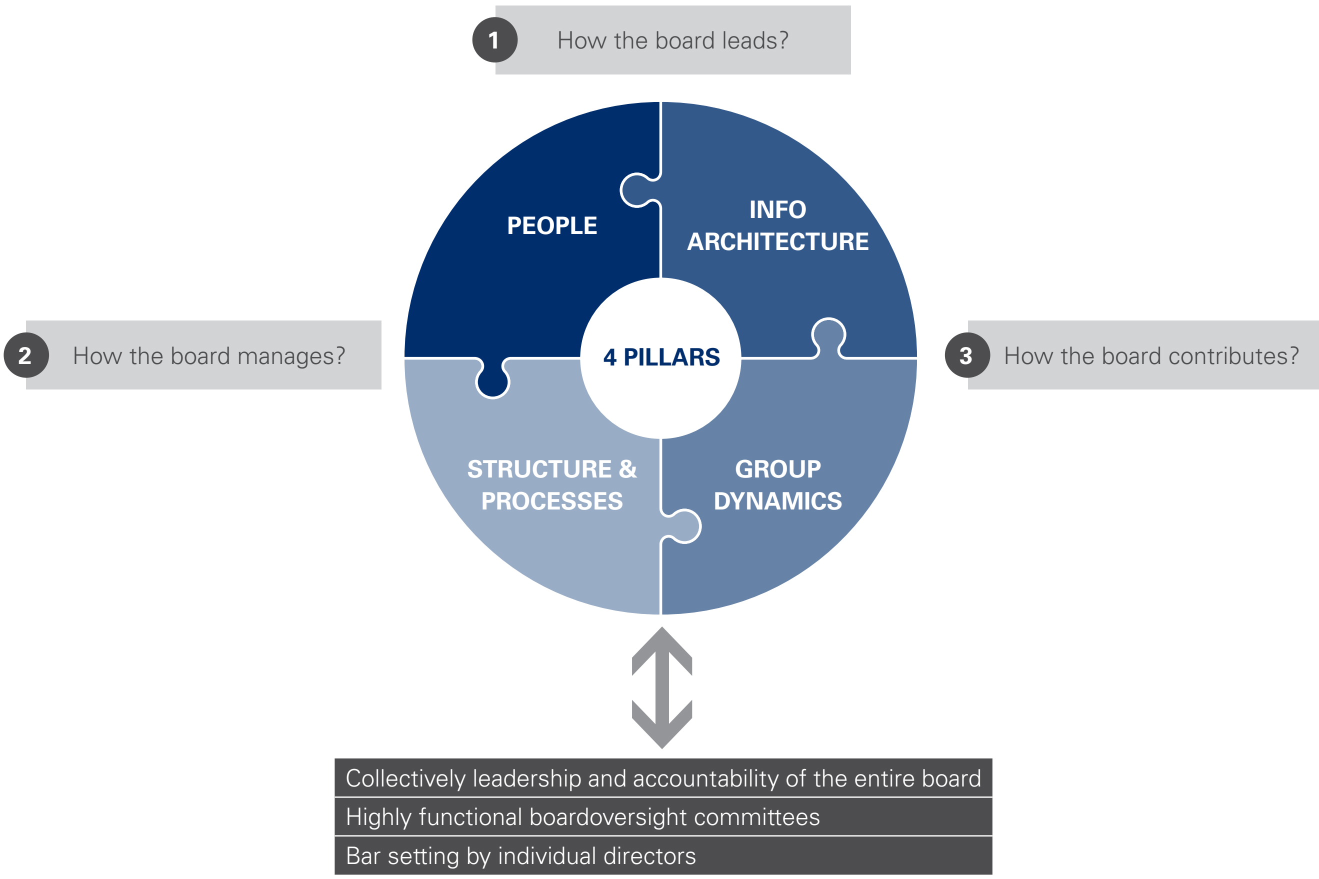
The Directors who are standing for re-election have met the Board's expectations, have continued to perform in an exemplary manner and have contributed to the Board's deliberations.

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 EFFECTIVENESS ASSESSMENT

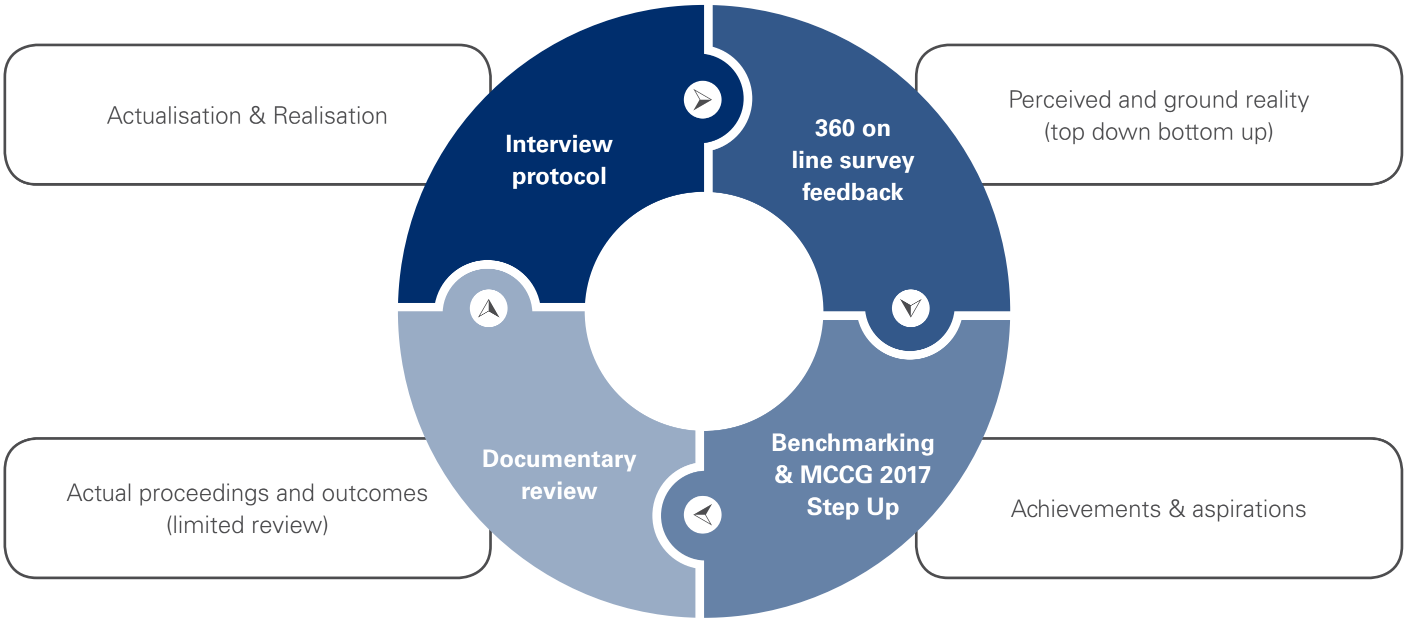
For year assessment 2018, the Board appointed an independent consultant, CG Board Asia Pacific Sdn Bhd (CG Board) to facilitate the Board assessment process in line with Practice 5.1 of the MCCG 2017.

There are four pillars of Board Effectiveness used for the 2018 assessment comprises the following:



The scope and coverage of this 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 ten core drivers as detailed below of which each of these ten components levers to continually raise board effectiveness:

1. BOARD ROLES & RESPONSIBILITIES	2. BOARD LEADERSHIP	3. BOARD DYNAMICS	4. BOARD/ MANAGEMENT RELATIONSHIPS	5. BOARD COMPOSITION & DIVERSITY



6. BOARD INFORMATION	7. BOARD PROCESSES	8. BOARD COMMITTEES	9. BOARD AGENDA & MEETING	10. BOARD/ STAKEHOLDERS RELATIONSHIP

The scope of the assessment was extensive and covers the core drivers influencing the effective functioning of the Board, the Board Committees and the performance of the individual directors. The remit also includes the development of a Board Succession Planning Framework and a Board KPI for discussion.

CG Board carried out the fieldwork from early April 2019 until mid May 2019 and also observed of the 2019 Annual General Meeting (AGM) held on 19 June 2019. The assessment and analytical process involved interviews with eight Directors and seven selected Senior Management staff who regularly interacts with the Board, document reviews (mainly Board minutes, Board Charter and TOR of Board Committees) and an online high level survey.

The results of the assessment together with the observations of the proceedings of the Company's AGM held on 19 June 2019 were compiled in a final report which was presented to the Board in August 2019. Based on the report presented, MSM Board overall rating is Moderate Effective. Included in the final report are several key areas of improvement identified by CG Board of which the Board has approved for implementation to strenghten Board's performance.

The Company Secretary is currently working together with management to develop the improvement plan which will consist of a set of relevant action plans and initiatives with the timeframe to ensure the improvement plan is effectively carried out.

Pursuant to Paragraph 15.20 of MMLR Bursa Malaysia, the 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.

NOMINATION AND REMUNERATION COMMITTEE REPORT

STATEMENT OF SUMMARY OF NRC'S ACTIVITIES DURING 2019

During the FY 2019, NRC performed a number of key activities summarised among others as below which were reviewed and recommended by NRC to the Board for approval:

Nomination and Election Process

1) Appointment of Nominee Director of FGV Holdings Berhad (FGV) in MSM Malaysia Holdings Berhad (MSM) as Non-Independent Non-Executive Director
2) Appointment and Resignation of Nominee Director of Koperasi Permodalan Felda Malaysia Berhad (KPF) in MSM Malaysia Holdings Berhad as Non-Independent Non-Executive Director
3) Appointment of an Independent Facilitator for the 2018 Board Effectiveness Evaluation exercise
4) Re-election of Retiring Directors at the 2019 Annual General Meeting
5) Assessment on the Audit Committee pursuant to Paragraph 15.20 of MMLR of Bursa Malaysia
6) Redesignation of Executive Director and Acting Chief Executive Officer
7) Changes on the Board Committees' Membership Composition
8) Annual Assessment of the Effectiveness of the Board, Board Committees and Individual Directors Including Assessment of the Independent Directors for year 2018
9) Resignation and Appointment of Chief Financial Officer
10) Appointment and Resignation of Directors of MSM Subsidiaries
11) Contract Renewal for the Group CEO of MSM Group of Companies

Remuneration Matters

1) 2019 Increment for Top Management of MSM Group of Companies
2) Directors' Remuneration for the FYE 31 December 2018
3) Bonus Payout for Employees of MSM Malaysia Holdings Berhad and its Subsidiaries
4) Separation Package for the Current Chief Financial Officer upon Expiry of Contract
5) Revised Remuneration Package for Top Management
6) Performance-based Payout for Staff of MSM Group of Companies for year 2019
7) Revised Remuneration package for the Chief Financial Officer

Other matters

1) Report on NRC for Inclusion in MSM Malaysia Holdings Berhad 2018 Annual Report
2) Terms of Employment for Senior Management
3) Revision of MSM Board Nomination and Election Policy and Procedures
4) Schedule of Nomination and Remuneration Committee Meetings for year 2020

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 17 April 2020.

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 2019.

2. SHARE BUY-BACKS
During the financial year ended 31 December 2019, 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 2019.

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 2019.

5. MATERIAL SANCTIONS AND/OR PENALTIES
During the financial year ended 31 December 2019, 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 2019 there was no non-audit fee services rendered to the Company by its external auditors.

7. VARIATION IN RESULTS
There were no profit estimation, forecasts or projections made or released by the Company during the financial year ended 31 December 2019.

8. PROFIT GUARANTEE
No profit guarantee was given by the Company in respect of the financial year ended 31 December 2019.

9. MATERIAL CONTRACTS
Save as disclosed below, neither our Company nor our subsidiaries have entered into any other material contracts (not being contracts entered into in the ordinary course of business) during the year ended 31 December 2019: sale and purchase agreement dated 8 October 2019 between MSM Perlis Sdn Bhd (MSM Perlis) and F&N Agrivalley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) (F&N) for the disposal of 9 parcels of leasehold agricultural lands known as "Ladang Chuping" totalling approximately 4,453.92 hectares registered under MSM Perlis to F&N for a total cash consideration of RM156,000,000.00 only, subject to the terms and conditions therein. On 9 April 2020, MSM Perlis had issued a letter to F&N to exercise its rights to rescind the sale and purchase agreement.

10. DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE (RRPT)
The shareholders of MSM had at the 8th Annual General Meeting held on 19 June 2019 gave mandate for MSM and its subsidiary companies to enter into RRPT, which are necessary for its day-to-day operations and are in the ordinary course of business in order to comply with Paragraph 10.09 of the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Securities).

In accordance to Practice Note 12 of the MMLR of Bursa Securities, the details of RRPT made during the financial year ended 31 December 2019 pursuant to the shareholders' mandate are as follows:

					Transaction Value for the year ended 31 December	
Transacting Parties	Nature of Relationship			Nature of Transaction	2019 (estimate) RM'000	2019 (actual) RM'000
MSM Malaysia Holdings Berhad Group (MSM) and FGV Group	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Provision of management services	10,500	6,978
MSM Malaysia Holdings Berhad Group (MSM) and FGV Prodata	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Anuar Malek	Interested person connected: • Nil	Provision of information technology (IT) services	1,000	190
MSM Malaysia Holdings Berhad Group (MSM) and FGV Security	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Anuar Malek	Interested person connected: • Nil	Provision of security services	2,500	1,491
MSM Malaysia Holdings Berhad Group (MSM) and FELDA	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • 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 2019 to 22 November 2021 Rental payment Monthly	2,000	782
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' Haris	Interested person connected: • Nil	Sale of refined sugar	48,500	3,418
MSM Malaysia Holdings Berhad Group (MSM) and KPF Trading	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Dato' Haris • Anuar Malek	Interested person connected: • Nil	Sale of fertilizers and agro-chemicals	1,000	-
MSM Malaysia Holdings Berhad Group (MSM) and KPF Niaga	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Provision of motor vehicle insurance	1,000	301
MSM Malaysia Holdings Berhad Group (MSM) and Felda Engineering	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Provision of project management and construction services	5,000	5,792
MSM Malaysia Holdings Berhad Group (MSM) and Felda Travel	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Provision of travel and accommodation services	1,000	170
MSM Malaysia Holdings Berhad Group (MSM) and Felda D'Saji	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Provision of refreshments	1,000	70
MSM Malaysia Holdings Berhad Group (MSM) and FGV Transport	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Provision of freight forwarder and transportation services	3,500	3,011
MSM Malaysia Holdings Berhad Group (MSM) and FGV Fertiliser	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Sale of fertilisers	1,000	-
FGV Rubber Industries and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders: • FGV Sugar • FELDA • KPF • FAHC • FGV	Interested Directors: • Datuk Wira Azhar • Anuar Malek • Dato' Haris	Interested person connected: • Nil	Sale of raw material (rubber)	5,000	-

CORPORATE INTEGRITY

MSM Group has over the years built a strong corporate reputation based not only on the products and services that we provide, but also on sound principles of ethics and integrity.

Recognising that it required constant effort to maintain the highest level of integrity, in 2019 we further enhanced our ethical work environment via the following initiatives:

ETHICS AND INTEGRITY

MSM is committed to conducting business in an open, honest and ethical manner. The Group's commitment to upholding integrity in carrying out its duties is evidenced by:

Integrity Initiatives

- Our Corporate Integrity Pledge which was signed with the Malaysian Anti-Corruption Commission (MACC) with the aim to build a culture of integrity within the workforce and to the best effort, ensure that MSM is free from corruption.
- Continuous briefing sessions were held for MSM Employees on the new corporate liability provision of the Malaysian Anti-Corruption Commission Act (Amendment 2018) which was passed in April 2018, to ensure that MSM Employees has an in depth knowledge and understanding of the new law and its impact on MSM Group.

Code of Business Conduct and Ethics for Employees (COBCE)

- 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 was revised and approved on 22 February 2018. The purpose of this Code is to enhance compliance and integrity in business conduct at the workplace.

Whistle-Blowing Policy

- MSM Group also adopted the Whistleblowing Policy (WBP) - guided by FGV Whistleblowing Policy to further strengthen and uphold the high standards of ethics, integrity and professionalism expected from all employees. The WBP allows all employees and third parties to disclose any potential or actual unethical, illegal, irregular and questionable practices in confidence and without risk of reprisal.
- The objectives of the policy are:
    - Provide an avenue and designated channels of escalation for employees and third parties (e.g. interns, contractors, consultants, vendors, suppliers and/or customers) to direct their disclosures on any irregularities or suspected irregularities for the timely attention of Management.
    - Set out the protection accorded to whistle blowers to enable them to disclose such irregularities in confidence without any risk of reprisal.

Social Media Policy

- Today, social media is more accessible than ever and these new ways of communication may expose MSM Group to possible ethical risks committed by staff in the course of engaging in social media activities. MSM Group implemented the Social Media Policy with the following objectives:
    - To set out the guidelines on the responsible and ethical usage of social media by all staff of the Group.
    - To set out the possible consequences of policy violation by staff.

AUTHORITY & RESPONSIBILITY

Organisation Structure

We organise our business operations into four business entities namely MSM Prai Berhad, MSM Refinery Sugar (Johor) Sdn Bhd, MSM Perlis Sdn Bhd and MSM Logistics Sdn Bhd which are supported by corporate services/ all Departments at the Headquarters level. In achieving our strategic and business objectives, the Group has undergone several key changes and an effective organisational architecture has been designed which combines employees in functions and product structures, across the MSM Group.

Group Discretionary Authority Limits (DAL)

Group Discretionary Authority Limits (DAL) is a manual which sets out the authorisation limits for various levels of MSM's Group Management and staff. This guide ensures accountability, segregation of duties and control over the Group's financial commitments. The DAL manual is reviewed and updated periodically to align with business, operational and structural changes. The Board approved the revised DAL version 5.0 on 24 August 2018.

Legal Authority Limit (LAL)

This Legal Authority Limit and Signing Protocol (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 LAL is aligned with FGVH Group Legal's practice of having its own policies and procedures, and MSM Legal Division 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 revised Legal Authority Limit (LAL) version 2.0 on 21 August 2019.

Job Description

Each role in the organisation structure is supported by clear description of job responsibilities which are linked to the vision and goals of the Group. A well developed and effective job description is key for clarity of responsibilities and relationship between functions which will enhance collaboration across the Group moving towards operational efficiency besides supporting the succession planning. It helps retain and motivate the best talents by ensuring employees' engagement and drive towards high performance culture.

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 pleased to present its Statement on Risk Management and Internal Control (Statement) which outlines the nature and scope of risk management and internal control of the Group for the financial year ended 31 December 2019.

This Statement is made pursuant to Rule 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance 2017 and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

RESPONSIBILITY AND ACCOUNTABILITY

The Board is committed to maintain and continuously improve the Group's system of risk management and internal control. The Board acknowledges the importance of a sound risk management system and internal control practices for good corporate governance with the objective of safeguarding the shareholders' interest and the Group's assets.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate the risks that hinder the Group from achieving its objectives. Hence, it can only provide reasonable, but not absolute assurance against material misstatements or losses or the occurrence of unforeseeable circumstances.

There are two 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; and

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 Risk Management function is responsible for implementing the enterprise risk management process, while the management team is required to assume responsibility for risk management within their functional areas and ensure that risk management is embedded in their day-to-day business processes.

The Management's key role is to identify significant risks, evaluate the risk profile and drive risk mitigation strategies on a regular basis.

MSM Group has a dedicated Corporate 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; and in alignment with FGV Group Risk Management framework;
- Providing guidance to all MSM Group's operations in identifying and assessing risks, developing relevant and effective mitigation strategies to manage risks;
- Maintaining the Risk Register for the MSM Group;
- Preparing risk reports to the Board Governance and Risk Management Committee (BGRMC) and Board; and
- Overseeing MSM Group's Business Continuity Management.

