

# **POISED FOR GROWTH**

ANNUAL  
REPORT  
**2017**

**GROWING STRONGER  
WITH RESILIENCE**

**MALAYSIA'S SUGAR LEADER**



MSM MALAYSIA HOLDINGS BERHAD



# ABOUT THIS REPORT

This is the second year that MSM Malaysia Holdings Berhad (MSM) is presenting its Annual Report guided by the International Integrated Reporting Council (IIRC) framework, in our bid to present to shareholders and stakeholders the long-term value creation efforts and outcomes for the Financial Year Ended 31 December 2017.

## 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 financial, manufactured, intellectual, human, relationship and natural 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 2017 to 31 December 2017.

This report adheres to the guidelines laid down within Bursa Malaysia's Main Market Listing Requirements and Sustainability Guidelines. It also complies with requirements for EES reporting as outlined under the Global Reporting Initiative (GRI). Compliance with Malaysian legal requirements under the Companies Act 1965, Companies Act 2016 and Malaysian Code on Corporate Governance 2017 (MCCG 2017) has also been adhered to.

## DETERMINING MATERIALITY

The aim of MSM's Annual Report is to provide a transparent, balanced and accessible narrative and analysis of our strategy, performance and prospects in relation to material, financial, economic, social, environmental and governance matters.

Our reporting encompasses all material developments concerning MSM up until the approval of the annual financial statements. It focuses on MSM as a Group and encompasses our operating subsidiaries, i.e. MSM Prai Berhad, MSM Perlis Sdn Bhd, MSM Logistics Sdn Bhd, MSM Sugar Refinery (Johor) Sdn Bhd and MSM Trading International DMCC. Financial and non-financial data from our subsidiaries are consolidated for ease of reference. We have also included pertinent information that should assist stakeholders in making an informed assessment of MSM and how we are able to strategically create and sustain long-term stakeholder value.

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

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

All material issues and developments thereof for the reporting year under review can be found within the Chairman's Statement on page 012, CEO's Review on page 016, Management Discussion & Analysis (MD&A): Business Review on page 030, CFO's Review on page 042, Sustainability Report on page 054, Statement on Risk Management and Internal Control on page 104, Business Continuity Management on page 108, and Mitigating Our Risks on page 109.

## 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 1965, Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and Sustainability Guidelines. The financial report and statements have been audited by PricewaterhouseCoopers, and is approved free of qualifications.

The Board acknowledges responsibility for ensuring the integrity recommendations of the annual report, following recommendation by the Audit Committee, responsible for oversight of the integrated annual report.

## FEEDBACK

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



Scan this QR code to view the MSM Annual Report 2017 microsite



## — p.020 Strategic Business Model



## — p.054 Sustainability Report



## — p.113 Calendar of Events



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# VISION & MISSION

## VISION

**TOP 10 GLOBAL**  
SUGAR PLAYER BY 2020

## MISSION

TO EXCEL AS A HIGHLY COMPETITIVE AND ENVIRONMENT FRIENDLY SUGAR PRODUCER WITH EXCEPTIONAL QUALITY RECOGNITION. TO BE A PROMINENT CORPORATION IN THE SUGAR BUSINESS BY PROVIDING PRODUCTS AND SERVICES OF SUPERIOR VALUE SO AS TO SUSTAIN CONSISTENT LONG-TERM GROWTH IN VOLUME AND PROFITABILITY. TO ACHIEVE CONSISTENT AND BALANCED COMMERCIAL SUCCESS BY:

**- 1 -**

Satisfying our customers' needs

**- 2 -**

Providing superior performance to our shareholders

**- 3 -**

Making available rewarding careers to our people

**- 4 -**

Having mutually beneficial relationships with our core business associates

**- 5 -**

Participating and contributing effectively towards nation building and the welfare and advancement of the society in which we operate

# CORE VALUES

MSM's senior management and employees came together in 2015 to develop values aligned with our vision to be the top 10 global sugar player. Termed as **SWIIT** to resonate with our business and passion, the following core values are being inculcated as the DNA that defines the way we work, interact and respond. The programme was launched in the first quarter of 2017. The first phase programme focused on "Living The Values" for all employees, from operators to the management group.

CORE VALUES	SUB VALUES	DESCRIPTOR
 <b>Sense of Belonging</b>	<b>Pride</b>	Our passion in executing our tasks reflects our pride in producing what customers want. We value all feedback and take pride in our end results. All positive efforts are recognised and reinforced.
	<b>Ownership</b>	We create a culture of inclusion that engages everyone in the organisation throughout every process. As such everyone in the organisation shall be responsible and accountable for their own actions.
 <b>Winning Attitude</b>	<b>Customer Focus</b>	All tasks are directed towards exceeding the demands of customers who are at the heart of all that we do. We always strive to achieve the 'wow' factor as the final goal in all our interactions with our customers.
	<b>Quality</b>	In our daily actions, we seek to intrinsically provide quality outcomes as part of our embedded culture. Superior quality in our products and services shall be our signature of excellence.
 <b>Integrity</b>	<b>Professionalism</b>	We take pride in executing all tasks with the highest standard of professionalism through discipline and commitment. We will project a positive business appearance and display the utmost level of competency.
	<b>Transparency</b>	We operate with a strict code of ethics that leads to accountability and protects the interests of the organisation and our stakeholders. We believe in open access to common information and engage the right people in all decision making processes.
 <b>Innovation</b>	<b>Continuous Improvement</b>	Our firm belief in practicing incremental changes has brought tremendous rewards, allowing us to continuously be the market leader in the country. This is done through being receptive to new ideas, accepting changes and supporting all efforts to improve systems and processes.
	<b>Resilience</b>	We trust that innovation will give us the edge and ensure a sustainable future for our business. Being creative allows us to do things in fresh, original and novel ways; adapt quickly to changes; and be flexible in our approach.
 <b>Teamwork</b>	<b>Trust</b>	We operate in an environment of open communication that fosters unwavering trust. This is achieved by cultivating a culture of shared values, mutual regard and professionalism amongst our employees.
	<b>Respect</b>	Respect for each other is the basis of our daily interaction. We value and leverage on each other's strengths to form a synergetic bank of talents, skills and positive attitude at the workplace.
	<b>Fairness</b>	We seek the highest level of fairness in our daily conduct, hence everyone receives equal opportunity to perform at the best of their ability. We uphold the protection of employees' rights to ensure the highest level of commitment and harmonious working relationships at the workplace.
	<b>Loyalty</b>	We regard loyalty as the catalyst in forming long lasting and meaningful relationships that transcend work. We ensure everyone has an equal share of responsibilities and is committed towards supporting the organisation's vision and mission.