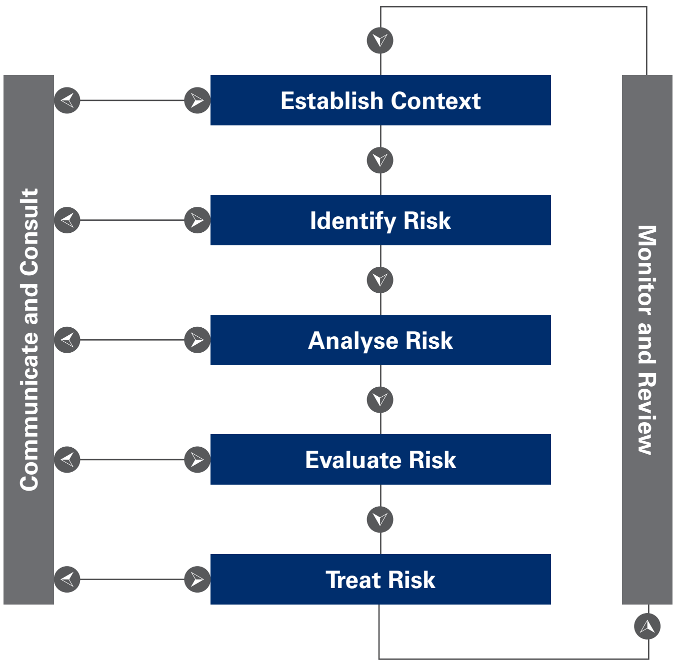
Risk Management Framework and Process

An effective risk management framework seeks to protect an organisation's capital base and earnings without hindering growth. An overview of the Group's risk management framework is depicted below:

Risk Management Framework

The Group has in place policies and procedures which are consistent with the ISO 31000 Risk Management Standard, developed to aid relevant personnel in undertaking their risk management responsibilities.

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



Principally, the Group's key risk factors are categorised as follow:

Main Category	Secondary Risks
Geopolitical Risks	Socio-Politics
	Legal
	Infrastructure
Catastrophic Risks	Environmental Extremes
	Man-made Disasters
	Violent Acts
Market Risks	Macro-Economic Development
	Sales-Market Development
	Procurement-Market Development
Strategic Risks	General strategy
	Supply chain structure and cooperation
	Large scale strategic project
	Reputational
Financial Risks	Profitability
	Funding
	Liquidity
Operational Risks	Technology, process and organisation
	Organisation Capability and Human Resource
	Compliance

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Activities for 2019

Risk Register Management

The Group high processes and tools to regularly identify, assess, monitor and control the risks. The Risk Register is a product of this system.

- Quarterly Reporting of Enterprise Risk

  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 Enterprise Risk Management System (ERMS) and reported to BGRMC through CGRM.

- Continuous Risk Management Awareness and ERMS Risk Register Review

  The Group made significant efforts to improve and enhance its risk management and internal control systems in 2019 through the following initiatives:

  - Robust awareness sessions for all business units across the Group
  - Focused risk assessment sessions to ascertain key risk and mitigation plans
  - Review of risk parameters to quantify potential risks

Below are the ERMS User Training conducted in 2019.

Company	Date
MSM Prai Berhad	09 July 2019
MSM Malaysia Holdings Berhad	19 September 2019
MSM Refinery Sugar (Johor) Sdn Bhd	25 September 2019

Business Continuity Management (BCM)

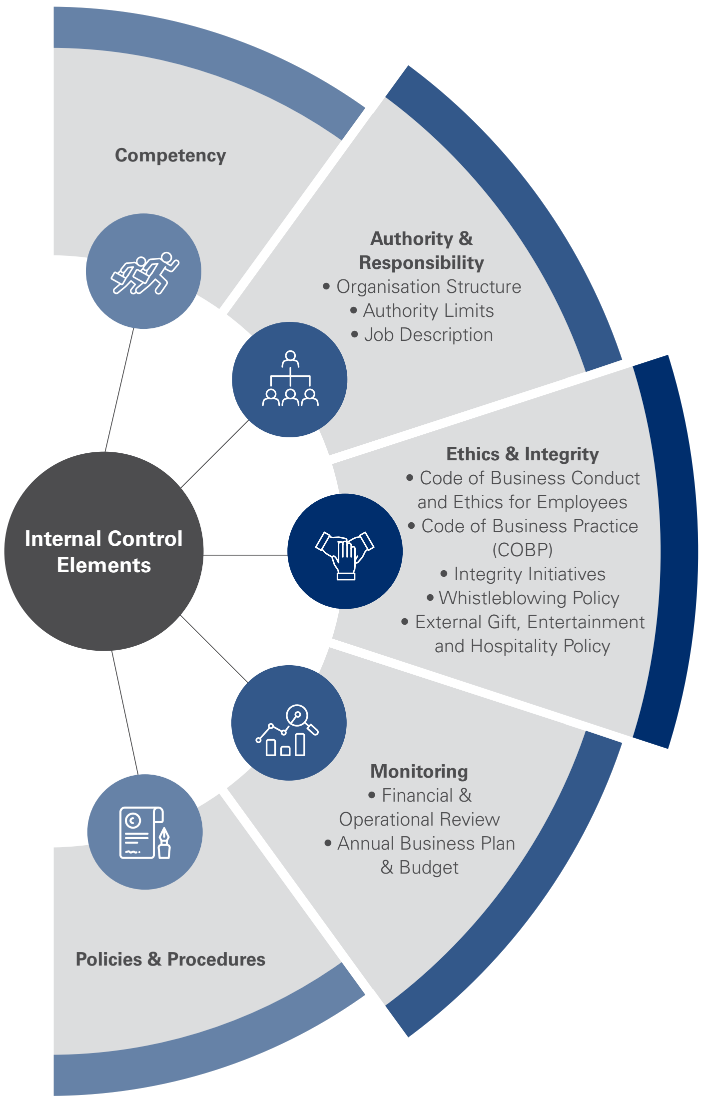
The Board is aware of the importance of an effective Business Continuity Management (BCM) program particularly in identifying potential threats to the organisation and the impact such threats may have on business operations. Additionally, it provides a framework for building organisational resilience that safeguards the interests of its stakeholders, reputation, brand and value creating activities.

There were several BCM Simulation Testing conducted in 2019 with MSM subsidiaries.

Company	Date
MSM Prai Berhad (Sg Buloh Warehouse)	21 March 2019
MSM Prai Berhad	29 August 2019
MSM Perlis Sdn Bhd	24 October 2019
MSM Refinery Sugar (Johor) Sdn Bhd	28 November 2019

MSM Group shall continue to ensure its BCM program is effectively embedded and implemented in all business functions focusing on high probability scenarios which include a BCM testing on ICT related systems to ensure resumption of business operation in case of system disruption.

INTERNAL CONTROL



Ethics and Integrity

Code of Business Conduct and Ethics (COBCE) for Employees

The Group's Code of Business Conduct and Ethics for Employees (COBCE) has been revised and approved on 22 February 2018. The COBCE sets out the principles as a guide for its employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity.

Code of Business Practice (COBP)

MSM Group's Code of Business Practice (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 states explicitly that all forms of bribery and corruption are prohibited and will not be tolerated.

Integrity Initiatives

MSM is one of the signatories to the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC). MSM Employees attend briefing session on new Corporate Liability provision of the Malaysian Anti-Corruption Commission Act (Amendment 2018) which was passed in 2018.

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.

External Gift Entertainment and Hospitality Policy

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, entertainment and hospitality will unduly influence the recipient. The policy was approved by the Board on 24 August 2018.

Monitoring

Financial and Operational Review

Financial and Operational Review is a mechanism adopted to measure 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 Group Chief Executive Officer, Group Chief Operating Officer and Chief Financial Officer present the MSM Group Quarterly Financial Information and the Operational Performance analysis to the Audit Committee prior to Board approval and subsequent release to Bursa Malaysia.

Annual Business Plan and Budget

Business Planning, which is coordinated and aligned to specific objectives, is essential to direct the activities and initiatives of each Subsidiary and Head Office towards meeting the Group's short term and long term objectives. With this view, the Group emphasises on a comprehensive annual budgeting process to ensure that the Group's business plans are in line with the Board approved MSM Strategic Plan.

Policies

Policies are designed to manage risks and ensure compliance to related requirements of the Group's operations and aligned to the FGV Holdings Berhad's requirement. New policies are formulated as business needs or risks arise and to uphold proper governance of MSM Group.

The following are the new and revised policies that were endorsed by BGRMC and approved by the Board in 2019:

Policy Owner	Title	Date Approved
Corporate Communication	Media and Spokesperson Policy	23 May 2019
Corporate Governance and Risk Management	Risk Management Policy	23 May 2019
	Governance of Policies and Procedures Policy	23 May 2019
Company Secretary	Board Charter	20 November 2019
	Nomination and Remuneration Committee Terms of Reference	20 November 2019
	Board Governance & Risk Management Committee Terms of Reference	20 November 2019
	Audit Committee Terms of Reference	20 November 2019

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Competency

MSM views its employees as invaluable assets. The Group is committed to its employees 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 bring meaningful purpose, practical strategies and goals together to make the 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.

Authority and Responsibility

<u>Organisation Structure</u>

The Group has a comprehensive organisational structure which organises its business operations. The organisational structure provides clear lines of reporting, authority and segregation of duties, which promotes ownership, accountability, and delegated authority.

<u>Authority Limit</u>

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

- Legal Authority Limit (LAL)
  The LAL is aligned with FGVH Group Legal's practice 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 revised Legal Authority Limit (LAL) version 2.0 on 21 August 2019.

<u>Job Description</u>

Each role in the organisation structure is supported by clear description of job responsibilities which are linked to the vision and goals of the Group. A well developed and effective job description has been designed for clarity of responsibilities and relationship between functions which will enhance collaboration across the Group moving towards operational efficiency besides supporting the succession planning. It can retain and motivate the best talents by ensuring that employee's engagement and helps drive high performance culture.

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 Guideline (APPG) 3 issues issued by Malaysian Institute of Accountants. AAPG3 does not require 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 Group Chief Executive Officer 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 17 April 2020.

INTERNAL POLICIES, PROCEDURES AND GUIDELINES

Listed below are some of the Group's policies and procedures:

POLICIES

Title	Description
CORPORATE COMMUNICATION	
Media and Spokesperson Policy	The purpose of this Policy is a guidance for disclosure, disseminating consistent and proactive management of information released to the media whilst safeguarding MSM's reputation and assets. Applicable for media statement, interviews, enquiries and comments.
STRATEGY	
Investment Policy	The purpose of this Policy is to provide detailed guidance and key policies in respect to the investment decision making process. This policy also describes the parameters for investing funds and identifies the investment objectives, preferences or tolerance for risk, constraints on the investment, and how the investment program will be managed and monitored.
CORPORATE GOVERNANCE AND RISK MANAGEMENT	
Risk Management Policy	The purpose of this Policy is to provide a framework for the management of risk and also to increase overall awareness of risk throughout the MSM Group. Enabling managers and those responsible for risk reporting, to better identify, assess and control risks within their areas. It seeks to enforce ownership. It defines roles and responsibilities to help ensure the risk management process is understood.
Governance of Policies & Procedure Policy	The purpose of this Policy is to manage the process of creating, communicating, and maintaining policies and procedures within the MSM Group. This policy acts as a guideline to any respective departments in producing policy and procedures.

PROCEDURES

Title	Description
INFORMATION TECHNOLOGY	
Server Backup Progress	The purpose of this procedure is to serve as a guideline to back-up the server in MSM Data Centre.
Revoke and Termination of Users	The purpose of this procedure is to serve as a guideline for revoking and to terminating users IT Access.

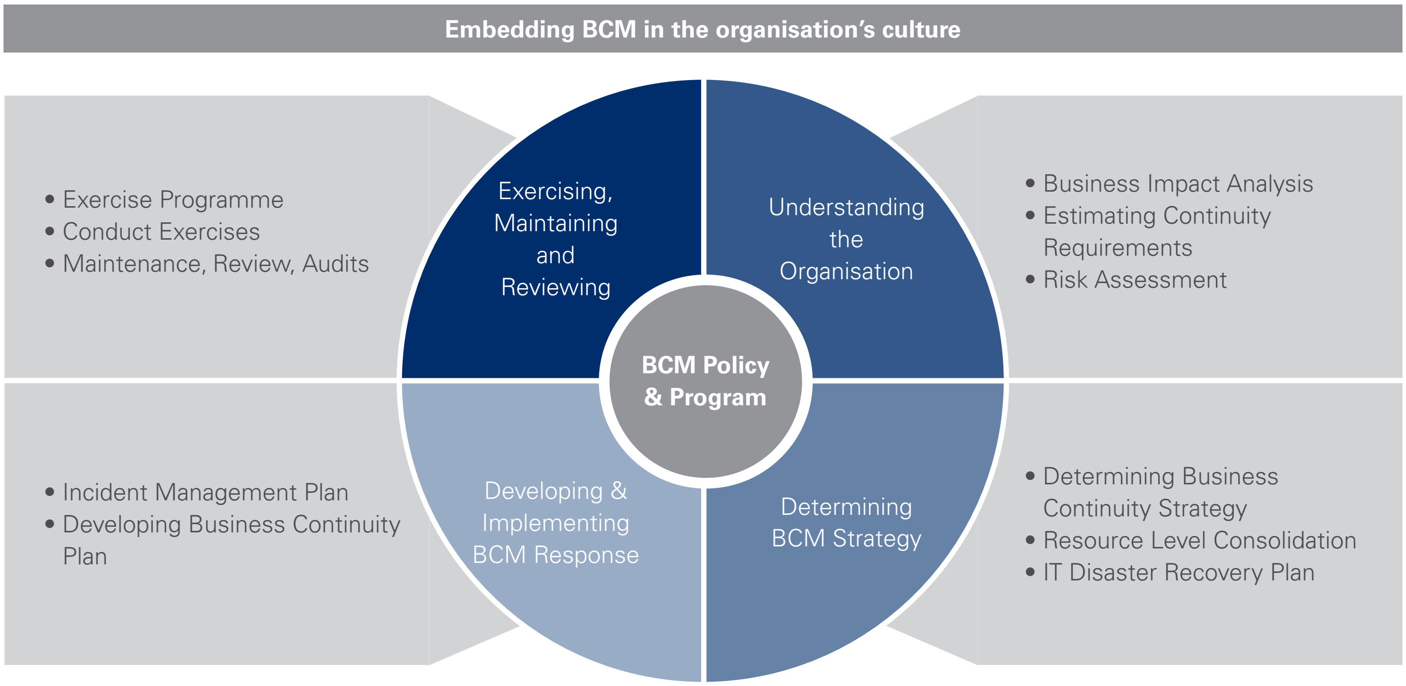
BUSINESS CONTINUITY MANAGEMENT

1. A holistic Business Continuity Management (BCM) framework ensures that a company is able to recover its business operation and activities following a crisis or disaster so that it is able to remain resilient in safeguarding the interest of their interested parties.

   The objectives of the Business Continuity Management program are as follows:

   - To sustain organisational survival during a crisis by protecting human life and facilitating the resumption of critical business processes in a timely manner;
   - To minimise losses during disaster or business disruption;
   - To ensure that the provisioning of key products continues to be maintained at an acceptable level; and
   - To safeguard the reputation and image of the Group.

2. The BCM program were reviewed based on the effectiveness of the Business Continuity Plan (BCP) designed to cater to MSM Group. The BCP is continuously monitored, tested and communicated to all levels to ensure that the Group is prepared in the event of crisis. in the event of crisis.



3. During the year under review, MSM Group continued to review the Business Recovery Strategy of relevant departments or divisions to ensure validity of the current Business Continuity Plan (BCP). The outcome and findings from the testing activities were then gathered to identify areas for continual improvement.

4. Several BCM Simulation Testing conducted in 2019 with MSM subsidiaries.

Company	Date	Scenarios
MSM Prai Berhad (Sg Buloh Warehouse)	21 March 2019	"Desktop" simulations
MSM Prai Berhad	29 August 2019	Fire at the Main Office Building
MSM Perlis Sdn Bhd	24 October 2019	Damaged of Main Supply Cable to Sugar Packaging House
MSM Refinery Sugar (Johor) Sdn Bhd	28 November 2019	Fire at the MC Shop/ Warehouse

   MSM Group shall continue to ensure its BCM program is effectively embedded and implemented in all business functions focusing on high probability scenarios which include a BCP walkthrough testing on ICT related systems to ensure resumption of business operation in case of system disruption.

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 116 to 224 of this Annual Report, are the financial statements of the Company and the Group for the financial year ended 31 December 2019. 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 2019 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 2019.

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 statement 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

DIRECTORS' REPORT

The Directors hereby submit 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 2019.

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
Loss for the financial year	(299,769)	(358,656)

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 2019.

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	
Datuk Lim Thean Shiang	
Dato' Rosini Abd Samad	
Dato' Haris Fadzilah Hassan	(Appointed on 11.02.2019)
Anuar Malek	(Appointed on 13.08.2019)
Dato' Zainal Haji Ismail	(Cessation of Office on 25.03.2020)
Dato' Hajjah Rosni Haji Zahari	(Cessation of Office on 25.03.2020)
Dato' Ab Ghani Mohd Ali	(Resigned on 13.08.2019)
Dato' Khairil Anuar Aziz	(Resigned on 23.04.2019)

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' REPORT

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 as disclosed in Note 12 to the financial statements) 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 1.1.2019	**Acquired**	**(Disposed)**	**At 31.12.2019**
Dato' Zainal Haji Ismail	20,000	-	-	20,000
Dato' Hajjah Rosni Haji Zahari	20,000	-	-	20,000

Shareholdings in FGV Holdings Berhad, the ultimate holding company

		Number of ordinary shares			
	At date of appointment/ 1.1.2019	**Acquired**	**Granted**	**(Disposed)**	**At 31.12.2019**
Datuk Wira Azhar Abdul Hamid	694,500	305,500	-	-	1,000,000
Dato' Zainal Haji Ismail	40,000	-	-	-	40,000
Dato' Haris Fadzilah Hassan #	50,000	-	-	-	50,000

Deemed interest by virtue of Section 59(11) of the Companies Act 2016, 50,000 shares are held through the spouse of Dato' Haris Fadzilah Hassan.

DIRECTORS' REPORT

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 RM48,500 (2018: RM49,000).

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.

DIRECTORS' REPORT

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:

(a) 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 Notes 17, 20 and 34 to the financial statements; and

(b) 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 nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made, except as disclosed in Note 42 to the financial statements.

ULTIMATE HOLDING COMPANY

The Directors regard FGV 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 17 April 2020. Signed on behalf of the Board of Directors:

DATO' HARIS FADZILAH HASSAN
DIRECTOR

DATO' ROSINI ABD SAMAD
DIRECTOR

Kuala Lumpur

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Dato' Haris Fadzilah Hassan and Dato' Rosini Abd Samad, 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 116 to 224 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 2019 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 dated 17 April 2020.

DATO' HARIS FADZILAH HASSAN
DIRECTOR

DATO' ROSINI ABD SAMAD
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, Ab Aziz Ismail, 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 116 to 224 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.

AB AZIZ ISMAIL
(MIA No.: 15850)

Subscribed and solemnly declared by the above named Ab Aziz Ismail in Putrajaya on 17 April 2020, before me.

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD
(Incorporated in Malaysia)
(Registration No. 201101007583 (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 2019, 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 2019 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 116 to 224.

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 the Group and of the Company. In particular, we considered where the Directors made subjective judgements; 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD
(Incorporated in Malaysia)
(Registration No. 201101007583 (935722-K))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of goodwill As at 31 December 2019, the Group has goodwill of RM576.2 million. We focused on this area as the recoverable amount of the cash generating unit ("CGU") is based on value-in-use ("VIU") calculations, which requires management's judgement on the assumptions used in the calculations, in particular selling price, raw sugar price, sales volume, terminal value growth rate, discount rate and exchange rate. Refer to Notes 3(d) and 3(k) in the significant accounting policies, Note 5 in the critical accounting estimates and judgement 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, discount rate and exchange 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, discount rate and exchange 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.
Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets The carrying values of property, plant and equipment, right-of-use assets and intangible assets of the Group as at 31 December 2019 are RM1,295.4 million, RM96.2 million and RM630.8 million respectively ("non-monetary assets"). The Group has embarked on a plan to rationalise the capacity of its three refinery plants to address the sugar production capacity during the year. Consequently, management performed an impairment assessment on the Group's non-monetary assets. An impairment of RM138.8 million was recorded for the financial year ended 31 December 2019.	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, realisability of assets at terminal year 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; and • We assessed the adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD
(Incorporated in Malaysia)
(Registration No. 201101007583 (935722-K))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets (continued)	
We focused on this area as the recoverable amount of the assets based on VIU calculations require management's judgement on the assumptions used in the calculations, in particular selling price, raw sugar price, sales volume, realisability of the assets at terminal year, and discount rate.	Based on our procedures, we noted no significant exceptions.
Refer to Notes 3(e), 3(i), 3(k) and 3(r) in the significant accounting policies, Note 5 in the critical accounting estimates and judgement and Notes 17, 18 and 19 to the financial statements.	

There are no key audit matters to report for the Company.

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, Chairman's Statement, Management Discussion and Analysis, Group Financial Report, Sustainability Report, Corporate Governance (including Audit Committee Report, Nomination and Remuneration Committee Report, and Statement on Risk Management and Internal Control), and other sections of the Annual Report 2019, but 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, 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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD
(Incorporated in Malaysia)
(Registration No. 201101007583 (935722-K))

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 judgement 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 of 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 on 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.

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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD
(Incorporated in Malaysia)
(Registration No. 201101007583 (935722-K))

Auditors' responsibilities for the audit of the financial statements (continued)

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 financial 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 auditor, is disclosed in Note 20 to the financial statements.

OTHER MATTERS

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

MAHESH A/L RAMESH
03428/04/2021 J
Chartered Accountant

Kuala Lumpur
17 April 2020

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 (Restated)	Company 2019 RM'000	Company 2018 RM'000 (Restated)
Continuing operations					
Revenue	6	**2,006,911**	2,214,376	**145,392**	71,391
Cost of sales		**(1,992,260)**	(2,016,022)	**-**	-
Gross profit		**14,651**	198,354	**145,392**	71,391
Other operating income	7	**1,843**	1,401	**16**	9
Selling and distribution expenses		**(25,272)**	(19,762)	**-**	-
Administrative expenses		**(73,561)**	(71,817)	**(22,777)**	(23,793)
Impairment of investments in subsidiaries	20	**-**	-	**(437,672)**	(391,134)
Impairment of receivables/(reversal of impairment of receivables)	8	**(4,583)**	(3,018)	**32,282**	(32,709)
Impairment of assets	17,18,19	**(138,784)**	(1,390)	**-**	-
Other operating expenses		**(747)**	(44)	**(680)**	-
Other gains/(losses) – net	9	**4,999**	(2,887)	**-**	-
(Loss)/Profit from operations		**(221,454)**	100,837	**(283,439)**	(376,236)
Finance income	10	**4,032**	4,057	**-**	-
Finance costs	10	**(82,128)**	(38,508)	**(73,844)**	(43,722)
(Loss)/Profit before zakat and taxation	11	**(299,550)**	66,386	**(357,283)**	(419,958)
Zakat	13	**(14)**	(1,500)	**-**	-
Taxation	14	**11,074**	(27,509)	**(1,373)**	(2,683)
(Loss)/profit for the financial year from continuing operation		**(288,490)**	37,377	**(358,656)**	(422,641)

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 (Restated)	Company 2019 RM'000	Company 2018 RM'000 (Restated)
Discontinuing operation					
Loss from discontinuing operation, net of tax	16	**(11,279)**	(1,717)	**-**	-
(Loss)/profit for the financial year		**(299,769)**	35,660	**(358,656)**	(422,641)
Other comprehensive (loss)/income:					
Items that may be subsequently reclassified to profit or loss					
Currency translation difference		**(145)**	901	**-**	-
Cash flow hedges		**(5,529)**	(156)	**(5,529)**	(156)
		(5,674)	745	**(5,529)**	(156)
Total comprehensive (loss)/income for the financial year		**(305,443)**	36,405	**(364,185)**	(422,797)
Total (loss)/profit for the financial year attributable to owners of the Company arising from:					
- Continuing operations		**(288,490)**	37,377	**(358,656)**	(422,641)
- Discontinuing operation		**(11,279)**	(1,717)	**-**	-
		(299,769)	35,660	**(358,656)**	(422,641)
Total other comprehensive (loss)/income for the financial year attributable to owners of the Company arising from:					
- Continuing operations		**(294,164)**	38,122	**(364,185)**	(422,797)
- Discontinuing operation		**(11,279)**	(1,717)	**-**	-
		(305,443)	36,405	**(364,185)**	(422,797)
Basic and diluted (loss)/earnings per share attributable to equity holders of the Company (sen)	15				
- from continuing operations		**(41.04)**	5.32		
- from discontinuing operation		**(1.60)**	(0.24)		
		(42.64)	5.08		

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 31.12.2019 RM'000	Group 31.12.2018 RM'000 (Restated)	Group 1.1.2018 RM'000 (Restated)	Company 31.12.2019 RM'000	Company 31.12.2018 RM'000 (Restated)	Company 1.1.2018 RM'000 (Restated)
ASSETS							
Non-current assets							
Property, plant and equipment	17	**1,295,432**	1,559,752	1,270,672	**2,249**	2,841	4,047
Right-of-use assets	18	**96,174**	190,214	194,900	**2,435**	3,270	4,105
Intangible assets	19	**630,759**	640,160	644,572	**3,661**	5,948	4,965
Investments in subsidiaries	20	**-**	-	-	**1,328,600**	1,666,272	2,057,406
Loans due from subsidiaries	21	**-**	-	-	**955,461**	1,019,033	618,058
Receivables	23	**301**	2,979	5,054	**-**	-	-
Derivative financial instruments	27	**-**	561	717	**-**	561	717
Amount due from a related company	25	**-**	1,372	4,245	**-**	-	-
Deferred tax assets	32	**-**	-	-	**69**	143	-
Lease receivables	22	**-**	-	-	**84,972**	86,072	86,800
		2,022,666	2,395,038	2,120,160	**2,377,447**	2,784,140	2,776,098
Current assets							
Inventories	24	**319,252**	679,046	732,242	**-**	-	-
Receivables	23	**290,272**	313,188	318,353	**887**	1,143	3,814
Tax recoverable		**9,738**	29,722	36,032	**-**	4,165	7,105
Amounts due from subsidiaries	25	**-**	-	-	**8,042**	25,101	25,984
Amounts due from other related companies	25	**6,846**	44,056	31,485	**143**	145	2,202
Amount due from ultimate holding company	25	**1,443**	702	605	**-**	-	-
Loans due from subsidiaries	21	**-**	-	-	**104,237**	64,956	153,130
Lease receivables	22	**-**	-	-	**2,167**	1,796	1,056
Derivative financial instruments	27	**2,466**	-	3,147	**-**	-	-
Deposits, cash and bank balances	28	**170,536**	191,563	170,527	**34,353**	116,398	41,617
		800,553	1,258,277	1,292,391	**149,829**	213,704	234,908
Assets held for sale	29	**157,547**	2,027	-	**-**	-	-
Total assets		**2,980,766**	3,655,342	3,412,551	**2,527,276**	2,997,844	3,011,006

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 31.12.2019 RM'000	Group 31.12.2018 RM'000 (Restated)	Group 1.1.2018 RM'000 (Restated)	Company 31.12.2019 RM'000	Company 31.12.2018 RM'000 (Restated)	Company 1.1.2018 RM'000 (Restated)
EQUITY AND LIABILITIES							
Capital and reserves							
Share capital	30	**718,255**	718,255	718,255	**718,255**	718,255	718,255
Reorganisation deficit	31	**(1,039,632)**	(1,039,632)	(1,039,632)	**-**	-	-
Merger relief reserve	31	**1,733,939**	1,733,939	1,733,939	**1,733,939**	1,733,939	1,733,939
Foreign exchange reserve	31	**1,835**	1,980	1,079	**-**	-	-
Cash flow hedge reserve	31	**(4,968)**	561	717	**(4,968)**	561	717
Retained earnings/ (accumulated losses)		**248,102**	547,871	512,211	**(772,240)**	(413,584)	9,057
Equity attributable to owners of the Company		**1,657,531**	1,962,974	1,926,569	**1,674,986**	2,039,171	2,461,968
Non-current liabilities							
Deferred tax liabilities	32	**51,062**	83,384	78,607	**-**	-	403
Borrowings	34	**605,153**	556,284	370,339	**605,153**	556,284	370,339
Lease liabilities	37	**4,469**	5,341	5,949	**1,231**	1,864	2,614
Derivatives financial liabilities	27	**4,968**	-	-	**4,968**	-	-
Payables	33	**-**	32	32	**-**	32	32
		665,652	645,041	454,927	**611,352**	558,180	373,388
Current liabilities							
Payables	33	**129,969**	262,148	193,106	**2,155**	2,778	4,965
Provision for taxation		**-**	-	-	**1,091**	-	-
Amounts due to subsidiaries	25	**-**	-	-	**680**	343	288
Loan due to a related company	26	**70,431**	30,365	108,826	**37,116**	-	-
Loan due to a subsidiary	26	**-**	-	-	**94,758**	72,394	129,843
Amounts due to other related companies	25	**2,059**	2,844	467	**61**	140	11
Amount due to FELDA	25	**50**	50	561	**-**	-	511
Amount due to ultimate holding company	25	**14,246**	9,213	505	**5,852**	4,678	2,783
Borrowings	34	**439,631**	740,461	725,912	**98,475**	319,254	36,185
Lease liabilities	37	**1,187**	1,616	1,678	**750**	906	1,064
Derivative financial liabilities	27	**10**	630	-	**-**	-	-
		657,583	1,047,327	1,031,055	**240,938**	400,493	175,650
Total liabilities		**1,323,235**	1,692,368	1,485,982	**852,290**	958,673	549,038
Total equity and liabilities		**2,980,766**	3,655,342	3,412,551	**2,527,276**	2,997,844	3,011,006

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Share capital (Note 30) RM'000	Reorgani-sation deficit (Note 31) RM'000	Merger relief reserve (Note 31) RM'000	Foreign exchange reserve (Note 31) RM'000	Cash flow hedge reserve (Note 31) RM'000	Retained earnings RM'000	Total RM'000
2019							
At 1 January, as previously stated	**718,255**	**(1,039,632)**	**1,733,939**	**1,980**	**561**	**547,607**	**1,962,710**
Effect of adoption of MFRS 16 (Note 41)	**-**	**-**	**-**	**-**	**-**	**264**	**264**
As restated	**718,255**	**(1,039,632)**	**1,733,939**	**1,980**	**561**	**547,871**	**1,962,974**
Loss for the financial year	**-**	**-**	**-**	**-**	**-**	**(299,769)**	**(299,769)**
Other comprehensive loss for the financial year, net of tax:							
Item that will be subsequently reclassified to profit or loss							
- currency translation differences	**-**	**-**	**-**	**(145)**	**-**	**-**	**(145)**
- cash flow hedges	**-**	**-**	**-**	**-**	**(5,529)**	**-**	**(5,529)**
Total comprehensive loss for the financial year	**-**	**-**	**-**	**(145)**	**(5,529)**	**(299,769)**	**(305,443)**
At 31 December 2019	**718,255**	**(1,039,632)**	**1,733,939**	**1,835**	**(4,968)**	**248,102**	**1,657,531**
2018							
At 1 January, as previously stated	718,255	(1,039,632)	1,733,939	1,079	717	512,001	1,926,359
Effects of adoption of MFRS 16 (Note 41)	-	-	-	-	-	210	210
As restated	718,255	(1,039,632)	1,733,939	1,079	717	512,211	1,926,569
Profit for the financial year	-	-	-	-	-	35,660	35,660
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)	35,660	36,405
At 31 December 2018	718,255	(1,039,632)	1,733,939	1,980	561	547,871	1,962,974

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Share capital (Note 30) RM'000	Non-distributable Merger relief reserve (Note 31) RM'000	Non-distributable Cash flow hedge reserve (Note 31) RM'000	Accumulated losses RM'000	Total RM'000
2019					
At 1 January, as previously stated	**718,255**	**1,733,939**	**561**	**(418,560)**	**2,034,195**
Effect of adoption of MFRS 16 (Note 41)	**-**	**-**	**-**	**4,976**	**4,976**
As restated	**718,255**	**1,733,939**	**561**	**(413,584)**	**2,039,171**
Loss for the financial year	**-**	**-**	**-**	**(358,656)**	**(358,656)**
Other comprehensive loss for the financial year, net of tax:					
Item that will be subsequently reclassified to profit or loss					
- cash flow hedges	**-**	**-**	**(5,529)**	**-**	**(5,529)**
Total comprehensive loss for the financial year	**-**	**-**	**(5,529)**	**(358,656)**	**(364,185)**
At 31 December 2019	**718,255**	**1,733,939**	**(4,968)**	**(772,240)**	**1,674,986**
2018					
At 1 January, as previously stated	718,255	1,733,939	717	5,649	2,458,560
Effect of adoption of MFRS 16 (Note 41)	-	-	-	3,408	3,408
As restated	718,255	1,733,939	717	9,057	2,461,968
Loss for the financial year	-	-	-	(422,641)	(422,641)
Other comprehensive loss for the financial year, net of tax:					
Item that will be subsequently reclassified to profit or loss					
- cash flow hedges	-	-	(156)	-	(156)
Total comprehensive loss for the financial year	-	-	(156)	(422,641)	(422,797)
At 31 December 2018	718,255	1,733,939	561	(413,584)	2,039,171

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss)/profit for the financial year from:				
- Continuing operations	**(288,490)**	37,377	**(358,656)**	(422,641)
- Discontinuing operations	**(11,279)**	(1,717)	**-**	-
	(299,769)	35,660	**(358,656)**	(422,641)
Adjustments for:				
Taxation	**(11,074)**	27,509	**1,373**	2,683
Depreciation of property, plant and equipment	**78,849**	52,091	**707**	791
Gain on disposal of property, plant and equipment	**-**	(26)	**-**	-
Depreciation of right-of-use asset	**3,643**	3,509	**835**	835
Loan modification costs recharged to a subsidiary	**-**	-	**(26,818)**	-
Intangible assets written off	**1,086**	-	**1,080**	-
Impairment of property, plant and equipment	**130,637**	1,390	**-**	-
Impairment of right-use-of assets	**7,968**	-	**-**	-
Property, plant and equipment written off	**1,444**	967	**264**	773
Impairment of intangible assets	**179**	-	**-**	-
Amortisation of intangible assets	**8,722**	6,880	**1,778**	1,485
Amortisation of advance payment	**1,508**	928	**-**	-
Unrealised (gain)/loss on sugar commodity options/sugar future contracts	**(2,388)**	630	**-**	-
Unrealised gain on foreign currency exchange translation	**(29)**	-	**-**	-
Asset held for sale written-off	**480**	-	**-**	-
Inventories written down to net realisable value	**49,432**	-	**-**	-
Dividend income	**-**	-	**(43,718)**	-
Interest income	**(4,032)**	(4,057)	**(60,366)**	(59,410)
Interest expense	**82,128**	38,508	**73,844**	43,722
Impairment loss of investment in a subsidiary	**-**	-	**437,672**	391,134
Impairment/(Reversal of impairment) of receivables and loans due from subsidiaries and related company	**4,583**	3,018	**(32,282)**	32,709
Inventories written off	**1,537**	7,631	**-**	-
Zakat	**14**	1,500	**-**	-
	54,918	176,138	**(4,287)**	(7,919)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000 (Restated)	Company 2019 RM'000	Company 2018 RM'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)					
Changes in working capital:					
Inventories		**308,693**	45,303	**-**	-
Receivables		**18,401**	9,742	**256**	2,934
Payables		**(138,879)**	70,914	**(655)**	(2,188)
Intercompany		**41,944**	1,680	**20,241**	4,509
Cash generated from/(used in) operations		**285,077**	303,777	**15,555**	(2,664)
Zakat paid		**(14)**	(1,500)	**-**	-
Tax paid		**(25,339)**	(12,222)	**(1,965)**	(289)
Tax refunded		**31,920**	114	**5,922**	-
Operating cash generated from/(used in) continuing operations		**291,644**	290,169	**19,512**	(2,953)
Operating cash generated from/(used in) discontinuing operation	16(iii)	**13,920**	(2,476)	**-**	-
Net cash generated from/(used in) operating activities		**305,564**	287,693	**19,512**	(2,953)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	36	**(25,409)**	(321,916)	**(379)**	(358)
Purchase of intangible assets		**(586)**	(2,468)	**(571)**	(2,468)
Proceeds from disposal of property, plant and equipment		**-**	28	**-**	-
Interest received		**4,032**	3,793	**5,589**	8,648
Dividend received		**-**	-	**43,718**	-
Loans to subsidiaries		**-**	-	**(73,110)**	(371,579)
Repayment of loan by subsidiaries		**-**	-	**108,463**	75,500
Proceeds from lease receivables		**-**	-	**1,796**	1,056
Investing cash (used in)/generated from continuing operations		**(21,963)**	(320,563)	**85,506**	(289,201)
Investing cash used in discontinuing operation	16(iii)	**(1,462)**	(5,658)	**-**	-
Net cash (used in)/generated from investing activities		**(23,425)**	(326,221)	**85,506**	(289,201)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of loan due to a related company		**103,000**	-	**88,000**	-
Repayment of loan due to a related company		**(63,000)**	(78,495)	**(51,000)**	-
Drawdown of loan due to a subsidiary		**-**	-	**21,300**	-
Repayment of loan due to a subsidiary		**-**	-	**-**	(58,480)
Drawdown of borrowings		**1,408,338**	2,277,832	**-**	542,540
Repayment of borrowings		**(1,678,676)**	(2,080,137)	**(191,400)**	(73,750)
Principal payment of lease liability		**(1,301)**	(1,315)	**(789)**	(908)
Interest payment of lease liability		**(315)**	(363)	**(117)**	(157)
Interest paid		**(67,222)**	(58,368)	**(49,239)**	(42,310)
Arrangement fees paid for loan modification		**(3,818)**	-	**(3,818)**	-
Changes in restricted cash		**75,768**	(77,603)	**75,768**	(77,603)
Net cash (used in)/generated from financing activities		**(227,226)**	(18,449)	**(111,295)**	289,332
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENT		**54,913**	(56,977)	**(6,277)**	(2,822)
Effect of foreign exchange rate changes		**(172)**	410	**-**	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR		**98,220**	154,787	**23,055**	25,877
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	28	**152,961**	98,220	**16,778**	23,055

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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	Lease additions RM'000	At 31 December RM'000
2019						
Islamic term loan	**683,221**	**-**	**(111,646)**	**60,144**	**-**	**631,719**
Term loan	**192,317**	**-**	**(129,442)**	**9,034**	**-**	**71,909**
Bankers' acceptance	**421,207**	**1,408,338**	**(1,505,682)**	**17,293**	**-**	**341,156**
Revolving credit	**-**	**-**	**-**	**-**	**-**	**-**
	1,296,745	**1,408,338**	**(1,746,770)**	**86,471**	**-**	**1,044,784**
Loan due to a related company	**30,365**	**103,000**	**(65,946)**	**3,012**	**-**	**70,431**
Lease liabilities	**6,957**	**-**	**(1,616)**	**315**	**-**	**5,656**
	1,334,067	**1,511,338**	**(1,814,332)**	**89,798**	**-**	**1,120,871**
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
Lease liabilities	7,627	-	(1,678)	363	645	6,957
	1,212,704	2,277,832	(2,218,678)	61,564	645	1,334,067

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
2019					
Islamic term loan	**683,221**	**-**	**(111,646)**	**60,144**	**631,719**
Term loan	**192,317**	**-**	**(129,442)**	**9,034**	**71,909**
Loan due to a related company	**-**	**88,000**	**(51,993)**	**1,109**	**37,116**
Loan due to a subsidiary	**72,394**	**21,300**	**(2,376)**	**3,440**	**94,758**
Lease liabilities	**2,770**	**-**	**(906)**	**117**	**1,981**
	950,702	**109,300**	**(296,363)**	**73,844**	**837,483**
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
Lease liabilities	3,678	-	(1,065)	157	2,770
	540,045	542,540	(175,605)	43,722	950,702

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 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 ("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 Company incurred a net loss of RM358,656,000 during the financial year ended 31 December 2019 (2018: RM422,641,000). At the date, the Company had a net current liabilities position of RM91,109,000 (2018: RM186,789,000). The Company 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 as disclosed in Note 4(a) in the financial statements. Based on this, the Directors are of the view that the Company will have sufficient cash flows to meet the Company's obligations for the next twelve months from the date of the financial statements. Accordingly, the Directors consider that it is appropriate to prepare the financial statements of the Company on a going concern basis.