## KEY BUSINESS HIGHLIGHTS

### POSITIONING

GULA PRAI

**NO.1**

SELLING BRAND  
IN MALAYSIA

**TOP 3**

HIGHEST SELLING SUGAR

Coarse Grain  
Fine Granulated  
Caster

**TOP 3**

EXPORT COUNTRIES

Singapore **33,576 tonnes**

Papua New Guinea **19,017 tonnes**

Hong Kong **18,036 tonnes**

IMPORT COUNTRIES

Brazil **880,000 tonnes**

Guatemala **176,000 tonnes**

### FINANCIAL

REVENUE

RM **2.66** BILLION

OPERATIONAL  
COST SAVINGS

RM **15** MILLION

BRAND  
VALUE

RM **576.2** MILLION

▲ 5.9%

TOTAL ASSETS

2017

RM **3.41** BILLION

2016

RM **3.22** BILLION

### OPERATIONAL

**1.25** MILLION

TONNES

Two Refineries  
Annual Production  
Capacity

PRODUCTION  
OUTPUT

**1,024,931** TONNES

CAPACITY  
UTILISATION

**89.75%**

▲ 285.6%

WASTE RECYCLED

2017

**487.2** TONNES

2016

**126.35** TONNES

### TOTAL EMPLOYEES

▲ 0.48%

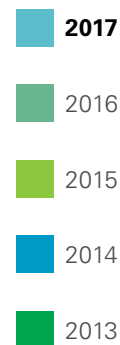
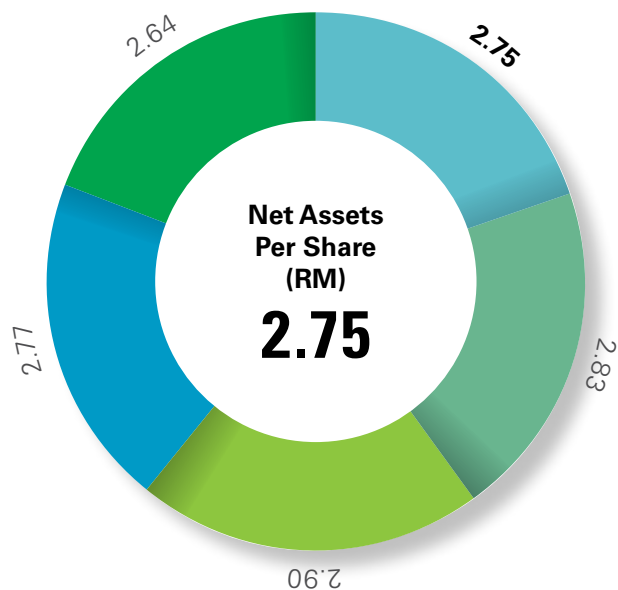
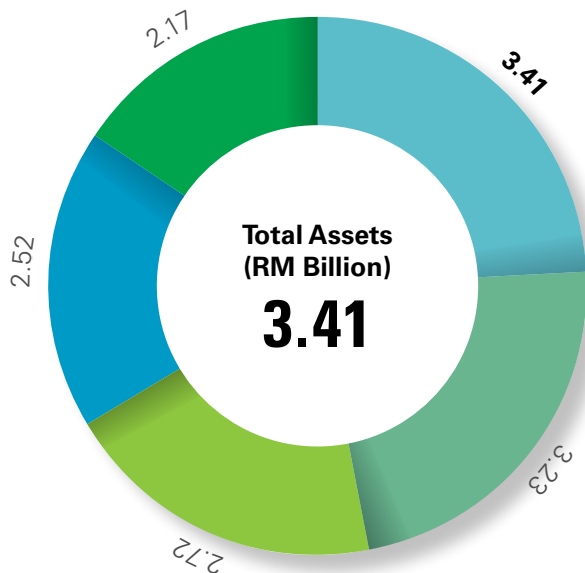
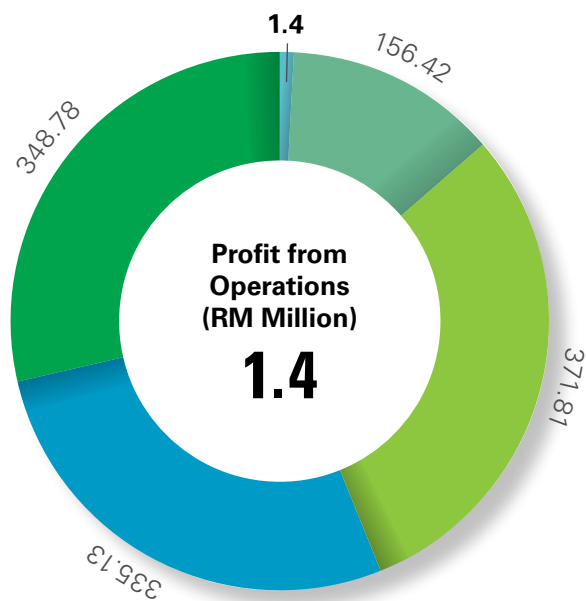
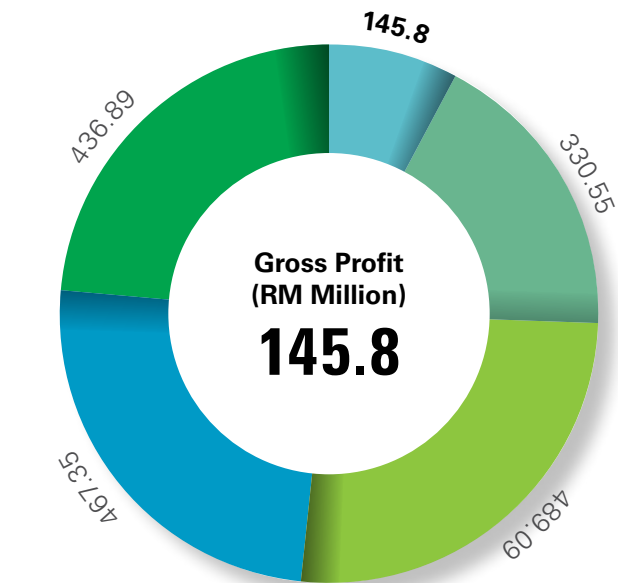
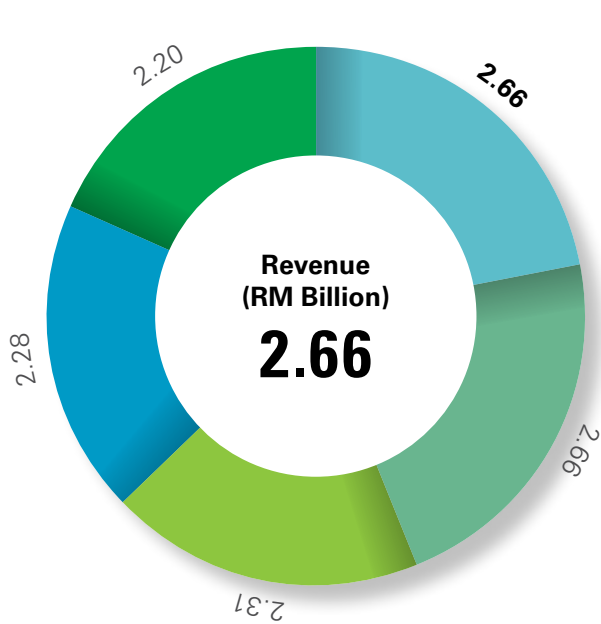
2017