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 judgement in the process of applying the Group and Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(i) Accounting pronouncements that are effective and have been adopted by the Group and Company as at 1 January 2019:

- MFRS 16 'Leases'
- 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 112 'Income Taxes'
- Annual Improvements to MFRS 123 'Borrowing Costs'

Other than adoption of MFRS 16, the adoption of other pronouncements did not have significant impact on the financial statements of the Group and Company. The details of the adoption of MFRS 16 are disclosed in Note 41.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 BASIS OF PREPARATION (CONTINUED)

(ii) Accounting pronouncements that are not yet effective and have not been early adopted by the Group and Company:

Effective for annual periods beginning on or after 1 January 2020 with earlier application permitted

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:

- The Conceptual Framework for Financial Reporting
- Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Material
- Amendments to MFRS 3 'Definition of a Business'

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.

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)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation and investment in subsidiaries (continued)

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(f)).

(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 transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes 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.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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:

Intangible assets	**Estimated useful lives**
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 assets

Classification

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

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 three 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) FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are recognised in profit or loss and impairment expenses are presented as separate line item in profit or loss.

(iii) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Impairment

(a) Impairment for debt instruments

The Group and Company assess on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and Company's financial instruments that are subject to the ECL model are as follows:

- Receivables (excluding advance payments, prepayments and GST receivables)
- Lease receivable
- Loans and amounts due from subsidiaries/other related companies/ultimate holding company
- Financial assets at fair value through other comprehensive income

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 and Company measure ECL through loss allowance at an amount equal to 12 months 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 Company applies MFRS 9 general 3 stage approach to measure ECL which uses a lifetime expected loss allowance for lease receivables carried at amortised cost. The ECL rates is based on the probability of recovery of the receivable within one year or more than a year. Based on management assessment, there is no additional loss allowance identified for lease receivables.

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 and Company apply 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Impairment (continued)

(d) Groupings of instruments for ECL measurement

(i) Collective assessment

To measure ECL, trade receivables and contract assets arising from the Group have been grouped based on the days past due and shared credit risk characteristics as follows:

(i) Geographical region of customers
(ii) Customer division
(iii) Related company and external customers
(iv) Other shared credit risks

The contract assets relate to amounts due from customers on contracts and unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(ii) 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.

(f) Subsidiaries

An impairment loss is recognised for the amount by which the carrying amount of the subsidiary, joint venture or associate exceeds its recoverable amount. The recoverable amount is higher of an asset's fair value less costs of disposal and value-in-use. Any subsequent increase in recoverable amount is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) 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/losses, net. Net gains or losses on derivatives include exchange differences.

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 capitalisation 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.

(h) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

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.

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**
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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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, liquid sugar, sugar premix, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

- 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 previous financial 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.

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).

(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.

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

Dividends 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 statements are authorised for issue, is not recognised as a liability at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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

The Group and Company as a lessee

Leases are recognised as a right-of-use ("ROU") asset and a corresponding liability at the date at which the leased asset is available for use by the Group and Company.

(a) ROU assets

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- decommissioning or restoration costs.

The ROU asset is depreciated over the shorter of the right-of-use asset's useful life and the lease term on a straight-line basis, as follows:

ROU assets	Estimated useful lives
Leasehold land	66 to 99 years
Buildings	3 to 60 years

The ROU assets are adjusted for certain remeasurement of the lease liability.

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.

(b) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date, if any;
- Amounts expected to be payable by the Group under residual value guarantees;
- The exercise price of a purchase and extension options if the group is reasonably certain to exercise that option, if any; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option, if any.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (continued)

The Group and Company as a lessee (continued)

(b) Lease liabilities (continued)

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between the liability and finance cost. 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.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the finance cost in the statement of profit or loss.

(c) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (d) below).

(d) Reassessment of lease liabilities

The Group initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period.

(e) Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less, which cost less than RM20,000 each if purchased new. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

The Group and Company do not separate any non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (continued)

The Group and Company as a lessor

As a lessor, the Company determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Finance leases

The Company classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Company derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment. In addition, the Company reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Company revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(b) Sublease classification

When the Company is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is short-term lease, then it classifies the sublease as an operating lease.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 Group Chief Executive Officer.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. A disposal group that is to be abandoned may also qualify.

Results from operations qualifying as discontinued operations are presented separately as a single amount on profit or loss. Results from operations qualifying as discontinued operations as of the balance sheet date for the latest period presented, that have previously been presented as results from continuing operations, are represented as results from discontinued operations for all periods presented.

In case conditions for classification of non-current assets and disposal groups as held for sale are no longer met, classification as held for sale ceases. Accordingly, results of operations, previously presented in discontinued operations, are reclassified and included in result from continuing operations for all periods presented. Non-current assets that ceases to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Derivative financial instruments and hedging activities (continued)

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 27 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.

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 31.12.2019, a 10% 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 RM2,992,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(i) Foreign currency exchange risk (continued)

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.

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.

(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 loss after tax and equity would increase or decrease by RM4,803,000 (2018: profit after tax and equity would decrease or increase by RM5,301,000).

(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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financial assets				
At fixed rate:				
Fixed deposits	**143,652**	148,786	**29,282**	115,071
At floating rate (exposed to cash flow finance rate risk):				
Loans to subsidiaries	**-**	-	**1,059,698**	1,083,989
	143,652	148,786	**1,088,980**	1,199,060

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Financial liabilities				
At fixed rate:				
Loan due to a related company	**70,431**	30,365	**37,116**	-
Borrowings	**341,156**	421,207	**-**	-
	411,587	451,572	**37,116**	-
At floating rate (exposed to cash flow finance rate risk):				
Borrowings	**703,628**	875,538	**703,628**	875,538
Loan due to a subsidiary	**-**	-	**94,758**	72,394
	703,628	875,538	**798,386**	947,932
	1,115,215	1,327,110	**835,502**	947,932

If finance rates on its floating rate financial liabilities increased/decreased by 10 basis points with all other variables held constant, the loss after tax of the Group will decrease/increase by RM535,000 (2018: profit after tax of the Group will decrease/increase by RM665,000).

If finance rates on its floating rate financial liabilities increased/decreased by 10 basis points with all other variables held constant, the loss after tax of the Company will decrease/increase by RM607,000 (2018: loss after tax of the Company will decrease/increase by RM720,000).

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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

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.

(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, lease receivable, 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 months 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (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 2019, the Group has no undrawn committed borrowing facilities (2018: RM Nil).

As disclosed in Note 34 to the financial statements, the Company had revised its payment terms and financial covenants in respect of its Islamic term loan during the financial year ended 31 December 2019. Based on the revised term sheet, the revised financial covenants shall be computed based on the Group's consolidated annual audited financial statements for the financial year ending 31 December 2020 onwards.

The Company is also assessing various possibilities to negotiate the terms of the Islamic term loan with its lenders following the announcement by the Government of Malaysia on the moratorium repayment period in view of the Covid-19 pandemic, if necessary.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

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 RM143,652,000 (2018: RM148,786,000) and other liquid assets of RM26,884,000 (2018: RM42,777,000) that are expected to readily generate cash inflows for managing liquidity risk. At the reporting date, the Company held cash investments of RM29,282,000 (2018: RM115,071,000) and other liquid assets of RM5,071,000 (2018: RM1,327,000) 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 2019					
Payables	**129,457**	**-**	**-**	**-**	**129,457**
Loan due to a related company	**70,431**	**-**	**-**	**-**	**70,431**
Amounts due to other related companies	**2,059**	**-**	**-**	**-**	**2,059**
Amount due to FELDA	**50**	**-**	**-**	**-**	**50**
Amount due to ultimate holding company	**14,246**	**-**	**-**	**-**	**14,246**
Borrowings	**477,789**	**66,787**	**259,161**	**423,857**	**1,227,594**
Lease liabilities	**1,210**	**1,052**	**1,243**	**5,961**	**9,466**
Total undiscounted financial liabilities	**695,242**	**67,839**	**260,404**	**429,818**	**1,453,303**
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
Lease liabilities	1,617	1,210	2,090	6,168	11,085
Total undiscounted financial liabilities	1,048,994	193,097	531,063	88,617	1,861,771

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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 31 December 2019					
Payables	**2,155**	**-**	**-**	**-**	**2,155**
Amounts due to subsidiaries	**680**	**-**	**-**	**-**	**680**
Amounts due to other related companies	**61**	**-**	**-**	**-**	**61**
Amount due to ultimate holding company	**5,852**	**-**	**-**	**-**	**5,852**
Loan due to a subsidiary	**94,758**	**-**	**-**	**-**	**94,758**
Loan due to a related company	**37,116**	**-**	**-**	**-**	**37,116**
Borrowings	**136,633**	**66,787**	**259,161**	**423,857**	**886,438**
Lease liabilities	**750**	**750**	**625**	**-**	**2,125**
Total undiscounted financial liabilities	**278,005**	**67,537**	**259,786**	**423,857**	**1,029,185**
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
Lease liability	907	750	1,375	-	3,032
Total undiscounted financial liabilities	436,395	153,484	421,671	49,559	1,061,109

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 2019 and 31 December 2018.

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), lease liabilities and loan due to a related company less deposits, cash and bank balances. 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	
	2019	**2018**	**2019**	**2018**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net debt	**950,335**	1,142,504	**803,130**	834,304
Equity attributable to owners of the Company	**1,657,531**	1,962,974	**1,674,986**	2,039,171
Total capital	**2,607,866**	3,105,478	**2,478,116**	2,873,475
Gearing ratio	**36%**	37%	**32%**	29%

The increase in the Company's gearing ratio in 2019 is due to reduction in equity as a result of loss in current year.

(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).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2019 and 31 December 2018:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group - Assets				
As at 31 December 2019				
Financial assets at fair value through profit or loss				
Derivatives				
- Sugar futures contracts	**2,388**	**2,388**	**-**	**-**
- Foreign exchange forward contract	**78**	**-**	**78**	**-**
As at 31 December 2018				
Derivatives used for hedging:				
- Islamic profit rate swap	561	-	561	-
Group - Liabilities				
As at 31 December 2019				
Financial assets at fair value through profit or loss:				
Derivatives				
- Foreign exchange forward contract	**(10)**	**-**	**(10)**	**-**
Derivatives used for hedging:				
- Islamic profit rate swap	**(4,968)**	**-**	**(4,968)**	**-**
As at 31 December 2018				
Financial assets at fair value through profit or loss:				
Derivatives				
- Sugar commodity options	(630)	-	(630)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Company - Assets				
As at 31 December 2019				
Derivatives used for hedging:				
- Islamic profit rate swap	**(4,968)**	**-**	**(4,968)**	**-**
As at 31 December 2018				
Derivatives used for hedging:				
- Islamic profit rate swap	561	-	561	-

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements 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 judgement in terms of assessing future uncertain parameters such as selling price, raw sugar price, sales volume and terminal value growth rate. These judgements 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.

Impairment of non-financial assets

The Group and Company assesses whether there is any indication that non-financial assets are impaired at the end of each reporting period and tests non-financial assets for impairment if such indication exists.

Impairment is measured by comparing the carrying amount of a cash generating unit with its recoverable amount. The recoverable amount is measured at the higher of the fair value less costs to sell for that asset and its value in use. The value in use is the net present value of the projected future cash flows derived from that asset discounted at an appropriate discount rate. Projected future cash flows are calculated based on historical and industry trends, general market and economic conditions and other available information. Changes to any of these assumptions would affect the determination of value in use.

Refer to Note 17 to the financial statements for the details of the impairment assessment carried out by management on the Group's property, plant and equipment, ROU assets and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 REVENUE – CONTINUING OPERATIONS

The Group and Company derive the following types of revenue:

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Revenue from contract with customers	**2,006,911**	2,214,376	**14,102**	11,610
Revenue from other sources	**-**	-	**131,290**	59,781
	2,006,911	2,214,376	**145,392**	71,391
Disaggregation of revenue from contracts with customers:				
<u>Revenue from contract with customers</u>				
Management fee income	**-**	-	**14,102**	11,610
Sales of goods (refined sugar and molasses)	**2,006,149**	2,213,236	**-**	-
Rendering of services (transportation services)	**762**	1,140	**-**	-
	2,006,911	2,214,376	**14,102**	11,610
<u>Revenue from other sources</u>				
Interest income	**-**	-	**60,366**	59,410
Dividend income	**-**	-	**43,718**	-
Others*	**-**	-	**27,206**	371
	-	-	**131,290**	59,781
	2,006,911	2,214,376	**145,392**	71,391
Timing of revenue recognition				
- at a point of time	**2,006,149**	2,213,236	**-**	-
- over time	**762**	1,140	**14,102**	11,610
	2,006,911	2,214,376	**14,102**	11,610

* Others comprise of loan modification costs recharged to a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

6 REVENUE – CONTINUING OPERATIONS (CONTINUED)

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied) as at 31 December:

	Group	
	2019 RM'000	2018 RM'000
Sales of goods	**12,410**	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 RM12,409,529 (2018: RM14,265,752) as revenue in 2020 (2018: 2019).

7 OTHER OPERATING INCOME – CONTINUING OPERATIONS

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Rental income	**71**	80	**-**	-
Income from sale of scrap	**235**	518	**-**	-
Gain on disposal of property, plant and equipment	**-**	26	**-**	-
Unrealised gains on foreign currency exchange translation	**29**	-	**-**	-
Realised gains on foreign currency exchange translation	**357**	240	**-**	-
Insurance claims	**44**	315	**-**	-
Others	**1,107**	222	**16**	9
	1,843	1,401	**16**	9

8 IMPAIRMENT OF RECEIVABLES/(REVERSAL OF IMPAIRMENT OF RECEIVABLES) – CONTINUING OPERATIONS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Impairment loss on receivables (Note 23)	**729**	3,018	**-**	-
Impairment loss on amount due from subsidiaries (Note 25)	**-**	-	**8**	-
Impairment loss on amount due from related company (Note 25)	**3,854**	-	**-**	-
(Reversal of impairment)/impairment loss on loans due from subsidiaries (Note 21)	**-**	-	**(32,290)**	32,709
	4,583	3,018	**(32,282)**	32,709

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

9 OTHER GAINS/(LOSSES) – NET – CONTINUING OPERATIONS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unrealised fair value gains/(losses) - net				
- Sugar futures contract	**2,388**	-	**-**	-
- Sugar commodity options	**-**	(630)	**-**	-
- Foreign currency exchange forward contracts	**68**	-	**-**	-
	2,456	(630)	**-**	-
Realised fair value (losses)/gains - net				
- Foreign currency exchange forward contracts	**(133)**	890	**-**	-
- Sugar futures contract	**2,676**	(3,147)	**-**	-
	4,999	(2,887)	**-**	-

10 FINANCE INCOME AND COSTS – CONTINUING OPERATIONS

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Finance income:				
Interest income	**4,032**	4,057	**-**	-
Finance costs:				
Interest on:				
- bankers' acceptances	**(17,293)**	(19,481)	**-**	-
- term loans*	**(69,178)**	(39,831)	**(69,178)**	(39,831)
- loan due to a related company	**(3,012)**	(1,889)	**(1,109)**	-
- loan due to a subsidiary	**-**	-	**(3,440)**	(3,734)
- lease liabilities	**(315)**	(363)	**(117)**	(157)
	(89,798)	(61,564)	**(73,844)**	(43,722)
Amount capitalised on qualifying assets				
- property, plant and equipment (Note 17)	**7,670**	23,056	**-**	-
	(82,128)	(38,508)	**(73,844)**	(43,722)

* Term loan finance costs for the Group and Company includes loan modification costs of RM26,818,000 (2018: nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION – CONTINUING OPERATIONS

(Loss)/Profit before zakat and taxation is stated after charging/(crediting):

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Cost of raw sugar consumed	**1,293,728**	1,715,686	**-**	-
Changes in inventories of work in progress, refined sugar and molasses	**359,794**	53,196	**-**	-
Inventories written off	**1,537**	7,631	**-**	-
Inventories written down to net realisable value	**49,432**	-	**-**	-
Distribution and transport expenses	**25,272**	20,035	**-**	-
Natural gas and fuel consumed	**154,003**	93,277	**-**	-
Property, plant and equipment				
- Depreciation	**78,849**	52,091	**707**	791
- Write offs	**1,444**	967	**264**	773
- Gain on disposal of property, plant and equipment	**-**	(26)	**-**	-
- Impairment loss	**130,637**	1,390	**-**	-
Right-of-use assets				
- Depreciation	**3,643**	3,509	**835**	835
- Impairment loss	**7,968**	-	**-**	-
Intangible assets				
- Amortisation	**8,722**	6,880	**1,778**	1,485
- Impairment loss	**179**	-	**-**	-
- Write offs	**1,086**	-	**1,080**	-
Amortisation of advance payment	**1,508**	928	**-**	-
Assets held for sale written off	**480**	-	**-**	-
Loan modification charge	**26,818**	-	**26,818**	-
Principal auditors' remuneration				
- Audit fee – current year	**552**	521	**161**	176
- Audit fee – prior year	**7**	-	**7**	-
- Other assurance services	**284**	284	**284**	284
Other auditors' remuneration				
- Audit fee	**19**	-	**-**	-
Repair and maintenance	**49,393**	40,845	**1,318**	3,237
Tyre expenses	**497**	515	**-**	-
Diesel and fuel	**2,303**	2,134	**-**	-
Staff costs*	**77,953**	79,312	**10,494**	11,511
Rental expenses for short term leases and low value assets	**4,702**	5,639	**20**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

11 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION – CONTINUING OPERATIONS (CONTINUED)

(Loss)/Profit before zakat and taxation is stated after charging/(crediting): (continued)

* Staff costs (excluding Directors' remuneration) are analysed as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages, salaries and bonuses	**57,000**	60,829	**7,321**	7,847
Defined contribution plan	**8,824**	9,462	**1,416**	1,891
Other employee benefits	**12,129**	9,021	**1,757**	1,773
	77,953	79,312	**10,494**	11,511

12 DIRECTORS' REMUNERATION – CONTINUING OPERATIONS

2019	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	**579**	**-**	**579**
- Non-Independent Non-Executive	**564**	**-**	**564**
	1,143	**-**	**1,143**
Meeting allowances:			
- Independent Non-Executive	**152**	**-**	**152**
- Non-Independent Non-Executive	**70**	**-**	**70**
	222	**-**	**222**
Salaries, bonuses and allowances:			
- Executive Director	**303**	**-**	**303**
Benefits in kind:			
- Independent Non-Executive Director	**90**	**-**	**90**
- Non-Independent Non-Executive	**12**	**-**	**12**
- Executive Director	**2**	**-**	**2**
	104	**-**	**104**
Other benefits:			
- Independent Non-Executive	**52**	**-**	**52**
- Non-Independent Non-Executive	**2**	**-**	**2**
- Executive Director	**1**	**-**	**1**
	55	**-**	**55**
	1,827	**-**	**1,827**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