**1,244** EMPLOYEES

2016

**1,238** EMPLOYEES

# FINANCIAL HIGHLIGHTS



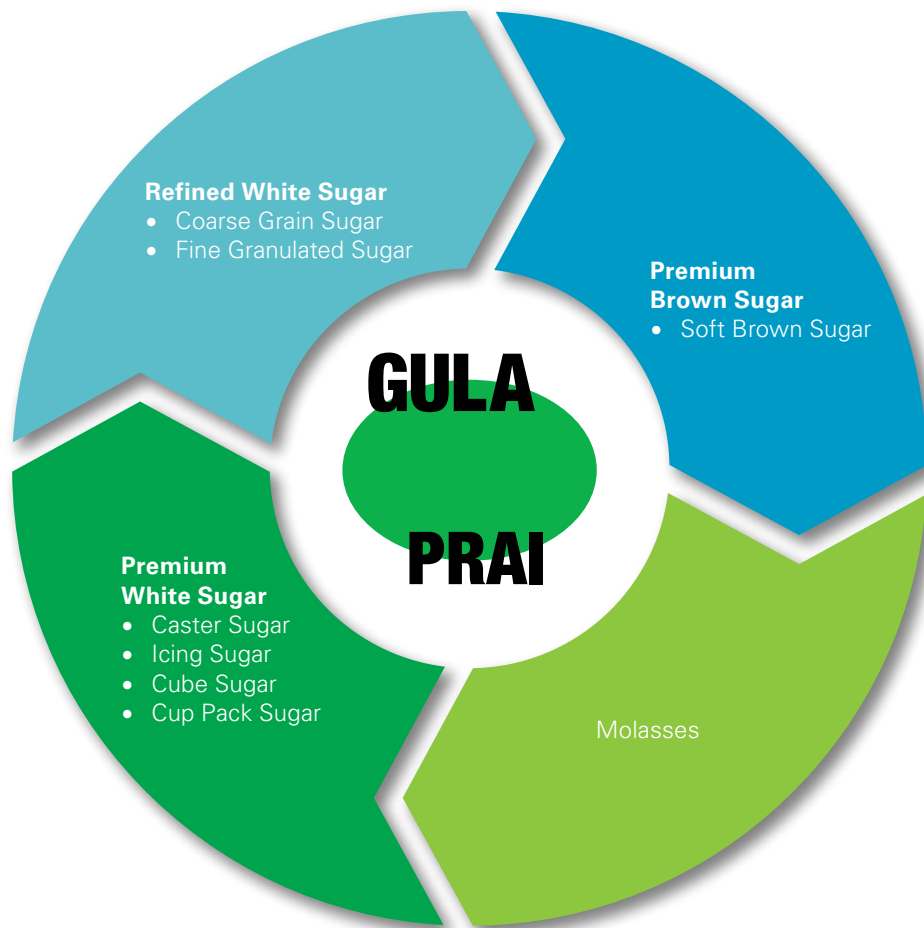


# CORPORATE PROFILE

MSM Malaysia Holdings Berhad (MSM) is Malaysia's leading refined sugar producer involved in producing, marketing and selling refined sugar products under the **GULA PRAI** brand. The company conducts its business principally through two operating subsidiaries, MSM Prai Berhad and MSM Perlis Sdn Bhd which were established in 1959 and 1971 respectively. In addition, MSM also operates a logistics company - MSM Logistics Sdn Bhd and a trading company - MSM Trading International DMCC, based in Dubai, United Arab Emirates.

At present, MSM's annual production capacity is up to 1.25 million tonnes of refined sugar. In 2017, MSM produced 1,024,931 tonnes of refined sugar, of which 139,540 tonnes are catered for the export market. Currently, MSM corroborates up to 58% of the domestic market share.

Incorporated on 10 March 2011, MSM was listed on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2011 with a market capitalisation of RM2.88 billion (as at December 2017).



## SUBSIDIARIES

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

## CUSTOMERS

- Confectionary companies
- Beverage companies
- Hypermarkets and Supermarkets
- Pharmaceutical
- F&B outlets\*
- Hotels\*
- Households\*
- Restaurants\*

\* via traders, wholesalers & distributors



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### DATUK WIRA AZHAR ABDUL HAMID

Chairman/Non-Independent  
Non-Executive Director  
(appointed on 26 September 2017)

### TAN SRI HAJI MOHD ISA DATO' HAJI ABDUL SAMAD

Chairman/Non-Independent  
Non-Executive Director  
(resigned on 19 June 2017)

### DATO' ZAINAL HAJI ISMAIL

Independent Non-Executive Director

### DATO' HAJJAH ROSNI HAJI ZAHARI

Independent Non-Executive Director

### DATO' ROSINI ABD SAMAD

Independent Non-Executive Director

### DATUK LIM THEAN SHIANG

Independent Non-Executive Director

### DATUK NOOR EHSANUDDIN MOHD HARUN NARRASHID

Non-Independent Non-Executive  
Director  
(resigned on 26 September 2017)

### DATUK HANAPI SUHADA

Non-Independent Non-Executive  
Director

### DATO' ZAKARIA ARSHAD

Non-Independent Non-Executive  
Director

### DATO' MOHAMMAD FAKHRUDDIN HAJI MOHD ARIFF

Independent Non-Executive Director

### DATO' KHAIRIL ANUAR AZIZ

Non-Independent Executive Director  
(appointed as Director on  
22 November 2017)  
(re-designated as Executive Director on  
11 December 2017)

## PRESIDENT/GROUP CHIEF EXECUTIVE OFFICER

Dato' Mohamad Amri Sahari @ Khuzari  
(vacated office on 22 January 2018)

## ACTING CHIEF EXECUTIVE OFFICER

Mohd Shaffie Said  
(appointed on 22 January 2018)

## COMPANY SECRETARIES

Koo Shuang Yen (MIA 7556)  
Abd Rashid Atan (MIA 18390)  
(resigned on 31 December 2017)

## REGISTERED OFFICE

Level 45, Menara Felda  
Platinum Park  
No. 11 Persiaran KLCC  
50088 Kuala Lumpur, Malaysia

Tel : **+603 2859 0000**  
Fax : **+603 2859 0016**

## SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya, Selangor, Malaysia

Helpdesk : **+603 7849 0777**  
Fax : **+603 7841 8151/8152**

## 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

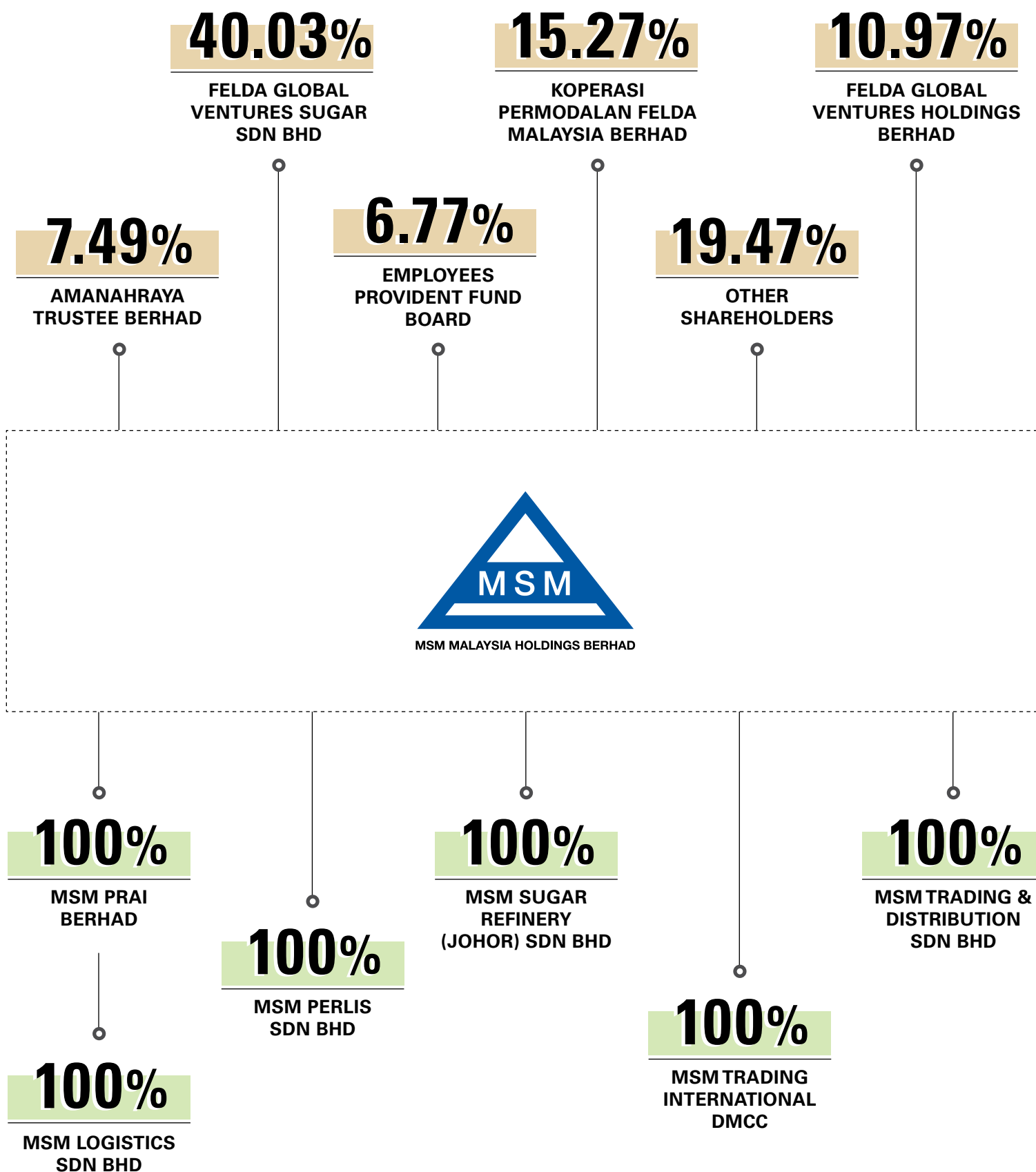
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Website : **www.msmsugar.com**  
Email : **investor.relations@msmsugar.com**

# CORPORATE STRUCTURE

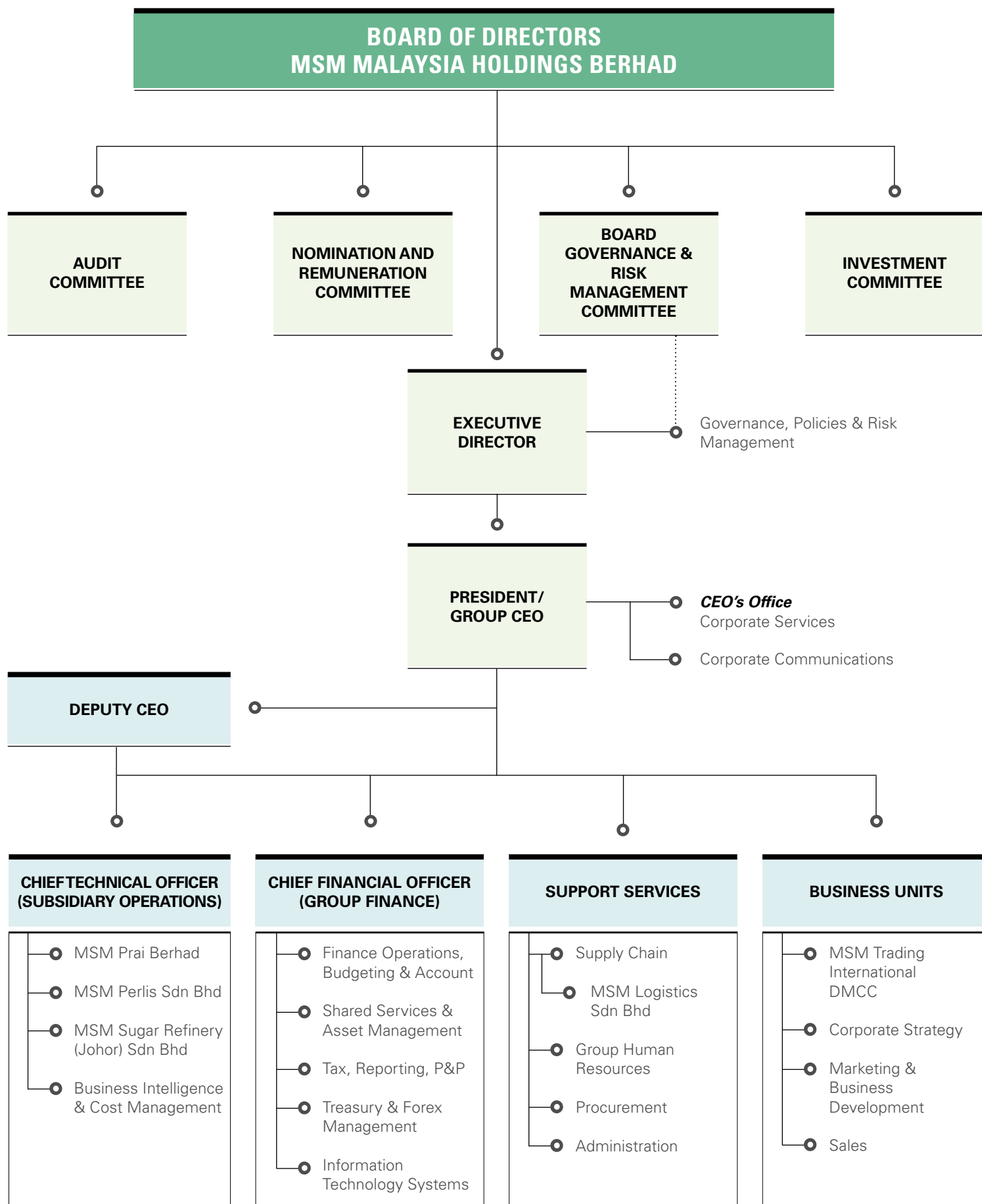
AS AT 22 MARCH 2018





# ORGANISATIONAL STRUCTURE

AS AT 22 MARCH 2018



## PRODUCT PORTFOLIO





## PRODUCT PORTFOLIO

## A SWEETER EDGE

For over half a century, MSM's flagship product, Gula Prai, has been the premium sugar brand in Malaysia and the most popular choice among consumers. The iconic home-grown product, which carries an approximate brand value of RM576.2 million, is a testament that its brand values are being passed on from one generation of Malaysians to the next. Gula Prai certainly lives up to its reputation, as the "No.1 Selling Brand in Malaysia."