12 DIRECTORS' REMUNERATION – CONTINUING OPERATIONS (CONTINUED)

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
Benefits 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

13 ZAKAT – CONTINIUING OPERATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Movement in zakat liability:				
At beginning of financial year	**-**	-	**-**	-
Current financial year's zakat expense	**14**	1,500	**-**	-
Zakat paid	**(14)**	(1,500)	**-**	-
At the end of financial year	**-**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

14 TAXATION – CONTINUING OPERATIONS

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Current tax	**14,579**	15,715	**3,057**	2,148
Under/(over) accrual in prior financial year	**(1,176)**	2,703	**(1,758)**	1,081
	13,403	18,418	**1,299**	3,229
Deferred tax (Note 32)	**(24,477)**	9,091	**74**	(546)
	(11,074)	27,509	**1,373**	2,683

The numerical reconciliation of the relationship between taxation and (loss)/profit before taxation after zakat is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
(Loss)/Profit before taxation after zakat	**(299,564)**	64,886	**(357,283)**	(419,958)
Tax at Malaysian tax rate of 24% (2018: 24%)	**(71,895)**	15,573	**(85,748)**	(100,790)
Tax effects of:				
- expenses not deductible for tax purposes	**10,582**	10,290	**104,416**	105,901
- income not subject to tax	**(126)**	(1,057)	**(15,791)**	(3,134)
- under/(over) accrual in prior financial year	**(1,176)**	2,703	**(1,758)**	1,081
- temporary differences not recognised	**50,943**	-	**-**	-
- temporary differences in respect of prior years	**598**	-	**254**	(375)
	(11,074)	27,509	**1,373**	2,683

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

15 (LOSS)/EARNINGS PER SHARE

	Group	
	2019 RM'000	2018 RM'000
Continuing operations		
(Loss)/Profit for the financial year attributable to owners of the Company	**(288,490)**	37,377
Weighted average number of ordinary shares in issue ('000)	**702,980**	702,980
Basic and diluted (loss)/earnings per share (sen)	**(41.04)**	5.32

	Group	
	2019 RM'000	2018 RM'000
Discontinuing operations		
Loss for the financial year attributable to owners of the Company	**(11,279)**	(1,717)
Weighted average number of ordinary shares in issue ('000)	**702,980**	702,980
Basic and diluted loss per share (sen)	**(1.60)**	(0.24)

There is no diluted earnings per share as there is no potential dilutive ordinary shares in issue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

16 LOSS FROM DISCONTINUING OPERATION

(i) Pursuant to the Group's portfolio review during the financial year, after analysing the market outlook, competitive intensity and the attractiveness of the industry, the Board had strategically decided to exit its non core business, i.e. the rubber, oil palm and mango business. The Group therefore presents and discloses in its financial statements the financial effects of discontinuing operations in accordance to MFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations'.

(ii) Analysis of the profit and loss of discontinuing operation is as follows:

	2019 RM'000	2018 RM'000
Revenue	**884**	1,089
Cost of sales	**(3,303)**	(1,581)
Gross loss	**(2,419)**	(492)
Other operating income	**109**	438
Administrative expenses	**(1,113)**	(1,292)
Other operating expenses	**(15,701)**	(4,685)
Loss before taxation	**(19,124)**	(6,031)
Taxation – deferred tax (Note 32)	**7,845**	4,314
Loss from discontinuing operation	**(11,279)**	(1,717)

(iii) Analysis of the cash flows of discontinuing operation is as follows:

	2019 RM'000	2018 RM'000
Operating cash flows	**13,920**	(2,476)
Investing cash flows	**(1,462)**	(5,658)
Total cash inflow/(outflow)	**12,458**	(8,134)

(iv) Loss before taxation from discontinuing operation is stated after charging/(crediting):

	2019 RM'000	2018 RM'000
Impairment of assets held for sale	**1,762**	-
Depreciation of property, plant and equipment	**860**	749
Depreciation of right-of-use assets	**891**	1,822
Gain on disposal of property, plant and equipment	**-**	(5)
Repair and maintenance	**294**	552
Staff costs	**3,261**	3,106
Severance cost	**6,500**	-
Legal fees	**660**	-
Land assessment charges	**4,140**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land RM'000	Freehold 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 plants – Oil Palm, Rubber and Mango RM'000	Total RM'000
2019								
Cost								
At 1 January 2019	207,979	6,486	303,197	777,993	97,138	923,763	71,443	2,387,999
Effects of adoption of MFRS 16 (Note 41)	(207,979)	-	-	-	-	-	-	(207,979)
At 1 January 2019, as restated	-	6,486	303,197	777,993	97,138	923,763	71,443	2,180,020
Additions	-	-	73	1,351	1,012	19,129	2,129	23,694
Write-offs	-	-	(3,224)	(41)	(66)	(358)	-	(3,689)
Transfer to Assets Held for Sale (Note 29)	-	-	(7,530)	(1,621)	(2,958)	-	(73,572)	(85,681)
Reclassifications	-	-	186,888	733,533	2,342	(922,763)	-	-
At 31 December 2019	-	6,486	479,404	1,511,215	97,468	19,771	-	2,114,344
Accumulated depreciation								
At 1 January 2019	25,362	-	104,555	458,110	55,604	-	506	644,137
Effects of adoption of MFRS 16 (Note 41)	(25,362)	-	-	-	-	-	-	(25,362)
At 1 January 2019, as restated	-	-	104,555	458,110	55,604	-	506	618,775
Charge for the financial year	-	-	11,572	60,177	7,355	-	605	79,709
Write-offs	-	-	(2,166)	(39)	(40)	-	-	(2,245)
Transfer to Assets Held for Sale (Note 29)	-	-	(4,278)	(1,397)	(2,568)	-	(1,111)	(9,354)
At 31 December 2019	-	-	109,683	516,851	60,351	-	-	686,885

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land RM'000	Freehold 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 plants – Oil Palm, Rubber and Mango RM'000	Total RM'000
2019								
Accumulated impairment								
At 1 January 2019	-	-	1,321	43	129	-	-	1,493
Transfer to Assets Held for Sale (Note 29)	-	-	-	(43)	(60)	-	-	(103)
Impairment loss	-	-	19,168	108,197	1,811	1,461	-	130,637
At 31 December 2019	-	-	20,489	108,197	1,880	1,461	-	132,027
Net book value								
At 31 December 2019	-	6,486	349,232	886,167	35,237	18,310	-	1,295,432

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land RM'000	Freehold 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 plants – Oil Palm, Rubber and Mango RM'000	Total RM'000
2018								
Cost								
At 1 January 2018*	207,979	6,486	182,560	694,480	69,587	821,373	63,291	2,045,756
Effect of adoption of MFRS 16 (Note 41)	(207,979)	-	-	-	-	-	-	(207,979)
At 1 January 2018, as restated	-	6,486	182,560	694,480	69,587	821,373	63,291	1,837,777
Additions	-	-	-	2,909	1,371	335,264	8,152	347,696
Disposals	-	-	-	-	(77)	-	-	(77)
Write-offs	-	-	(21)	(705)	(271)	(815)		(1,812)
Transfer to Assets Held for Sale (Note 29)	-	-	(3,394)	-	(170)	-	-	(3,564)
Reclassifications	-	-	124,052	81,309	26,698	(232,059)	-	-
At 31.12.2018	-	6,486	303,197	777,993	97,138	923,763	71,443	2,180,020
Accumulated depreciation								
At 1 January 2018*	21,369	-	98,000	419,664	49,065	-	273	588,371
Effect of adoption of MFRS 16 (Note 41)	(21,369)	-	-	-	-	-	-	(21,369)
At 1 January, as restated	-	-	98,000	419,664	49,065	-	273	567,002
Charge for the financial year	-	-	6,664	39,059	6,884	-	233	52,840
Disposals	-	-	-		(75)	-	-	(75)
Write-offs	-	-	-	(613)	(232)	-	-	(845)
Transfer to Assets Held for Sale (Note 29)	-	-	(109)	-	(38)	-	-	(147)
At 31 December 2018	-	-	104,555	458,110	55,604	-	506	618,775

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold land RM'000	Freehold 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 plants – Oil Palm, Rubber and Mango RM'000	Total RM'000
Accumulated impairment								
At 1 January 2018	-	-	-	43	60	-	-	103
Impairment loss – Transfer to Assets Held for Sale (Note 29)	-	-	1,321	-	69	-	-	1,390
At 31 December 2018	-	-	1,321	43	129	-	-	1,493
Net book value								
At 31 December 2018	-	6,486	197,321	319,840	41,405	923,763	70,937	1,559,752
Net book value								
At 1 January 2018, as restated	-	6,486	84,560	274,773	20,462	821,373	63,018	1,270,672

* Certain comparative figures as at 1 January 2018 has been reclassified between asset categories. These reclassifications do not have an impact to the net book value of property, plant and equipment.

Included in the Group's assets under construction during the financial year are finance costs capitalised amounting to RM7,670,000 (2018: RM23,056,000) (Note 10) applying a capitalisation rate of 5.34% (2018: 4.91%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
31.12.2019									
Cost									
At 1 January 2019	1,608	22,219	676	24,503	-	46,773	167	46,940	71,443
Additions	-	-	-	-	-	2,099	30	2,129	2,129
Reclassification to:									
- Asset held for sale	(1,608)	(22,219)	(676)	(24,503)	-	(48,872)	(197)	(49,069)	(73,572)
At 31 December 2019	-	-	-	-	-	-	-	-	-
Accumulated depreciation									
At 1 January 2019	293	170	43	506	-	-	-	-	506
Charge for the financial year	36	555	14	605	-	-	-	-	605
Reclassification to:									
- Asset held for sale	(329)	(725)	(57)	(1,111)	-	-	-	-	(1,111)
At 31 December 2019	-	-	-	-	-	-	-	-	-
Net book value									
At 31 December 2019	-	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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
31.12.2018									
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):	-	21,342	279	21,621	-	(21,342)	(279)	(21,621)	-
- mature									
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	15	273	-	-	-	-	273
Charge for the financial year	74	131	28	233	-	-	-	-	233
At 31 December 2018	293	170	43	506	-	-	-	-	506
Net book value									
At 31 December 2018	1,315	22,049	633	23,997	-	46,773	167	46,940	70,937
At 1 January 2018	1,389	838	382	2,609	-	60,042	367	60,409	63,018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment assessment

The Group has embarked on a plan to rationalise the capacity of its three refinery plants to address the sugar production capacity incurred during the year. Accordingly, the Directors of the Company has resolved to cease the operations of the sugar refinery of a subsidiary from July 2020. Consequently, management performed an impairment assessment on the Group's property, plant and equipment ("PPE") (Note 17), right-of-use ("ROU") assets (Note 18) and intangible assets (Note 19). As a consequence of the assessment, an impairment of RM138.8 million was recorded for the financial year ended 31 December 2019.

Management has assessed the recoverable amount of the cash-generating unit ("CGU") based on discounted cash flow analysis to determine its value in use. For the purpose of the assessment, management determined the entire non-monetary assets of a subsidiary as one CGU as this was the smallest identifiable unit which generates independent cash flows of the subsidiary, with the exception of the factory land as it is able to generate independent cash flows. Cash flows for the non-monetary assets were projected based on past experience and management's expectations of 6 months only which is the remaining operation period of the factory division of the subsidiary. As for the recoverable amount of the factory land, the value assessed was based on the recent sales value of land located in the same vicinity as the factory land.

Projected future cash flows are based on Group's judgement in terms of assessing future uncertain parameters such as selling price, raw sugar price, sales volume and terminal value growth rate. These judgements are based on the historical track record and expectations of future events that are believed to be reasonable under current circumstances.

The pre-tax discount rate used for the discounted cash flow analysis is 9%.

Based on management's assessment, the recoverable amount of approximately nil was lower than the carrying amount of the CGU of the raw sugar refining division of the subsidiary, and the shortfall had been applied to all non-monetary assets and an impairment loss of RM130,637,000, RM7,968,000 and RM179,000 had been recognised for property, plant and equipment, ROU assets and intangible assets respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Furniture fittings, equipment, and motor vehicles RM'000	Total RM'000
2019			
Cost			
At 1 January 2019, as previously stated	88,952	5,308	94,260
Effects of adoption of MFRS 16 (Note 41)	(88,952)	-	(88,952)
At 1 January 2019, as restated	-	5,308	5,308
Additions	-	379	379
Write-offs	-	(264)	(264)
At 31 December 2019	-	5,423	5,423
Accumulated depreciation			
At 1 January 2019, as previously stated	5,560	2,467	8,027
Effects of adoption of MFRS 16 (Note 41)	(5,560)	-	(5,560)
At 1 January 2019, as restated	-	2,467	2,467
Charge for the financial year	-	707	707
At 31 December 2019	-	3,174	3,174
Net book value			
At 31 December 2019	-	2,249	2,249

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Furniture fittings, equipment, and motor vehicles RM'000	Total RM'000
2018			
Cost			
At 1 January 2018, as previously stated	88,952	5,784	94,736
Effects of adoption of MFRS 16 (Note 41)	(88,952)	-	(88,952)
At 1 January 2018, as restated	-	5,784	5,784
Additions	-	358	358
Disposals	-	(56)	(56)
Write-offs	-	(778)	(778)
At 31 December 2018	-	5,308	5,308
Accumulated depreciation			
At 1 January 2018, as previously stated	4,077	1,737	5,814
Effects of adoption of MFRS 16 (Note 41)	(4,077)	-	(4,077)
At 1 January 2018, as restated	-	1,737	1,737
Charge for the financial year	-	791	791
Disposals	-	(56)	(56)
Write-offs	-	(5)	(5)
At 31 December 2018	-	2,467	2,467
Net book value			
At 31 December 2018	-	2,841	2,841
Net book value			
At 1 January 2018	-	4,047	4,047

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18 RIGHT-OF-USE ASSETS

	Leasehold Land RM'000	Building RM'000	Total RM'000
Group			
2019			
Cost			
At 1 January 2019 – effects of adoption of MFRS 16 (Note 41)	209,662	10,709	220,371
Transfer to asset held for sale (Note 29)	(99,225)	-	(99,225)
At 31 December 2019	110,437	10,709	121,146
Accumulated depreciation			
At 1 January 2019 – effects of adoption of MFRS 16 (Note 41)	26,595	3,562	30,157
Charge for the financial year	3,159	1,375	4,534
Transfer to asset held for sale (Note 29)	(17,687)	-	(17,687)
At 31 December 2019	12,067	4,937	17,004
Accumulated impairment			
At 1 January 2019	-	-	-
Charge for the financial year*	7,968	-	7,968
At 31 December 2019	7,968	-	7,968
Net book value			
At 31 December 2019	90,402	5,772	96,174

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18 RIGHT-OF-USE ASSETS (CONTINUED)

	Leasehold Land RM'000	Building RM'000	Total RM'000
Group			
2018			
Cost			
At 1 January 2018 – effects of adoption of MFRS 16 (Note 41)	209,662	10,064	219,726
Additions	-	645	645
At 31 December 2018	209,662	10,709	220,371
Accumulated depreciation			
At 1 January 2018 – effects of adoption of MFRS 16 (Note 41)	22,531	2,295	24,826
Charge for the financial year	4,064	1,267	5,331
At 31 December 2018	26,595	3,562	30,157
Net book value			
At 31 December 2018	183,067	7,147	190,214
Net book value			
At 1 January 2018	187,131	7,769	194,900

Total cash outflow for leases of the Group is as follows:

	Group	
	2019 RM'000	2018 RM'000
Rental of short term assets	**4,702**	5,639
Principal payments of lease liabilities	**1,301**	1,315
Interest payment of lease liabilities	**315**	363
	6,318	7,317

Net book value of the assets pledged as security to borrowings for the Group and Company is RM81,589,000 (2018: RM82,429,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18 RIGHT-OF-USE ASSETS (CONTINUED)

	Building RM'000
Company	
2019	
Cost	
At 1 January 2019 – effects of adoption of MFRS 16 (Note 41)/31 December 2019	**5,009**
Accumulated depreciation	
At 1 January 2019 – effects of adoption of MFRS 16 (Note 41)	**1,739**
Charge for the financial year	**835**
At 31 December 2019	**2,574**
Net book value	
At 31 December 2019	**2,435**
2018	
Cost	
At 1 January 2018 – effects of adoption of MFRS 16 (Note 41)/31 December 2018	5,009
Accumulated depreciation	
At 1 January 2018 – effects of adoption of MFRS 16 (Note 41)	904
Charge for the financial year	835
At 31 December 2018	1,739
Net book value	
At 31 December 2018	3,270
Net book value	
At 1 January 2018	4,105

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

18 RIGHT-OF-USE ASSETS (CONTINUED)

Total cash outflow for leases of the Company is as follows:

	Company	
	2019	**2018**
	RM'000	**RM'000**
Rental of short term assets	**20**	-
Principal payments of lease liabilities	**789**	908
Interest payment of lease liabilities	**117**	157
	926	1,065

* See Note 17 to the financial statements for details of impairment assessment.

19 INTANGIBLE ASSETS

	Group				Company
Net book value	**Goodwill**	**Brand**	**Software**	**Total**	**Software**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
2019					
As at 1 January 2019	**576,240**	**55,943**	**7,977**	**640,160**	**5,948**
Additions	**-**	**-**	**586**	**586**	**571**
Write-offs	**-**	**-**	**(1,086)**	**(1,086)**	**(1,080)**
Amortisation charge for the financial year	**-**	**(4,662)**	**(4,060)**	**(8,722)**	**(1,778)**
Impairment charge for the financial year*	**-**	**-**	**(179)**	**(179)**	**-**
As at 31 December 2019	**576,240**	**51,281**	**3,238**	**630,759**	**3,661**
2018					
As at 1 January 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 December 2018	576,240	55,943	7,977	640,160	5,948

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19 INTANGIBLE ASSETS (CONTINUED)

	Group				Company
	Goodwill RM'000	Brand RM'000	Software RM'000	Total RM'000	Software RM'000
2019					
Cost	**576,240**	**86,033**	**14,493**	**676,766**	**8,080**
Accumulated amortisation	**-**	**(34,752)**	**(11,076)**	**(45,828)**	**(4,419)**
Accumulated impairment	**-**	**-**	**(179)**	**(179)**	**-**
Net book value	**576,240**	**51,281**	**3,238**	**630,759**	**3,661**
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

* See Note 17 to the financial statements for details of impairment assessment.

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 RM144 million (2018 : RM306 million).

The key assumptions used for the CGU's value in use calculation are:

Key assumptions	2019	2018
Selling price, RM/MT	**1,607 - 2,600**	1,746 - 2,630
Raw sugar price, US cents/lbs	**13.5 - 14.0**	14.0
Sales volume, MT'000	**1,156 - 1,268**	1,238 - 1,561
Terminal value growth rate %	**2%**	2%
Discount rate %	**9.0% - 11.4%**	10.5% - 12.5%
Exchange rate (RM – USD)	**RM4.20/USD**	RM4.15/USD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

(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.

(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.

(vi) Exchange rate

The exchange rate is projected based on forward rates as at 31 December 2019.

2019

Key assumptions	**Sensitivity**	**VIU lower by RM'000**
Domestic selling price	Reduce RM50/MT	**262,359**
Raw sugar price	Increase by 0.5 cents/lbs	**340,519**
Terminal value growth rate	Reduce by 1%	**222,855**
Domestic sales volume	Reduce by 5%	**197,322**
Discount rate	Increase by 1%	**308,443**
Exchange rate	Increase by RM0.20/USD	**532,854**

A reduction in domestic selling price by RM36/MT, increase in raw sugar price by 0.2 cents/lbs, reduction in terminal value growth rate by 0.6%, increase in discount rate by 0.4%, decrease in domestic sales volume by 3.8% and increase in exchange rate by RM0.06/USD would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

19 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

2018

Key assumptions	Sensitivity	VIU lower by RM'000
Domestic selling price	Reduce by RM50/MT	323,000
Raw sugar price	Increase by 1 cents/lbs	674,000
Domestic sales volume	Reduce by 5%	246,000
Discount rate	Increase by 1%	298,000

A reduction in 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.

The above sensitivity analysis is based on the movement of individual key assumptions while holding all other assumptions constant.

20 INVESTMENTS IN SUBSIDIARIES

	Company 2019 RM'000	Company 2018 RM'000
Unquoted investments, at cost		
At 1 January	**2,057,406**	2,057,406
Additional investment in a subsidiary (Note 20(a))	**100,000**	-
At 31 December	**2,157,406**	2,057,406
Accumulated impairment		
At 1 January	**391,134**	-
Charged during the year (Note 20(b))	**437,672**	391,134
At 31 December	**828,806**	391,134
Net investment in subsidiaries	**1,328,600**	1,666,272

a) Non-cash transaction

The cost of investment includes the conversion of a loan due from a subsidiary, MSM Sugar Refinery (Johor) Sdn Bhd ("MSMJ"), to cost of investment in subsidiaries during the financial year. The Company's intercompany loan to MSMJ of RM100,000,000 is capitalised into an enlarged paid up capital of MSMJ of RM130,000,000 by creation of 100,000,000 ordinary shares of RM1 each.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

b) Impairment in subsidiaries

Investments in subsidiaries have 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 as a result of rationalisation of its three refinery plants to address the sugar production capacity. The impairment charge has been recognised based on a combination of the value-in-use and fair value less costs to sell methods using the following key assumptions:

Value in use **Key assumptions**	**2019**	**2018**
Selling price, RM/MT	**2,175 - 2,500**	2,131 - 2,630
Raw sugar price, US cents/lbs	**13.5**	14.0
Sales volume, MT'000	**41**	323 - 123
Terminal value growth rate %	**N/A***	2%
Pre-tax discount rate %	**9%**	10.5%

* The value-in-use method is based on the assumption that one of the subsidiaries of the Company will cease operations from July 2020 onwards.

<u>Fair value less costs to sell</u>

Included in the cash generating unit is a piece of land which was written down to its fair value less costs to sell of RM156,000,000 as stipulated in the sale and purchase agreement with the buyer. As at 31 December 2019, the conditions precedent stipulated in the sale and purchase agreement has yet to be fulfilled. The fair value is within Level 1 of the fair value hierarchy as this is the actual transacted price for the asset.

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**	
			2019 %	**2018 %**	**2019 %**	**2018 %**
<u>Direct subsidiaries</u>						
MSM Prai Berhad	Malaysia	Sugar refining, sales and marketing of refined sugar products	**100**	100	**100**	100
MSM Perlis Sdn Bhd	Malaysia	Sugar refining, sales and marketing of refined sugar products and planting of rubber, oil palm and mango	**100**	100	**100**	100
MSM Trading & Distribution Sdn Bhd	Malaysia	Dormant	**100**	100	**100**	100

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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	
			2019 %	**2018 %**	**2019 %**	**2018 %**
Direct subsidiaries (continued)						
MSM Sugar Refinery (Johor) Sdn Bhd	Malaysia	Sugar refining, sales and marketing of refined sugar products	**100**	100	**100**	100
MSM Trading International DMCC*	United Arab Emirates	Raw and refined sugar trading	**100**	100	**100**	100
Indirect subsidiary						
MSM Logistics Sdn Bhd	Malaysia	Provision of transportation services	**-**	-	**100**	100

* Not audited by PricewaterhouseCoopers, Malaysia or its affiliates.

21 LOANS DUE FROM SUBSIDIARIES

	Company	
	2019 RM'000	**2018 RM'000**
Revolving credit loans – MSM Perlis Sdn Bhd	**-**	26,181
Term loan – MSM Perlis Sdn Bhd	**37,030**	45,765
Loss allowance	**(419)**	(369)
Islamic term loan – MSM Sugar Refinery (Johor) Sdn Bhd	**1,023,087**	1,044,752
Loss allowance	**-**	(32,340)
	1,059,698	1,083,989
Analysed as:		
Current	**104,237**	64,956
Non-current	**955,461**	1,019,033
Total loans to subsidiaries	**1,059,698**	1,083,989

The loss allowances have been recognised during the financial year subsequent to considering the repayment plan agreed by the Company with the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21 LOANS DUE FROM SUBSIDIARIES (CONTINUED)

The interest rates charged during the financial year were as follows:

	2019 % per annum	2018 % per annum
Term loan	**5.80**	5.80
Islamic term loan	**4.45 - 5.64**	4.48 - 4.99
Revolving credit loans	**4.48**	4.23 - 4.48

(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.

(d) 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 2019 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
Opening loss allowance as at 1 January 2018 (calculated under MFRS 9)	**-**	**-**	**-**	**-**
Individual financial assets transferred to non-performing (credit-impaired financial assets) (Notes 1a, 8)	-	(32,709)	-	(32,709)
Closing loss allowance as at 31 December 2018	**-**	**(32,709)**	**-**	**(32,709)**
Individual financial assets transferred to non-performing (credit-impaired financial assets) (Notes 1a, 8)	-	(50)	-	(50)
Reversal of loss allowance (Notes 1b, 8)	-	32,340	-	32,340
Closing loss allowance as at 31 December 2019	**-**	**(419)**	**-**	**(419)**

Note 1a:

The decrease in the loss allowance of RM419,000 (2018: RM32,709,000) is due to moving of assets with total gross carrying amount of RM37,030,000 (2018: RM1,090,517,000) being measured at 12 months ECL to lifetime ECL.

Note 1b:

The reversal of loss allowance of RM32,340,000 is recorded after considering the repayment plan agreed by the Company with the subsidiaries and recent repayments that have been received from the Company's subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21 LOANS DUE FROM SUBSIDIARIES (CONTINUED)

(e) 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 loss allowance) RM'000
2019					
Performing	-	12 months ECL	**1,023,087**	**-**	**1,023,087**
Under performing	1.1%	Lifetime ECL	**37,030**	**(419)**	**36,611**
2018					
Performing	-	12 months ECL	26,181	-	26,181
Under performing	3.0%	Lifetime ECL	1,090,517	(32,709)	1,057,808

22 LEASE RECEIVABLES

	Company 31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
Effects of adoption of MFRS 16 (Note 41):			
Not later than 1 year	**2,167**	1,796	1,056
Later than 1 year	**84,972**	86,072	86,800
	87,139	87,868	87,856

The leased asset is in respect of a piece of leasehold land acquired for the construction of a sugar refinery which the Company leases to a subsidiary of the Company. The Company and its subsidiary had agreed that the total investment recovery cost of RM87,346,451 as at 30 April 2016, which is the commencement date of the lease agreement for the said land, will be recovered by the subsidiary over a period of 59 years. Accordingly, the Company has transferred the net book value of the leasehold land amounting to RM87,346,451 as at 30 April 2016 from property plant and equipment to lease receivables.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

22 LEASE RECEIVABLES (CONTINUED)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	Company		
	31.12.2019 RM'000	31.12.2018 RM'000 (Restated)	1.1.2018 RM'000 (Restated)
Within 1 year	**2,167**	1,796	1,056
In the second year	**2,167**	2,167	1,796
In the third year	**2,167**	2,167	2,167
In the fourth year	**2,167**	2,167	2,167
In the fifth year	**2,167**	2,167	2,167
After the fifth year	**108,874**	111,041	113,208
Total undiscounted lease payments receivable	**119,709**	121,505	122,561
Unearned finance income	**(32,570)**	(33,637)	(34,705)
Net investment in the lease	**87,139**	87,868	87,856

23 RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current asset:				
Advance payment				
Supply and delivery of gas (Note (a))	**-**	2,784	**-**	-
Purchase of property, plant and equipment (Note (b))	**301**	195	**-**	-
	301	2,979	**-**	-
Current assets:				
Trade receivables	**272,366**	224,701	**-**	-
Other receivables	**3,799**	7,550	**570**	823
Deposits (Note (c))	**11,330**	16,421	**11**	11
Prepayments (Note (d))	**3,642**	4,394	**302**	303
Advances to creditors	**-**	632	**-**	-
Advance payment – supply and delivery of gas (Note (a))	**2,204**	928	**-**	-
GST receivables	**567**	61,469	**4**	6
	293,908	316,095	**887**	1,143
Loss allowance – Trade receivables	**(3,025)**	(2,827)	**-**	-
Loss allowance – Other receivables	**(611)**	(80)	**-**	-
	290,272	313,188	**887**	1,143
Total receivables	**290,573**	316,167	**887**	1,143

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 RECEIVABLES (CONTINUED)

The receivables are denominated as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	**265,336**	296,330	**887**	1,143
US Dollar	**25,102**	19,837	**-**	-
Others	**135**	-	**-**	-
	290,573	316,167	**887**	1,143

Credit term of trade receivables range between 30 to 60 days (2018: 30 to 60 days).

(a) On 28 February 2014, the Company signed the Gas Supply Agreement ('GSA') with a natural gas supplier for the supply and delivery of natural gas to the Company. The GSA is effective from March 2014 and will expire on 31 December 2022. An advance payment of RM8,198,000 was made to the natural gas supplier for the construction of the gas distribution pipeline and metering facilities to enable the supply of the natural gas to the Company. The ownership of the gas distribution pipeline and metering facilities constructed shall remain vested with the natural gas supplier. The advance payment is amortised over 106 months on a straight line basis starting from March 2014 based on the tenure of the GSA. On 20 November 2019, the Board has resolved to cease the operation of its raw sugar refining division of a subsidiary from July 2020 and determined that the advance payment will be amortised over a period of 8 months from November 2019 onwards to June 2020 instead of 38 months from November 2019 to December 2022. The total amortisation expenses incurred during the financial year ended 31 December 2019 amounted to RM1,508,126 (2018: RM928,075).

(b) Included in non-current advance payment is an amount of RM301,124 (2018: RM194,000) 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 RM7,181,000 (2018: RM12,037,000).

(d) Included in prepayments as at 31 December 2019 is an amount of RM Nil (2018: RM178,000) relating to insurance paid for the construction of the sugar refinery in Johor.

(e) 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 2019 or 31 December 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

23 RECEIVABLES (CONTINUED)

(e) Reconciliation of loss allowance (continued)

(i) Trade receivables using simplified approach (continued)

The loss allowance for trade receivables as at 31 December 2019 reconciles to the opening loss allowance for that provision as follows:

	Trade receivables 2019 RM'000	2018 RM'000
At 1 January	**(2,827)**	-
Increase in loss allowance recognised in profit or loss during the year (Note 8)	**(598)**	(2,938)
Receivables written off	**-**	111
Unused amount reversed (Note 8)	**400**	-
At 31 December	**(3,025)**	(2,827)

(ii) 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 2019	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	**0.05%**	**0.47%**	**1.66%**	**6.86%**	**38.99%**	
Gross carrying amount – trade receivables	**227,853**	**28,046**	**7,069**	**3,150**	**6,248**	**272,366**
Loss allowance	**(124)**	**(132)**	**(117)**	**(216)**	**(2,436)**	**(3,025)**
Carrying amount (net of loss allowance)	**227,729**	**27,914**	**6,952**	**2,934**	**3,812**	**269,341**

NOTES TO THE FINANCIAL STATEMENTS
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23 RECEIVABLES (CONTINUED)

(e) Reconciliation of loss allowance (continued)

(i) Trade receivables using simplified approach (continued)

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

(ii) Other receivables using general 3 stage approach

The loss allowance for other receivables as at 31 December 2019 reconciles to the opening loss allowances for that provision as follows:

	Other receivables 2019 RM'000	Other receivables 2018 RM'000
At 1 January	**(80)**	-
Increase in loss allowance recognised in profit or loss during the year (Note 8)	**(531)**	(80)
At 31 December	**(611)**	(80)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

24 INVENTORIES

	Group	
	2019 RM'000	**2018 RM'000**
At cost:		
- Raw materials	**34,337**	404,815
- Work-in-progress	**25,157**	32,851
- Finished goods	**89,837**	61,375
- Consumable stores	**36,484**	37,311
- Molasses	**1,575**	457
- Raw sugar in transit	**55,804**	142,237
At net realisable value:		
- Raw materials	**30,683**	-
- Work-in-progress	**14,643**	-
- Finished goods	**30,732**	-
	319,252	679,046

Write downs of inventories to net realisable value amounted to RM49,432,000 (2018: nil). These were recognised as an expense during the year and included in cost of sales in the statement of profit or loss (Note 11).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25 AMOUNTS DUE FROM/(TO) SUBSIDIARIES, OTHER RELATED COMPANIES, ULTIMATE HOLDING COMPANY AND FELDA

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current assets				
Amount due from:				
A related company	**-**	1,372	**-**	-
	-	1,372	**-**	-
Current assets				
Amounts due from:				
Subsidiaries	**-**	-	**8,050**	25,101
Less: impairment (Note 8)	**-**	-	**(8)**	-
Other related companies	**10,700**	44,056	**143**	145
Less: impairment (Note 8)	**(3,854)**	-	**-**	-
Ultimate holding company	**1,443**	702	**-**	-
	8,289	44,758	**8,185**	25,246
	8,289	46,130	**8,185**	25,246
Current liabilities				
Amounts due to:				
Subsidiaries	**-**	-	**680**	343
Other related companies	**2,059**	2,844	**61**	140
Ultimate holding company	**14,246**	9,213	**5,852**	4,678
FELDA	**50**	50	**-**	-
	16,355	12,107	**6,593**	5,161

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

25 AMOUNTS DUE FROM/(TO) SUBSIDIARIES, OTHER RELATED COMPANIES, ULTIMATE HOLDING COMPANY AND FELDA (CONTINUED)

(a) Amounts due from/(to) subsidiaries are unsecured, interest free, denominated in Ringgit Malaysia and have credit terms of 30 to 180 days (2018: 30 to 180 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 (2018: 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 (2018: 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 and ultimate holding company 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 2019 or 31 December 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.

No loss allowance have been recognised on amounts due from subsidiaries, other related companies and ultimate holding company during the year (2018: nil) other than an amount due from a related company of RM3,854,250 and amount due from a subsidiary of RM8,000 (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

26 LOANS DUE TO A SUBSIDIARY AND TO A RELATED COMPANY

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans due to a subsidiary				
Unsecured:				
- Financing in nature	**-**	-	**94,758**	72,394
Loan due to a related company				
Unsecured:				
- Financing in nature	**70,431**	30,365	**37,116**	-

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 ranges from 4.23% - 4.48% (2018: 4.00% - 4.23% per annum) 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 4.90% (2018: 4.58%) per annum.

27 DERIVATIVE FINANCIAL INSTRUMENTS

Group	2019		2018	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current:				
Islamic profit rate swap	**-**	**(4,968)**	561	-
Current:				
Sugar futures contracts	**2,388**	**-**	-	-
Sugar commodity options	**-**	**-**	-	(630)
Foreign exchange forward contract	**78**	**(10)**	-	-
	2,466	**(4,978)**	561	(630)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

27 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Group (continued)

	2019		2018	
	Notional amount RM'000	Derivative (liabilities)/ assets RM'000	Notional amount RM'000	Derivative assets RM'000
Sugar futures contracts	**32,341**	**2,388**	-	-
Sugar commodity options	**-**	**-**	-	(630)
Foreign exchange forward contracts	**-**	**68**	-	-
Islamic profit rate swap	**500,000**	**(4,968)**	458,333	561
	532,341	**(2,512)**	458,333	(69)

Company	2019		2018	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current:				
Islamic profit rate swap	**-**	**(4,968)**	561	-

	2019		2018	
	Notional amount RM'000	Derivative liabilities RM'000	Notional amount RM'000	Derivative assets RM'000
Islamic profit rate swap	**500,000**	**(4,968)**	458,333	561

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the followings:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Fixed deposits with licensed investment bank in Malaysia	**143,652**	148,786	**29,282**	115,071
Cash and bank balances	**26,884**	42,777	**5,071**	1,327
Deposits, cash and bank balances	**170,536**	191,563	**34,353**	116,398
Less: Restricted cash	**(17,575)**	(93,343)	**(17,575)**	(93,343)
Cash and cash equivalents	**152,961**	98,220	**16,778**	23,055

The effective interest rates of the fixed deposits range from 2.80% - 3.25% (2018: 2.90% - 4.85%) per annum for the Group and range from 2.80% - 3.25% (2018: 0.61% - 3.95% per annum for the Company respectively. All fixed deposits have original maturity terms of 3 months or less (2018: 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

28 CASH AND CASH EQUIVALENTS (CONTINUED)

The fixed deposits, cash and bank balances are denominated as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Ringgit Malaysia	**151,404**	180,369	**34,353**	116,398
US Dollar	**19,037**	10,462	**-**	-
AE Dirham	**95**	732	**-**	-
	170,536	191,563	**34,353**	116,398

Credit rating profiles of banks in which the fixed deposits have been placed are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
AAA	**138,049**	144,709	**24,590**	111,873
AA3	**5,603**	4,077	**4,692**	3,198
	143,652	148,786	**29,282**	115,071

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 subscript 2 indicates a mid-ranking; and the subscripts 3 indicates that the financial institution ranks at the lower end of its generic rating category.

NOTES TO THE FINANCIAL STATEMENTS

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29 ASSETS HELD FOR SALE

The Group had entered into a sale and purchase agreement with F&N Agrivalley Sdn Bhd ("F&N") on 8 October 2019 to dispose its leasehold agriculture land located at Chuping, Perlis and the 281 staff quarters located on the leasehold agriculture land. The Company received a deposit amounting to RM10,895,000 for the sale of leasehold agriculture land to F&N and this amount had been recognised in 'Payables' as at 31 December 2019. As at 31 December 2019, the conditions precedent stipulated in the sale and purchase agreement has yet to be fulfilled.

The assets held for sale are written down to their fair value less costs to sell of RM156,000,000 as stipulated in the agreement with F&N.

The details are as follows:

Group	Leasehold land RM'000	Bearer plant - oil palm, rubber, and mango RM'000	Plant and machinery RM'000	Building, furniture and office equipment RM'000	Total RM'000
2019					
As at 1 January 2019	**-**	**-**	**-**	**2,027**	**2,027**
Transferred from property, plant and equipment (Note 17)	**-**	**72,461**	**181**	**3,582**	**76,224**
Transferred from right-of-use assets (Note 18)	**81,538**	**-**	**-**	**-**	**81,538**
Written-off during the year	**-**	**-**	**-**	**(480)**	**(480)**
Impairment loss during the year	**(1,762)**	**-**	**-**	**-**	**(1,762)**
As at 31 December 2019	**79,776**	**72,461**	**181**	**5,129**	**157,547**

Group	Leasehold land RM'000	Bearer plant - oil palm, rubber, and mango RM'000	Plant and machinery RM'000	Building, furniture and office equipment RM'000	Total RM'000
2018					
Property, plant and equipment at net book value at 1 January 2018	-	-	-	-	-
Transferred from property, plant and equipment (Note 17)	-	-	-	2,027	2,027
At 31 December 2018	-	-	-	2,027	2,027

NOTES TO THE FINANCIAL STATEMENTS

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30 SHARE CAPITAL

	Group and Company			
	2019 Number of shares	**2018 Number of shares**	**2019 RM'000**	**2018 RM'000**
Issued and fully paid up:				
Ordinary shares				
At 1 January/31 December	**702,980,000**	702,980,000	**718,255**	718,255

31 RESERVES

(i) 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.