**GULA**  
PASIR  
KASAR  
**PRAI**

Coarse Grain  
Sugar

**GULA**  
PASIR  
HALUS  
**PRAI**

Fine Granulated  
Sugar

**GULA**  
KASTOR  
**PRAI**

Caster  
Sugar

**GULA**  
ICING  
**PRAI**

Icing  
Sugar

**GULA**  
MERAH  
LEMBUT  
**PRAI**

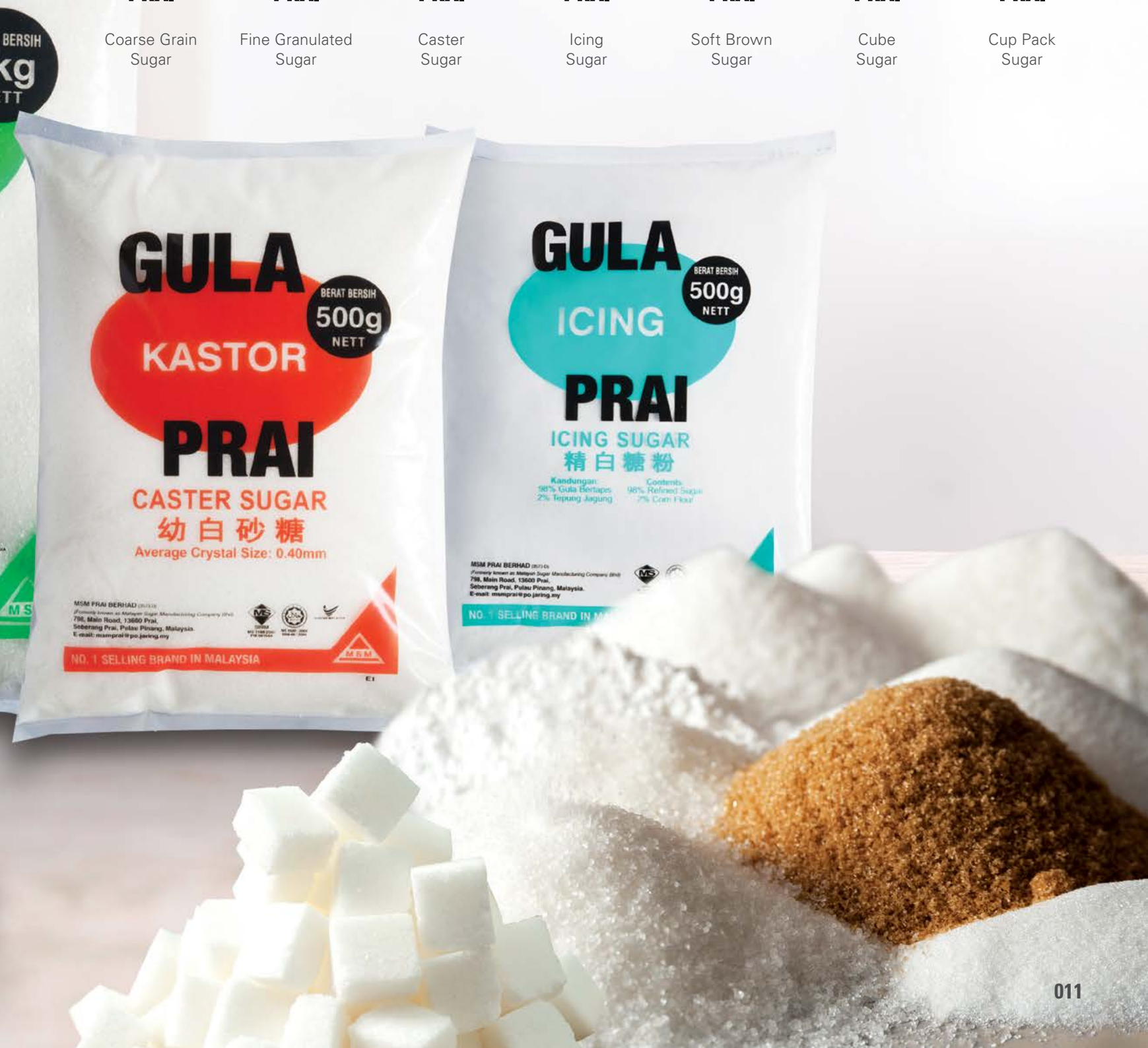
Soft Brown  
Sugar

**GULA**  
CUBE SUGAR  
FINE GRANULATED SUGAR  
**PRAI**

Cube  
Sugar

**GULA**  
CUP PACK  
FINE GRANULATED SUGAR  
**PRAI**

Cup Pack  
Sugar



## CHAIRMAN'S STATEMENT

# Dear Valued Shareholders

**IT IS MY PLEASURE TO PRESENT YOU  
MSM MALAYSIA HOLDINGS BERHAD'S (MSM)  
ANNUAL REPORT FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2017 (FY2017).**

This is the second year we are presenting MSM's FY2017 performance following the approach of Integrated Reporting. With the theme "Poised For Growth, Growing Stronger With Resilience", our aim is to share with shareholders and stakeholders the long-term value we intend to create in MSM Group – adding onto the company's resilience and strong business fundamentals in sustaining growth through short, medium and long-term strategies.





## CHAIRMAN'S STATEMENT

As it is my first year as Chairman of MSM, having been appointed to the role in September 2017, I look forward to inject growth, profitability and related opportunities, which is my key priority to collaborate with the MSM team to ensure this can be achieved through needle shifting initiatives which we have identified. It is also my desire to set forth MSM's 1,244 workforce and empower them to take ownership, recognise collective responsibility and continue to be resilient to weather external adversities ahead.

Together, as a team we tread forward towards a common purpose to focus on the core business, enhance governance practice and create shareholders' value. We are resolute in ensuring that MSM, a government-linked company (GLC), will not be a political platform, instead sharply focused to harness our commitment to best practices in the areas of disclosure, business integrity and sustainable development for MSM.

Among the challenges we intend to tackle in the short to medium-term period is to divest non-core investments and shift our focus onto the core business as part of a stringent prudent approach towards capital allocation. Cost optimisation is another priority as we intend to optimise MSM's expenses. While we view cost cutting as a necessity, we are also mindful in striking a balance in our cost optimisation measures to ensure that these do not adversely impact business growth.

Work culture will be fortified and harnessed to motivate the team in realising strategic outcomes for the growth of MSM. Top of the list in my inaugural year at MSM is to improve and strengthen a good corporate governance culture, as the unshakeable foundations upon which MSM will ensure its continued resilience in the domestic and international stage, despite the socio-economic and geopolitical turbulence that defines the market landscape these days.

Revenue  
**RM2.66**  
BILLION

Brand  
Value  
**RM576.2**  
MILLION

Operational  
Cost Savings  
**RM15**  
MILLION



*Gula Prai sugar products is the "No.1 Selling Brand in Malaysia"*

## CHAIRMAN'S STATEMENT

### A CHALLENGING MARKET LANDSCAPE

Over the past 12 months, our relationship with the external forces has led us to a complex situation, thereby making it a challenge for us to achieve the desired results. Despite the challenges, we continue to make adjustments and leverage on the strength of our fundamentals and operational excellence in order to minimise the overall impact. This situation does not sit well with us and the Strategic Plan (SP20) (V2).

The defining events of 2017 has been highlighted and rest assured we place great emphasis on our strategic priorities to progress significantly. Highlighting our deep roots in Malaysia, I am confident our sustained and strategic approach will put us in a good stead to capture growth opportunities and expand aggressively despite the myriad challenges presented on an international playing field. Please refer to our MD&A: Business Review on page 030 for a deep dive into our each of MSM's business segments and achievements recorded in 2017, as analysed against our key strategies.

Henceforth, we intend to continue growing stronger with resilience and achieve realistic goals with the best of our ability within the current business environment. On this basis, no dividend was declared and paid for the financial year ended 31 December 2017. A comprehensive analysis of our financial performance and the factors which affected it can be found within our CFO's Review on page 042 and our MD&A: Business Review.

### A FOCUSED UNDERSTANDING OF RISKS

2017 provided ample opportunity to further improve risk management policies, tools and frameworks. A challenging operating environment necessitated a deeper assessment of our risks tools and therefore is embedded into our strategic and operational objectives. In 2017, we upped the ante on our mitigation measures which will be borne through into 2018.

Some of the key risks and mitigation measures conducted in 2017 were as follows:

#### EXPOSED TO UNFAVOURABLE PRICE MOVEMENTS DUE TO HIGH DEPENDENCY ON IMPORTED RAW SUGAR

We constantly monitor the world sugar price and obtain industry feedback for a favorable pricing on back-to-back to basis upon sales of export or forward buying. Please refer to page 030 of our MD&A: Business Review for more information on measures conducted and outcomes obtained in 2017.

#### FOREIGN EXCHANGE FLUCTUATIONS ON RM AGAINST USD

Actively monitored foreign exchange market to capture the downward trend of MYR/USD, hence gradually averaging down the cost of buying USD to ease in for new hedging strategies for the Group's 2018 USD requirements.

#### OPERATIONAL AND SERVICE RELIABILITY DUE TO AGING MACHINERY IN THE EXISTING REFINERIES

We have established a consistent schedule of maintenance and servicing of our refining machinery, and where identified have replaced aging machinery with machine upgrades and replacements. Please refer to page 016 of our CEO's Review for more information on measures conducted.