(ii) 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.

(iii) 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.

(iv) 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'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32 DEFERRED TAX LIABILITIES/(ASSETS)

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	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Deferred tax liabilities				
- Subject to income tax	**43,891**	83,384	**(69)**	(143)
- Subject to RPGT	**7,171**	-	**-**	-
	51,062	83,384	**(69)**	(143)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Deferred tax liabilities/(assets):				
- Deferred tax liabilities to be recovered after more than 12 months	**24,635**	34,463	**77**	51
- Deferred tax liabilities to be recovered within 12 months	**26,427**	48,921	**(146)**	(194)
Deferred tax liabilities/(assets) (net)	**51,062**	83,384	**(69)**	(143)
At 1 January, as previously stated	**83,458**	78,675	**(143)**	403
Effect of adoption of MFRS 16 (Note 41)	**(74)**	(68)	**-**	-
At 1 January, as restated	**83,384**	78,607	**(143)**	403
Charged/(credited) to profit or loss (Notes 14 and 16):				
- property, plant and equipment	**(50,625)**	5,972	**26**	51
- asset held for sale	**7,171**	-	**-**	-
- payables and accruals	**2,265**	278	**48**	656
- intangible assets	**5,821**	(291)	**-**	(1,120)
- receivables	**535**	38	**-**	(133)
- accrued interest	**(163)**	-	**-**	-
- unabsorbed business loss	**2,782**	(1,214)	**-**	-
- right-of-use assets	**(130)**	51	**-**	-
- derivatives financial assets	**(101)**	-	**-**	-
- lease liabilities	**123**	(57)	**-**	-
(Credited)/charged to profit and loss	**(32,322)**	4,777	**74**	(546)
At 31 December	**51,062**	83,384	**(69)**	(143)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32 DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)

	Group		Company	
	2019 RM'000	2018 RM'000 (Restated)	2019 RM'000	2018 RM'000 (Restated)
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	**24,477**	75,102	**77**	51
- asset held for sale	**7,171**	-	**-**	-
- right-of-use assets	**801**	931	**-**	-
- intangible assets	**19,862**	14,041	**-**	-
- receivables	**573**	38	**-**	-
	52,884	90,112	**77**	51
Offsetting	**(1,822)**	(6,728)	**(77)**	(51)
Deferred tax liabilities (after offsetting)	**51,062**	83,384	**-**	-
Deferred tax assets (before offsetting)				
- derivatives	**101**	-	**-**	-
- payables and accruals	**676**	2,941	**146**	194
- lease liabilities	**882**	1,005	**-**	-
- unabsorbed business loss	**-**	2,782	**-**	-
- accrued interest	**163**	-	**-**	-
	1,822	6,728	**146**	194
Offsetting	**(1,822)**	(6,728)	**(77)**	(51)
Deferred tax assets (after offsetting)	**-**	-	**69**	143

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32 DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)

The amount of unused tax losses and deductible temporary differences (subject to approval by the Inland Revenue) for which no deferred tax assets are recognised in the statement of financial position of the Group as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilized is as follows:

Continuing operations

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unused tax losses	**197,634**	-	**-**	-
Deductible temporary differences	**14,629**	-	**-**	-
	212,263	-	**-**	-

Discontinuing operation

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unused tax losses	**8,690**	-	**-**	-

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses will be imposed with a limit of utilisation for 7 consecutive years.

33 PAYABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities:				
Other payables	**-**	32	**-**	32
Current liabilities:				
Trade payables	**17,132**	158,718	**-**	-
Other payables	**65,170**	75,797	**552**	684
Accruals	**45,660**	21,208	**1,603**	2,094
Unpaid balance for acquisition of property, plant and equipment (Note 36)	**1,495**	6,425	**-**	-
GST payables	**512**	-	**-**	-
	129,969	262,148	**2,155**	2,778
Total payables	**129,969**	262,180	**2,155**	2,810

Trade payables carry credit periods between 30 to 60 days (2018: 30 to 60 days).

The fair value of the payables, excluding GST payables, approximate their carrying value, as the impact of discounting is not significant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

33 PAYABLES (CONTINUED)

The payables are denominated as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
- Ringgit Malaysia	**125,165**	172,852	**2,155**	2,810
- United States Dollar	**4,775**	89,328	**-**	-
- Pound Sterling	**16**	-	**-**	-
- Others	**13**	-	**-**	-
	129,969	262,180	**2,155**	2,810

34 BORROWINGS

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current liabilities:				
Islamic term loans				
- Secured	**605,153**	556,284	**605,153**	556,284
Current liabilities:				
Islamic term loans				
- Secured	**26,566**	126,937	**26,566**	126,937
Bankers' acceptances				
- Unsecured	**341,156**	421,207	**-**	-
Term loan				
- Secured	**71,909**	192,317	**71,909**	192,317
	439,631	740,461	**98,475**	319,254
	1,044,784	1,296,745	**703,628**	875,538

All borrowings are denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34 BORROWINGS (CONTINUED)

Bankers' acceptance

The average interest rates of the borrowings range approximately 3.96% to 4.14% (2018: 3.43% to 4.70%) per annum.

Islamic term loans

The average interest rates of the borrowings range approximately 4.99% to 5.69% (2018: 4.72% to 4.99%) per annum.

The Islamic term loans which have a tenure of 12 years (2018: 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 covenants are to be complied with annually (2018: semi-annually).

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 RM406.5 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 were required to be met for the 12 month period ended 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; and

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

34 BORROWINGS (CONTINUED)

Islamic term loans (continued)

On 2 May 2019, the Company had successfully negotiated the amendments to the payment terms and financial covenants with the lender and had agreed revisions to the terms of agreement which include:

a) Longer tenure of loan from 8 to 12 years;

b) Increase in effective profit rate from 3 months KLIBOR plus 1.3% per annum to 1 month KLIBOR plus 2.5% per annum; and

c) Revision to the financial covenants.

According to the revised terms, the financial covenants shall be computed based on the Group's consolidated annual audited financial statement for the financial year ending 31 December 2020 onwards. Accordingly, the Islamic term loan of RM631.7 million was classified based on its contractual payment dates as at 31 December 2019. The Company believes it will be able to meet the required financial covenants based on the projected cash flows as at 31 December 2020.

The revision of the terms resulted in a loan modification charge of RM25,559,000 and loan arrangement fee of RM3,270,000.

The Company is also assessing various possibilities to negotiate the terms of the Islamic term loan with its lenders following the announcement by the Government of Malaysia on the moratorium repayment period in view of the Covid-19 pandemic, if necessary.

Term loan - secured

The average interest rates of the borrowings range approximately 6.30% to 6.40% per annum (2018: 5.90% to 6.15% per annum).

As at 31 December 2019, the term loan which has a tenure of 30 months (2018: 18 months) are secured against an assignment of proceeds from leasehold agriculture land disposal as disclosed in Note 29 to the financial statements and the Assignment and Charge of the Designated Accounts. As indicated in Note 42 to the financial statements, on 9 April 2020, the Group had issued a letter to F&N Agrivalley Sdn. Bhd. to exercise its rights to rescind the sale and purchase agreement in respect of the disposal of its leasehold agricultural land located at Chuping, Perlis entered on 8 October 2019. Despite the cancellation of the sale and purchase agreement, the Group continues to believe that it will be able to settle its term loan based on its contractual due dates.

On 17 October 2019, the Company successfully negotiated the amendments to the payment with the lender incurring arrangement fees of RM547,500. The revision of the terms also resulted in a loan modification charge of RM1,259,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35 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, owns 33.67% (2018: 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
FGV Holdings Berhad ("FGVH")	Ultimate holding company
Felda D'Saji Sdn Bhd ("D'Saji")	Subsidiary of FELDA
KPF Trading Sdn Bhd (formerly known as Felda Trading Sdn Bhd) ("KPF")	Subsidiary of FELDA
Felda Holdings Berhad ("FHB")	Subsidiary of FGVH
FGV Prodata Systems Sdn Bhd ("FPSB")	Subsidiary of FGVH
FGV Security Services Sdn Bhd ("FSS")	Subsidiary of FGVH
Felda Engineering Services Sdn Bhd ("Felda Engineering")	Subsidiary of FGVH
FGV Capital Sdn Bhd ("FGVC")	Subsidiary of FGVH
FGV Fertiliser 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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
(i) Transactions with FGVH:				
- management fees:				
- current year	**7,776**	7,697	**1,531**	1,628
- adjustment in respect of prior year	**(827)**	(955)	**-**	-
- sales of refined sugar	**-**	(47)	**-**	-
- other services	**2**	116	**22**	116
	6,951	6,811	**1,553**	1,744
(ii) Transactions with FHB and subsidiaries of FHB:				
- security services (FSS)	**1,491**	1,300	**4**	24
- provision of plantation material (FPM)	**-**	2	**-**	-
- other services	**3,366**	615	**179**	226
(iii) Transactions with KPF:				
- sales of refined sugar	**(3,418)**	(10,774)	**-**	-
- insurance service	**301**	34	**-**	-
- purchase of agro chemical	**-**	170	**-**	-
(iv) Transaction with D'Saji				
- provision of refreshment	**70**	62	**70**	62
(v) Transaction with FELDA				
- rental	**653**	784	**653**	784
(vi) Transaction with Felda Engineering				
- installation and construction of utilities building	**5,792**	41,830	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (continued)

	Company	
	2019 RM'000	**2018 RM'000**
(vii) Transactions with subsidiaries:		
Dividends received from:		
- MSM Prai	**(27,270)**	-
- MSM Trading International	**(16,448)**	-
Interest received/receivable from:		
- MSM Prai	**-**	-
- MSM Perlis	**(2,188)**	(5,855)
- MSM Johor	**(55,116)**	(48,979)
Management fees from:		
- MSM Prai	**(8,040)**	(8,562)
- MSM Perlis	**(1,860)**	(2,887)
- MSM Logistics	**(182)**	(161)
- MSM Johor	**(4,020)**	-
Land rental from:		
- MSM Johor	**(1,796)**	(1,056)
Land modification recharge receivable from		
- MSM Johor	**(26,818)**	-

These transactions were undertaken on agreed terms between the related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant financial year end balances are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amount due to ultimate holding company, FGVH	**(14,246)**	(9,213)	**(5,852)**	(4,678)
Amount due from ultimate holding company, FGVH	**1,443**	702	**-**	-
Amounts due from/(to) other related companies				
Due from				
- KPF	**-***	7,411	**-**	-
- Other related companies	**6,846**	36,645	**143**	145
	6,846	44,056	**143**	145
Due to				
- FELDA	**(50)**	(50)	**-**	-
- Other related companies	**(2,059)**	(2,844)	**(61)**	(140)
	(2,109)	(2,894)	**(61)**	(140)
Loan due to a related company, FGVC	**(70,431)**	(30,365)	**(37,116)**	-

* Fully impaired

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant financial year end balances are as follows: (continued)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Amounts due from subsidiaries:				
- MSM Perlis	**-**	-	**697**	3,482
- MSM Prai	**-**	-	**2,678**	5,303
- MSM Logistics	**-**	-	**131**	-
- MSM Johor	**-**	-	**4,270**	16,237
- MSM Trading	**-**	-	**2**	7
- MSM Trading International	**-**	-	**264**	72
	-	-	**8,042**	25,101
Amounts due to subsidiaries:				
- MSM Perlis	**-**	-	**(680)**	(11)
- MSM Prai	**-**	-	**-**	(29)
- MSM Logistics	**-**	-	**-**	(21)
- MSM Johor	**-**	-	**-**	(282)
	-	-	**(680)**	(343)
Loans due from subsidiaries, net of repayments:				
- MSM Perlis	**-**	-	**36,610**	65,382
- MSM Johor	**-**	-	**1,023,088**	1,018,607
	-	-	**1,059,698**	1,083,989
Loans due to a subsidiary, net of repayments:				
- MSM Prai	**-**	-	**(94,758)**	(72,394)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(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 other key management personnel of the Group and Company during the year is as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Salary, allowances and bonuses	**7,001**	7,444	**4,135**	4,288
Defined contribution plan	**1,270**	1,338	**750**	780
Other employee benefits	**389**	482	**340**	357
Total	**8,660**	9,264	**5,225**	5,425

Benefits-in-kind provided to other key management personnel of the Group and of the Company amounted to RM22,860 (2018: RM3,000) and RM19,360 (2018: RM3,000) respectively.

36 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Aggregate cost of property, plant and equipment	**23,694**	347,696	**379**	358
Capitalisation of borrowing cost	**(7,670)**	(23,056)	**-**	-
Unpaid balances included in other payables and accruals (Note 33)	**(1,495)**	(6,425)	**-**	-
Cash paid in respect of previous financial years acquisition	**12,342**	9,364	**-**	-
Investing cash outflow used in discontinuing operation	**(1,462)**	(5,663)	**-**	-
	25,409	321,916	**379**	358

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37 LEASE LIABILITIES

Group	31.12.2019 RM'000	31.12.2018 RM'000
At 1 January – effects of adoption of MFRS 16 (Note 41)	**6,957**	7,627
Addition	**-**	645
Payment of lease liabilities	**(1,616)**	(1,678)
Interest expense on lease liabilities	**315**	363
At 31 December	**5,656**	6,957

	31.12.2019 RM'000	31.12.2018 RM'000	1.1.2018 RM'000
Effects of adoption of MFRS 16 (Note 41):			
Current	**1,187**	1,616	1,678
Non-current	**4,469**	5,341	5,949
	5,656	6,957	7,627

Company	31.12.2019 RM'000	31.12.2018 RM'000
At 1 January – effects of adoption of MFRS 16 (Note 41)	**2,770**	3,678
Payment of lease liabilities	**(906)**	(1,065)
Interest expense on lease liabilities	**117**	157
At 31 December	**1,981**	2,770

	31.12.2019 RM'000	31.12.2018 RM'000	1.1.2018 RM'000
Effects of adoption of MFRS 16 (Note 41):			
Current	**750**	906	1,064
Non-current	**1,231**	1,864	2,614
	1,981	2,770	3,678

38 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment:				
- contracted and not provided for	**25,226**	131,885	**-**	750
- authorised and not contracted for	**200,736**	30,684	**1,980**	1,621
	225,962	162,569	**1,980**	2,371

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39 FINANCIAL INSTRUMENTS

The analysis of classification of financial instruments are as follows:

Group	Amortised cost		Fair value through profit or loss	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
As at 31 December				
Financial assets				
Non-current assets				
Derivative financial assets	**-**	-	**-**	561
Amount due from a related company	**-**	1,372	**-**	-
	-	1,372	**-**	561
Current assets				
Receivables (excluding prepayments, GST receivables and advance payments)	**283,859**	246,397	**-**	-
Amount due from ultimate holding company	**1,443**	702	**-**	-
Amounts due from other related companies	**6,846**	44,056	**-**	-
Derivative financial assets	**-**	-	**2,466**	-
Cash and cash equivalents	**170,536**	191,563	**-**	-
	462,684	482,718	**2,466**	-
Total financial assets	**462,684**	484,090	**2,466**	561

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

Group	Liabilities at amortised cost		Liabilities at fair value through profit or loss	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial liabilities				
Non-current liabilities				
Borrowings	**605,153**	556,284	**-**	-
Lease liabilities	**4,469**	5,341	**-**	-
Payables	**-**	32	**-**	-
Derivatives financial liabilities	**-**	-	**4,968**	-
	609,622	561,657	**4,968**	-
Current liabilities				
Payables (excluding GST payables)	**129,457**	262,148	**-**	-
Amount due to ultimate holding company	**14,246**	9,213	**-**	-
Amounts due to other related companies	**2,059**	2,844	**-**	-
Amount due to FELDA	**50**	50	**-**	-
Loan due to a related company	**70,431**	30,365	**-**	-
Borrowings	**439,631**	740,461	**-**	-
Lease liabilities	**1,187**	1,616	**-**	-
Derivative financial liabilities	**-**	-	**10**	630
	657,061	1,046,697	**10**	630
Total financial liabilities	**1,266,683**	1,608,354	**4,978**	630

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

Company	Amortised cost 2019 RM'000	Amortised cost 2018 RM'000	Fair value through profit or loss 2019 RM'000	Fair value through profit or loss 2018 RM'000
As at 31 December				
Financial assets				
Non-current assets				
Loans due from subsidiaries	**955,461**	1,019,033	**-**	-
Derivative financial assets	**-**	-	**-**	561
Lease receivables	**84,972**	86,072	**-**	-
	1,040,433	1,105,105	**-**	561
Current assets				
Receivables (excluding prepayments, GST receivables and advance payments)	**581**	834	**-**	-
Amount due from subsidiaries	**8,042**	25,101	**-**	-
Amounts due from other related companies	**143**	145	**-**	-
Loans due from subsidiaries	**104,237**	64,956	**-**	-
Cash and cash equivalents	**34,353**	116,398	**-**	-
Lease receivables	**2,167**	1,796	**-**	-
	149,523	209,230	**-**	-
Total financial assets	**1,189,956**	1,314,335	**-**	561

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

Company	Liabilities at amortised cost		Liabilities at fair value through profit or loss	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial liabilities				
Non-current liabilities				
Borrowings	**605,153**	556,284	**-**	-
Lease liabilities	**1,231**	1,864	**-**	-
Payables	**-**	32	**-**	-
Derivatives financial liabilities	**-**	-	**4,968**	-
	606,384	558,180	**4,968**	-
Current liabilities				
Payables (excluding GST payables)	**2,155**	2,778	**-**	-
Amounts due to subsidiaries	**680**	343	**-**	-
Amounts due to other related companies	**61**	140	**-**	-
Loan due to a subsidiary	**94,758**	72,394	**-**	-
Loan due to a related company	**37,116**	-	**-**	-
Amount due to ultimate holding company	**5,852**	4,678	**-**	-
Borrowings	**98,475**	319,254	**-**	-
Lease liabilities	**750**	906	**-**	-
	239,847	400,493	**-**	-
Total financial liabilities	**846,231**	958,673	**4,968**	-

40 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 Group Chief Executive Officer. The Group Chief Executive Officer 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 Group Chief Executive Officer, 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Group Chief Executive Officer for the reportable segments for the financial year is as follows:

	Continuing operations			Discontinuing operation	
Group	Sugar RM'000	Reconciliation* RM'000	Subtotal RM'000	Rubber, palm oil and mango RM'000	Total RM'000
2019					
Total segment revenue	2,006,911	-	2,006,911	884	2,007,795
Revenue from external customer	2,006,911	-	2,006,911	884	2,007,795
Finance income	2,036	1,996	4,032	-	4,032
Finance cost	(82,011)	(117)	(82,128)	-	(82,128)
Depreciation and amortisation	(87,894)	(3,320)	(91,214)	(1,751)	(92,965)
(Impairment loss)/reversal of impairment (net)					
- financial assets	(4,583)	-	(4,583)	-	(4,583)
- non-financial assets	(138,784)	-	(138,784)	(1,762)	(140,546)
Loss before zakat and taxation	(280,382)	(19,168)	(299,550)	(19,124)	(318,674)
Taxation	12,447	(1,373)	11,074	7,845	18,919
Zakat	(14)	-	(14)	-	(14)
Loss after taxation for the financial year					(299,769)
Total assets	2,780,503	43,797	2,824,300	156,466	2,980,766
Total liabilities	1,281,926	16,108	1,298,034	25,201	1,323,235
Addition to property, plant and equipment	21,853	379	22,232	1,462	23,694
Addition to intangible assets	15	571	586	-	586

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40 SEGMENT INFORMATION (CONTINUED)

Group	Continuing operations			Discontinuing operation	
	Sugar RM'000	Reconciliation* RM'000	Subtotal RM'000	Rubber, palm oil and mango RM'000	Total RM'000
2018 (restated)					
Total segment revenue	2,214,376	-	2,214,376	1,089	2,215,465
Revenue from external customer	2,214,376	-	2,214,376	1,089	2,215,465
Finance income	1,759	2,298	4,057	-	4,057
Finance cost	(38,351)	(157)	(38,508)	-	(38,508)
Depreciation and amortisation	(59,369)	(3,111)	(62,480)	(2,571)	(65,051)
(Impairment loss)/reversal of impairment (net)					
- financial assets	(3,018)	-	(3,018)	-	(3,018)
- non-financial assets	(1,390)	-	(1,390)	-	(1,390)
Profit/(loss) before zakat and taxation	88,033	(21,647)	66,386	(6,031)	60,355
Taxation	(24,826)	(2,683)	(27,509)	4,314	(23,195)
Zakat	(1,500)	-	(1,500)	-	(1,500)
Profit after taxation for the financial year					35,660
Total assets	3,361,937	134,614	3,496,551	158,791	3,655,342
Total liabilities	116,440	10,398	1,676,838	15,530	1,692,368
Addition to property, plant and equipment	341,675	358	342,033	5,663	347,696
Addition to intangible assets	-	2,468	2,468	-	2,468

* Reconciliation arising from investment holding company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

40 SEGMENT INFORMATION (CONTINUED)

Analysis of revenue

The analysis of revenue by geographical locations is as follows:

	Group	
	2019 RM'000	**2018 RM'000**
Malaysia	**1,834,917**	2,032,053
Asia	**145,954**	119,676
Australia	**12,201**	30,100
Europe	**13,929**	29,219
Others	**794**	4,417
	2,007,795	2,215,465

All non-current assets other than financial instruments are located in Malaysia.