#### COMPETITIVE SALES WHICH COULD POTENTIALLY IMPACT MARKET SHARE AND PROFIT MARGINS

We diligently monitor market demands and industry activities to ensure reliable supply and convenient delivery of high quality sugar. Please refer to page 030 of our MD&A: Business Review for more information on measures conducted and outcomes obtained in 2017.

For more in-depth details of our key risks and mitigation measures, please refer to the Mitigating Our Risks section on page 109.

In 2017, MSM implemented the Business Continuity Management (BCM) policies and procedures which was approved by the Board Governance and Risk Management Committee aimed at reducing the impact of major operational disruptions and disaster by returning the organisation back to a "business as usual" position in the event of any crisis or disaster. It is one of our key methods in safeguarding the interests of key stakeholders.

A Crisis Management Team (CMT) was rolled out to guide the operational management of BCM across the Group in the event of before, during and/or after any crisis. The team ensures that preventive, corrective and recovery activities are synchronised and that periodical exercises are undertaken as needed to improve the response time following any crisis.

More details on our risk management activities can be found within our Statement on Risk Management and Internal Control on page 104. While details on BCM activities and outcomes generated can be found within our Business Continuity Management section on page 108.



## CHAIRMAN'S STATEMENT

### STRENGTHENING THE BOARD OF DIRECTORS COMPOSITION

In 2017, we saw some changes in the composition of the Board of Directors at MSM. On behalf of the Board, I would like to put on record our collective gratitude to Datuk Noor Ehsanuddin Mohd Harun Narrashid who resigned as a Non-Independent and Non-Executive Director on 26 September 2017. We appreciate his services on the board of MSM Malaysia Holdings Berhad.

I would like to express a special appreciation to Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad, who served as the first Chairman of MSM Group and was at the forefront of the positive changes which took place at MSM. I would also like to take this opportunity to thank Dato' Rosini Abd Samad who was appointed as Acting Chairman on an interim basis on 19 June 2017. Her tenure as Acting Chairman ceased on 29 September 2017 upon my appointment as Chairman. The Board is extremely grateful for her invaluable services in providing leadership to the company during the interim period.

We welcome Dato' Khairil Anuar Aziz on to the Board, with his appointment as Executive Director on 11 December 2017. This will further strengthen the Board's collective knowledge and bring a fresh perspective to our decision-making skills.

Following my appointment as Chairman, Non-Independent and Non-Executive Director on 26 September 2017, I look forward towards success by cooperating with the Board as well as the entire MSM family to further strengthen MSM Group and ensure sustained future growth and profitability.

### UPHOLDING STRONG GOVERNANCE

We are committed to firmly uphold a transparent and accountable corporate governance framework, ensuring business decisions are made in a transparent and fair manner in accordance with the timeframe. Evidently, the establishment of a Board Governance and Risk Management Committee (BGRMC) is to ensure that we remain agile in responding to changing and volatile market landscape conditions, whilst remaining true to principles of strong governance.

We continue to place greater emphasis on raising the standards of good governance in relation to Board leadership and effectiveness by adopting best practices according to guidelines laid down in the Malaysian Code on Corporate Governance 2017 (MCCG 2017). We shall continue to incorporate the latest guidelines for 2018.

In 2017, the Minority Shareholder Watchdog Group, MSWG-ASEAN Corporate Governance Recognition ranked MSM as #41 on the list of Top 100 companies with Good Disclosures and #46 on the list of Top 100 companies for overall Corporate Governance performance. The scoring was judged on OECD Principles of Corporate Governance, approved by the ASEAN Capital Markets Forum. This is a true testament towards our progress of demonstrating high standards of Corporate Governance commitment to increase confidence among investors.



*The BBS wagon is used to transport sugar via railway.*

### FUTURE PRIORITIES

Moving on into 2018, MSM will continue on its upward trajectory of ensuring long-term growth and resilience through focused initiatives. A key area of growth lies in exploring new markets, prudent cost management and focus on strengthening our core business.

The fundamental importance is to ensure that MSM Johor is completed on time and within budget, as this forms the operational cornerstone upon which MSM will be able to expand its production capacities and penetrate our products in the domestic, regional and international markets.

I am confident that with our unwavering focus to achieve a robust financial performance balanced with a sustainable approach to realistically achieve its SP20 (V2) vision to become the top 10 global sugar player by 2020.

### ACKNOWLEDGEMENTS

It gives me great privilege to pen this address in my inaugural year as Chairman of MSM Group. My gratitude to the Board of Directors for their invaluable guidance, fellow colleagues and employees for their unwavering perseverance, commitment and teamwork in a year blighted with challenges.

May we continue to be resilient and stand a chance to prosper in the future.

**DATUK WIRA AZHAR ABDUL HAMID**  
Chairman

## CEO'S REVIEW

# Dear Valued Stakeholders

THE YEAR 2017 WAS MARKED BY MSM HAVING TO CONTEND WITH A CHALLENGING MARKET HEADWIND WHICH WERE BEYOND OUR CONTROL. THESE INCLUDED THE VOLATILE GLOBAL MARKET PRICE OF RAW SUGAR AND THE RINGGIT MALAYSIA (RM) FOREIGN EXCHANGE (FOREX) RATE WHICH WAS WEAK AGAINST THE US DOLLAR (USD). THE HIGHER RAW MATERIALS COST, FURTHER EXACERBATED BY THE WEAKENING RM, LED TO MSM BEING ADVERSELY IMPACTED FOR THE MOST PART OF 2017.



## CEO'S REVIEW

Although the rally that took raw sugar prices to a more than three-year high had simmered down by the middle of 2017, its impact on MSM lingered due to the nature of raw sugar purchasing contracts which only sees delivery of the commodity two to three months after the date of purchase.

However, due to focused understanding of the risks involved we managed to reduce the overall impact of both global raw sugar commodity prices and forex rates on our business. A central decision was made internally to hedge raw sugar purchases against the price and volume of our purchases. At the same time, we also locked in our forex rate on a quarterly basis. These mitigation measures were undertaken to average out the impact of these unforeseen and unfortunate series of events.

In regards to our financial performance, MSM achieved a revenue of RM2.66 billion for the financial year ended 31 December 2017. This was contributed by a 11.16% increase in the overall average selling price, tied with a 3.5% offset reduction for overall tonnage sold in 2017. A loss after tax of RM32.57 million was recorded compared to profit after tax of RM120.72 million in 2016. Confluence factors namely volatility of raw sugar price and foreign exchange rate hampered margins and drove production cost upwards to 7.8% compared to the previous year.

While the circumstances were unfavourable in 2017, we are thankful to the Government for the domestic sugar price adjustment in March 2017 from RM2.84 to RM2.95 to cushion the margin squeeze and maintain our leading market position at 58% despite the disruption of sugar import permits (APs) and sugar smuggling transshipment activities.

With over 50 years of experience in the sugar refining industry, we have built a strong brand positioning for our 'Gula Prai' product. MSM's two most popular sugar products are the high quality Coarse Grain Sugar (P1) for general consumers and Fine Granulated Sugar (PXX) for industrial customers, whereas Caster and Brown Sugar are also sought after by industries and consumers alike. Our long-term presence has generated lasting relationships with our customers, resulting towards our sugar products to be reputed as the "No.1 Selling Brand in Malaysia" and the most popular choice among consumers.

It has been a year of ups and down on many fronts at MSM, which can be summarised in a few words – in the face of significant challenges, MSM pursued its best to make significant progress. Collectively, MSM remains optimistic to solidify our leadership role in the sugar industry and improve earnings, deliver core financial values and long-term profitable growth to our shareholders and stakeholders.

### KEEPING TRUE TO OUR STRATEGIC INTENT

#### MAINTAINING MARKET LEADERSHIP

- Continuous customer engagement coupled with reliability and quality in services and product offerings cemented domestic market share positioning at 58%.
- Sugar price ceiling adjustment by 0.11 sen/kg.
- RM46.9 million in export revenue due to volume increase, an improvement of 19.9% from 2016.

#### SUSTAINING CONTINUOUS GROWTH

- The USD\$259 million investment for Malaysia's largest standalone sugar refinery in Tanjung Langsat, Johor is within budget and scheduled for commissioning in the first half of 2018 with an additional one million tonnes per annum capacity boost and set to enlist MSM as the largest sugar refiner in Asia.
- Regional market presence has been enhanced to balance the excess capacity due to local market saturation.

#### ENSURING OPERATIONAL EXCELLENCE

- Achieved RM15 million annual operational cost savings initiatives without compromising operational efficiencies.
- Operational framework fitted with energy saving initiatives which led to sustainable operational improvements.
- Implemented sales demarcation exercise to improve sugar delivery and manage operational costs.

#### ENHANCING HUMAN RESOURCES

- In 2017, 21 job opportunities were created in fields of technical and non-technical expertise to support the business needs.
- Introduction of Graduate Management Trainee (GMT), a talent development programme focused on core competency enhancement.
- Knowledge transfer and on-the-job training through inter-subsidiaries secondments and assignments.

### A SUSTAINABLE BUSINESS MODEL

During the year, we leveraged on the fundamental strength of our business to create further value within our six business capitals, forming strong foundations for the continuous growth of our business.

## CEO'S REVIEW

## MSM VALUES CREATION IN 2017



## FINANCIAL CAPITAL

## Two Operating Refineries

- Increased factory capability, efficiency and effectiveness through energy savings initiatives
- Increased production output to reduce costs
- Purchased raw sugar as per process requirement to reduce warehouse requirements
- Improved boiler operations
- Controlled maintenance costs, packaging material costs and usage
- Reduced fork-lift rental and maintenance expenditure
- Replace and upgrade process equipment
- Installation of process efficient equipment
- Increased production of Fine Granulated Sugar by installation of continuous sieving



## NATURAL CAPITAL

## Waste Management

- Hazardous Waste - 10.38 tonnes of hazardous waste collected by licensed contractor, compared to 20.55 tonnes in 2016
- Recycled Waste - 487.2 tonnes recycled in 2017, compared to 126.35 tonnes in 2016
- Non-Hazardous Waste Landfilled - 16,872 tonnes\*
- General Waste - 880 tonnes\*

\*The numbers above are reported for the first time and shall be the baseline for future reporting.

## Greenhouse Gas Emissions

- Purchased Electricity Consumption
  - Improved by 36,565.3 tonnes of CO<sub>2</sub> emissions produced, reduced by 42.7% compared to 2016

## Energy Consumption

- Natural Gas: 3,630,510 mmBTU, decreased by 6.45%
- Diesel: 277,463 litres, decreased by 53.5%
- Electricity
  - Purchased electricity: 49,386,436 kWh
  - Self-generated electricity: 35,835,401 kWh
  - In total, achieved a 1% energy savings for electricity consumption



## RELATIONSHIP CAPITAL

## CR Programmes

- Adopted four schools under the PINTAR Foundation School Adoption programme, benefitting more than 2,000 students
- Assisted with the Penang flood victims in monetary and volunteerism efforts



## MANUFACTURED CAPITAL

## National Sugar Security

- 2.5 months stock requirement (in both raw and refined form) to ensure availability of sugar in the domestic market

## Production Output (for 2017)

- MSM Prai - 855,064 tonnes
- MSM Perlis - 169,867 tonnes



## INTELLECTUAL CAPITAL

## Market Share

- 58% majority domestic market share

## Brand Champion

- Gula Prai is the No.1 best-selling brand in Malaysia in recognition of 858,400 tonnes of domestic sales volume

## Flagship Products

- Course Grain Sugar (P1) & Fine Granulated Sugar (PXX) are our best-selling products
- Our sugar products constitute towards 48% of Wholesaler sales and 38% of Industries sales



## HUMAN CAPITAL

## Group-Wide Workforce

- 1,244 workforce
- 21 job opportunities created in 2017
- 5.63% employee attrition rate
- 23% women at Management level

## Talent Development

- 21 participants enrolled under the Graduate Management Trainee (GMT) program
- 32,332 training hours invested in 2017
- Inter-subsidiaries knowledge transfer, on-the-job trainings and assignments



## CEO'S REVIEW

### MOVING FORWARD

Despite less favourable circumstances in 2017, it is imperative we enter into 2018 with confidence and a clear direction to solidify our leadership role in the sugar industry. Collectively, there is ample evidence that we have made progress by enhancing the transparency and sustainability of our value chains, effectively managing our costs, strengthening our capitals and rationalising our operations and sales management.

2018 will bring its own mix of successes and challenges, but our direction is clear and we know what we must do. One of our most salient features is to chart new horizons with the commissioning of MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor), expected in the first half of 2018. The portfolio of MSM Johor shall supplement the new markets to reinvigorate growth, increase profitability and deliver outstanding long-term, sustainable value to each of you, customers and the shareholders.

In essence, we anticipate challenging macro factors to persist in the short to medium term. However our sight is focused on the long-term growth. Our investment over the years in building an integrated business model will ensure a healthy balance sheet and provide the resilience needed to weather future external adversities.

MSM is a significant player in the sugar business in South East Asia – where many opportunities arise from rapid economic and population growth. Our presence and capability provide us a window of advantage to capture new business and growth opportunities. With rising affluence and accelerating urbanisation, the general demand for sugar will grow by 2%-3% annually. As a trusted brand, we will continue to employ a strategic business model to grow inclusively, responsibly and sustainably.

Moving forward, we believe that our strong fundamentals will catapult us from a local company into a regional status and in years turn into a global player. The key is to leverage on our refining expertise and capacity as well as to diversify our operations to establish a presence along the entire value chain in the sugar business. It gives me pleasure to share that we have made a significant progress on this front.

With an employee strength of 1,244, we are committed to develop and attract quality talents. In our conquest to be a global leader and transform Malaysia into a regional hub for sugar, having a strong and



diverse talent pool based on meritocracy is highly valued. This goes without saying, our culture is performance-driven complemented by a strong teamwork value.

MSM today is at a very exciting crossroad. In order to tread the path towards success, we emphasize the importance to remain committed in our endeavours. I firmly believe through your efforts and continued support, over the course of the next 12 months, we are able to accelerate our leadership position as the unmatched sugar brand in the domestic market and reshape our efforts for export growth.

With a reaffirmed determination, we remain optimistic to catalyse our sustained business growth, to provide shareholders and stakeholders with valuable long-term benefits and returns.