41 EFFECTS OF CHANGES IN ACCOUNTING POLICY

The Group has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the full retrospective transition method.

The Group and Company as a lessee

Under the full retrospective transition method, the 2018 comparative information have been restated to reflect the new requirements of MFRS 16 where the Group is a lessee.

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which has previously been classified as 'operating leases' under the principles of MFRS 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the respective lease commencement dates.

The Group and Company have applied the practical expedient in applying MFRS 16 which at the date of initial application, no reassessments were made on whether existing contracts are, or contain, lease in accordance with MFRS 16. Accordingly, the Group and Company had applied this Standard to contracts that were previously identified as leases applying MFRS 117 Leases and IC Interpretation 4 Determining whether an Arrangement contains a Lease, while did not apply MFRS 16 to existing contracts that did not meet the definition of a lease under MFRS 117 and IC 4, although these contracts may meet the definition of lease under MFRS 16.

The Company as a lessor

Under MFRS 16, the Company (acting as a sub-lessor) is required to assess the lease classification of a sublease with reference to the ROU asset, not the underlying asset. On transition, the Company reassessed the lease classification of a sublease contract. The Company concluded that the sublease is a finance lease under MFRS 16 and the sublease contract was accounted for as a new finance lease entered into at the lease commencement date. Accordingly, the Company derecognises the ROU asset related to the head lease, and recognises a receivable at an amount equal to the net investment in the sublease. The net impact is adjusted retrospectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 EFFECTS OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact on change in accounting policy on Statements of Profit or Loss

The effects arising from these changes on the Group's and Company's statements of profit or loss, statements of financial position and statements of cash flows are set out in the reconciliations below:

Group (in RM'000) Impact on Statements of Profit or Loss:	Effects on current year Financial year ended 31 December 2019 Previous policy	Effects of MFRS 16	As presented	Restatement of comparative figures Financial year ended 31 December 2018 As previously stated	Effects of MFRS 16	Restated
Cost of sales	**(1,992,395)**	**135**	**(1,992,260)**	(2,016,168)	146	(2,016,022)
Gross profit	**14,516**	**135**	**14,651**	198,208	146	198,354
Selling and distribution cost	**(25,545)**	**273**	**(25,272)**	(20,035)	273	(19,762)
Administrative expenses	**(73,394)**	**(167)**	**(73,561)**	(71,809)	(8)	(71,817)
(Loss)/Profit from operations	**(221,695)**	**241**	**(221,454)**	100,426	411	100,837
Finance costs	**(81,813)**	**(315)**	**(82,128)**	(38,145)	(363)	(38,508)
(Loss)/Profit before zakat and taxation	**(299,476)**	**(74)**	**(299,550)**	66,338	48	66,386
Taxation	**11,067**	**7**	**11,074**	(27,515)	6	(27,509)
(Loss)/Profit for the financial year from continuing operations	**(288,423)**	**(67)**	**(288,490)**	37,323	54	37,377
(Loss)/Profit for the financial year	**(299,702)**	**(67)**	**(299,769)**	35,606	54	35,660

* Certain amounts have been reclassified for consistency with the current year presentation for discontinuing operation. These reclassifications had no effect on the profit for the financial year ended 31 December 2018, as previously stated.

Company (in RM'000) Impact on Statements of Profit or Loss:	Effects on current year Financial year ended 31 December 2019 Previous policy	Effects of MFRS 16	As presented	Restatement of comparative figures Financial year ended 31 December 2018 As previously stated	Effects of MFRS 16	Restated
Revenue	**146,122**	**(730)**	**145,392**	71,378	13	71,391
Gross profit	**146,122**	**(730)**	**145,392**	71,378	13	71,391
Administrative expenses	**(24,331)**	**1,554**	**(22,777)**	(25,505)	1,712	(23,793)
(Loss)/Profit from operations	**(284,263)**	**824**	**(283,439)**	(377,961)	1,725	(376,236)
Finance costs	**(73,727)**	**(117)**	**(73,844)**	(43,565)	(157)	(43,722)
Loss before zakat and taxation	**(359,363)**	**707**	**(358,656)**	(424,209)	1,568	(422,641)
Loss for the financial year from continuing operations	**(359,363)**	**707**	**(358,656)**	(424,209)	1,568	(422,641)
Loss for the financial year	**(359,363)**	**707**	**(358,656)**	(424,209)	1,568	(422,641)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 EFFECTS OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact on change in accounting policy on Statements of Financial Position

	Effects on current year As at 31 December 2019			Restatement of comparative figures As at 31 December 2018			As at 1 January 2018		
Group (in RM'000) Impact on statements of financial position:	**Previous Policy**	**Effects of MFRS 16**	**Presented**	**As previously stated**	**Effects of MFRS 16**	**Restated**	**As previously stated**	**Effects of MFRS 16**	**Restated**
Non-current assets									
Property, plant and equipment	**1,385,455**	**(90,023)**	**1,295,432**	1,742,369	(182,617)	1,559,752	1,457,282	(186,610)	1,270,672
Prepaid lease payments	**379**	**(379)**	**-**	450	(450)	-	521	(521)	-
Rights-of-use assets	**-**	**96,174**	**96,174**	-	190,214	190,214	-	194,900	194,900
Non-current liabilities									
Lease liabilities	**-**	**4,469**	**4,469**	-	5,341	5,341	-	5,949	5,949
Deferred tax liabilities	**51,143**	**(81)**	**51,062**	83,458	(74)	83,384	78,675	(68)	78,607
Current liabilities									
Lease liabilities	**-**	**1,187**	**1,187**	-	1,616	1,616	-	1,678	1,678
Equity									
Retained earnings	**247,905**	**197**	**248,102**	547,607	264	547,871	512,001	210	512,211

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 EFFECTS OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact on change in accounting policy on Statements of Financial Position (continued)

Company (in RM'000) Impact on statements of financial position:	Effects on current year As at 31 December 2019 Previous Policy	Effects of MFRS 16	Presented	Restatement of comparative figures As at 31 December 2018 As previously stated	Effects of MFRS 16	Restated	As at 1 January 2018 As previously stated	Effects of MFRS 16	Restated
Non-current assets									
Property, plant and equipment	**84,159**	**(81,910)**	**2,249**	86,233	(83,392)	2,841	88,922	(84,875)	4,047
Right-of-use assets	**-**	**2,435**	**2,435**	-	3,270	3,270	-	4,105	4,105
Lease receivables	**-**	**84,972**	**84,972**	-	86,072	86,072	-	86,800	86,800
Current assets									
Lease receivables	**-**	**2,167**	**2,167**	-	1,796	1,796	-	1,056	1,056
Non-current liabilities									
Lease liabilities	**-**	**1,231**	**1,231**	-	1,864	1,864	-	2,614	2,614
Current liabilities									
Lease liabilities	**-**	**750**	**750**	-	906	906	-	1,064	1,064
Equity									
Retained earnings	**(777,923)**	**5,683**	**(772,240)**	(418,560)	4,976	(413,584)	5,649	3,408	9,057

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 EFFECTS OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact on change in accounting policy on Statements of Cash Flows

Group (in RM'000)	Effects on current year Financial year ended 31 December 2019			Restatement of comparative figures Financial year ended 31 December 2018		
	Previous policy	**Effects of MFRS 16**	**As presented**	**As previously stated**	**Effects of MFRS 16**	**Restated**
Cash flows from operating activities						
Cash generated from operations	**283,461**	**1,616**	**285,077**	302,099	1,678	303,777
Operating cash generated from/(used in) continuing operations	**290,028**	**1,616**	**291,644**	288,491	1,678	290,169
Operating cash generated from/(used in) discontinuing operations	**13,290**	**-**	**13,290**	(2,476)	-	(2,476)
Net cash generated from operating activities	**303,948**	**1,616**	**305,564**	286,015	1,678	287,693
Cash flows from financing activities						
Principal payment of lease liability	**-**	**(1,301)**	**(1,301)**	-	(1,315)	(1,315)
Interest payment of lease liability	**-**	**(315)**	**(315)**	-	(363)	(363)
Net cash used in financing activities	**(225,610)**	**(1,616)**	**(227,226)**	(16,771)	(1,678)	(18,449)
Net increase/(decrease) in cash and cash equivalents	**54,913**	**-**	**54,913**	(56,977)	-	(56,977)

* Certain amounts have been reclassified for consistency with the current year presentation for discontinuing operation. These reclassifications had no effect on the net decrease in cash and cash equivalents for the financial year ended 31 December 2018, as previously stated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 EFFECTS OF CHANGES IN ACCOUNTING POLICY (CONTINUED)

Impact on change in accounting policy on Statements of Cash Flows (continued)

Company (in RM'000)	Effects on current year Financial year ended 31 December 2019 Previous policy	Effects of MFRS 16	As presented	Restatement of comparative figures Financial year ended 31 December 2018 As previously stated	Effects of MFRS 16	Restated
Cash flows from operating activities						
Cash generated from/(used in) operations	**16,444**	**(889)**	**15,555**	(2,673)	9	(2,664)
Net cash generated from/ (used in) operating activities	**20,401**	**(889)**	**19,512**	(2,962)	9	(2,953)
Cash flows from investing activities						
Proceeds from lease receivables	**-**	**729**	**729**	-	(12)	(12)
Interest received from lease receivables	**-**	**1,066**	**1,066**	-	1,068	1,068
Net cash generated from/ (used in) investing activities	**83,711**	**1,795**	**85,506**	(290,257)	1,056	(289,201)
Cash flows from financing activities						
Principal payment of lease liability	**-**	**(789)**	**(789)**	-	(908)	(908)
Interest payment of lease liability	**-**	**(117)**	**(117)**	-	(157)	(157)
Net cash used in financing activities	**(110,389)**	**(906)**	**(111,295)**	290,397	(1,065)	289,332
Net decrease in cash and cash equivalents	**(6,277)**	**-**	**(6,277)**	(2,822)	-	(2,822)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42 EVENTS AFTER THE REPORTING DATE

a) Impact of Covid-19

In 2020, the global economic impact from the Covid-19 pandemic will be felt by industries and billions of people across the world. Even though a large portion of the Group's activities are considered as essential operations, it is foreseen that the Covid-19 pandemic may have financial implications to the Group, including the results of the Group and measurement of its assets and liabilities of the Group for the next financial year. The Board of Directors of the Company has also performed a preliminary assessment of its cash flows for the next twelve months. The Board of Directors of the Company are closely monitoring the situation and will make the appropriate decisions and undertake the necessary measures to preserve value.

b) Cessation of operations of a subsidiary

On 29 January 2020, a townhall was held for a subsidiary's employees where they were informed regarding management's plans to cease the operation of the subsidiary. This follows the decision by the Directors of the Company on 20 November 2019 to cease the operation of its raw sugar refining division of the subsidiary in June 2020. The employees were presented with the option of being relocated to the other subsidiaries' operations. As of the date of this report, the decision from the employees regarding the relocation has yet to be made.

c) Rescission of the sale and purchase agreement between a subsidiary and F&N Agrivalley Sdn Bhd

On 9 April 2020, the Group issued a letter to F&N to exercise its rights to rescind the sale and purchase agreement in respect of the disposal of its leasehold agriculture land located at Chuping, Perlis, entered on 8 October 2019 as disclosed in Note 29 to the financial statements. As of the date of this report, the Group continues the plan to sell the leasehold agriculture land located at Chuping, Perlis and is of the view that the transacted value in the F&N sale and purchase agreement of RM156,000,000 remains the most reflective market value to be used as fair value less costs to sell for the purposes of measurement of the assets held for sale. Management expects the sale to be completed within the financial year ending 31 December 2020.

43 APPROVAL OF FINANCIAL STATEMENTS

The financial statement have been approved for issue in accordance with a resolution of the Board of Directors on 17 April 2020.

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2020

Issued and Paid Up Share Capital : 702,980,000
Class of Shares : Ordinary share
Voting Right : One 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	281,369,800	40.03	-	-
2.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	107,393,952	15.27	-	-
3.	FGV 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	38,830,900	5.52	-	-

* *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.	Datuk Lim Thean Shiang	-	-
3.	Dato' Rosini Abd Samad	-	-
4.	Anuar Malek	-	-
5.	Dato' Haris Fadzilah Hassan	-	-

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2020

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	571	9.80	3,648	0.00
100 to 1,000	1,829	31.38	1,060,074	0.15
1,001 to 10,000	2,373	40.71	11,246,102	1.60
10,001 to 100,000	939	16.11	31,093,543	4.42
100,001 to less than 5% of issued shares	111	1.90	102,177,233	14.54
5% and above of issued shares	6	0.10	557,399,400	79.29
Total	**5,829**	**100**	**702,980,000**	**100**

LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	FGV SUGAR SDN BHD	281,369,800	40.03
2.	FGV 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.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	41,088,100	5.84
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	38,830,900	5.52
7.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	15,563,400	2.21
8.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	14,768,700	2.10
9.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	8,260,200	1.18
10.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	8,165,900	1.16
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (AFFIN 1)	5,460,167	0.78
12.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (MAYBANK 1)	5,000,000	0.71
13.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 - DIDIK	4,257,200	0.61
14.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (AMUNDI 1)	3,333,333	0.47
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (FRANKLIN 1)	3,333,333	0.47
16.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (NOMURA 1)	2,000,000	0.28
17.	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR BARCLAYS CAPITAL SECURITIES LTD (SBL/PB)	1,807,200	0.26

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
18.	NGA KO TONG	1,450,000	0.21
19.	RAJA AZNIN BIN RAJA AHMAD	1,221,100	0.17
20.	LEE HONG CHEN	1,179,800	0.17
21.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHONG HWA JAU (7002643)	850,000	0.12
22.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGES SECURITIES ACCOUNT FOR RAJA AZNIN BIN RAJA AHMAD (CEB)	827,700	0.12
23.	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KIONG KIONG	732,200	0.10
24.	TAN CHIN KUANG	684,800	0.10
25.	OOI SWEE AN	662,000	0.09
26.	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT - AMBANK (M) BHD FOR LOO CHOON SING (SMART)	650,000	0.09
27.	MAYBANK NOMINEES (TEMPATAN) SDN BHD CHUA ENG HO WA'A @ CHUA ENG WAH	642,800	0.09
28.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOK KOON	642,800	0.09
29.	CHONG CHING YEE	600,000	0.09
30.	WONG HOK YIM	600,000	0.09

SUMMARY OF PROPERTIES OWNED

AS AT 31 DECEMBER 2019

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 31/12/2019 (RM'000)
	MSM MALAYSIA HOLDINGS BERHAD					
1.	PLO 46, Jalan Ipil 2, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, 81700 Pasir Gudang, Johor Darul Takzim	Leasehold	Factory Land	50.63 acres	58	81,910
	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 31/12/2019 (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	54
	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		4,304
9.	H.S. (D) 119797, PT121677, Mukim Kelang, Daerah Klang, Selangor	Leasehold	Vacant land	10,670 sq metres		3,875
	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		0
			Factory Buildings	42,855 sq metres		0
2.	Pajakan Negeri, No Hakmilik 58, Lot 3142, Mukim Chuping, Daerah Perlis, Negeri Perlis	MSM Perlis Sdn Bhd (Factory)/ Leasehold	Tubewell area	28.715		0
			Building	236 sq metres		0
	MSM PERLIS SDN BHD (PLANTATION)					
1.	PN 37, Lot No : 2040, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-44 years	Rubber & other crops plantation	523.9398		0
2.	PN 39, Lot No : 2035, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-44 years	Rubber & other crops plantation	1,268.1079		0
3.	PN 40, Lot No : 2038, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-44 years	Rubber & other crops plantation	288.8774		0
4.	PN 41, Lot No : 2041, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-44 years	Rubber & other crops plantation	92.2017		0
5.	PN 43, Lot No : 2037, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-44 years	Rubber & other crops plantation	277.1783		0
6.	PN 1755, Lot 18794, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-44 years	Rubber & other crops plantation	952.8000		0

SUMMARY OF PROPERTIES OWNED

AS AT 31 DECEMBER 2019

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 31/12/2019 (RM'000)
7.	PN 1754, Lot 18795, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-44 years	Rubber & other crops plantation	10.1500		0
8.	H.S. (D) 145, PT, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-45 years	Rubber & other crops plantation	1,027.8619		0
9.	H.S. (D) 2587, PT349, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd/ Leasehold-55 years	Rubber & other crops plantation	12.8412		0
	MSM SUGAR REFINERY (JOHOR) SDN BHD					
1.	PLO 46, Jalan Ipil 2, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, 81700 Pasir Gudang, Johor Darul Takzim	-	Building for Sugar Refinery	50.63	50	265,882

SUMMARY OF PROPERTIES LEASED

AS AT 31 DECEMBER 2019

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)
	MSM PRAI BERHAD				
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 3 years/ Expiring on 31 May 2021 with option to renew for another 10 years	230,760.00
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

LIST OF TOP 10 PROPERTIES OWNED

AS AT 31 DECEMBER 2019

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, Jalan Ipil 2, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, 81700 Pasir Gudang, Johor Darul Takzim	31.3.2020	-	Building for Sugar Refinery	50.63	50	265,882
2.	PLO 46, Jalan Ipil 2, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, 81700 Pasir Gudang, Johor Darul Takzim	16.3.2015	Leasehold-58 years	Factory land	50.63 acres	-	81,910
3.	H.S. (D) 119796, PT 121676, Mukim Kelang, Daerah Klang, Selangor	24.4.2013	Leasehold-45 years	Vacant land	10,670 sq metres	-	4,304
4.	H.S. (D) 119797, PT 121677, Mukim Kelang, Daerah Klang, Selangor	24.4.2013	Leasehold	Vacant land	9,697 sq metres	-	3,875
5.	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		
6.	H.S. (D) 31965, PT 34447, Mukim Batu, Daerah Gombak, Negeri Selangor	30.8.2002	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		
7.	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	15.9.1993	Freehold	Bays for trucks and primers	0.519	24	953
8.	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	15.9.1993	Freehold	Vacant land	0.353	24	648
9.	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	15.9.1993	Freehold	Vacant land	0.254	24	466
10.	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	15.9.1993	Freehold	Bays for trucks and primers	0.088	24	161

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