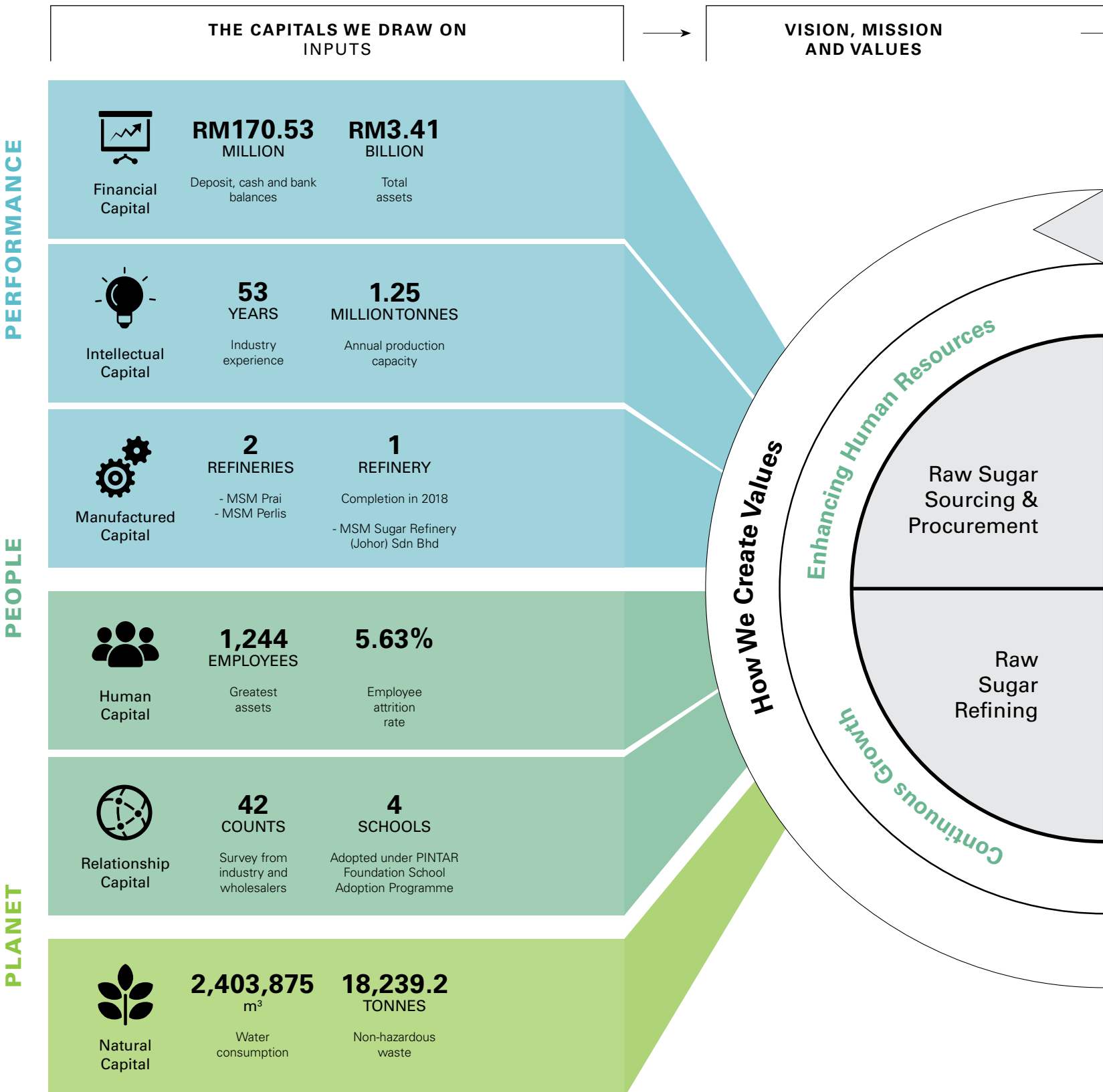
Thank you, I look forward to an exciting time ahead for all of us.

**MOHD SHAFFIE SAID**  
Acting Chief Executive Officer

► GROUP REVIEW

# STRATEGIC BUSINESS MODEL

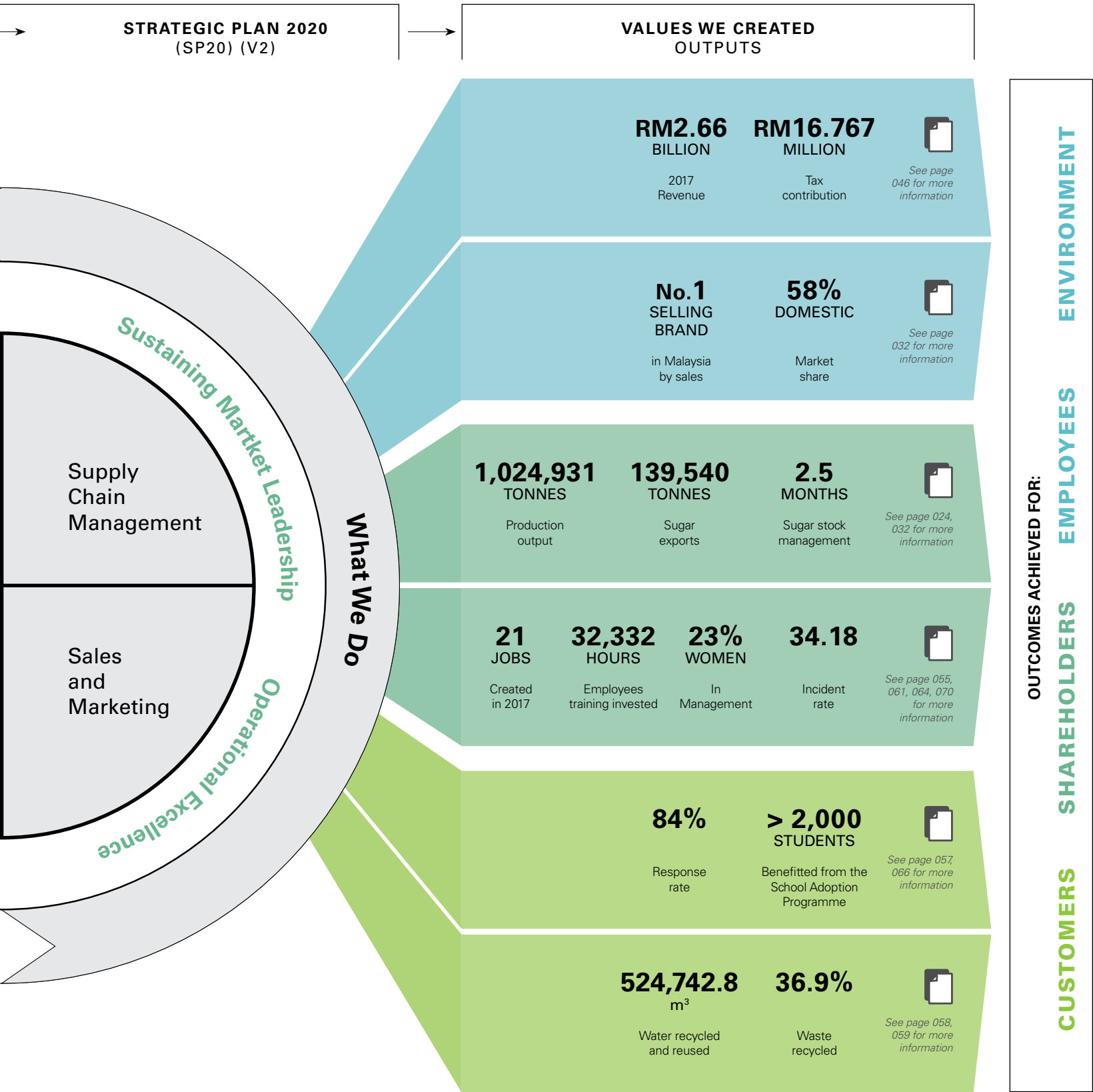
MSM seeks to grow inclusively, responsibly and sustainably. Our strategic business model approach combines efficient operational framework and responsive strategies to adapt in a volatile market environment, and remain committed to create lasting values in the short, medium and long-term basis.





► GROUP REVIEW

STRATEGIC BUSINESS MODEL



## ► GROUP REVIEW

**STRATEGIC PLAN (SP20) (V2)****SEGMENTS****Market Leadership****Continuous Growth****Operational Excellence****Enhancing Human Resource****KEY STRATEGIES**

Maintain leadership in domestic market

Capacity building

Expand presence in global sugar industry

Optimise asset utilisation

Increase operational efficiency

Develop high performance culture

**STRATEGIC PRIORITIES**

- Be the choice for domestic refined sugar under the 'Gula Prai' brand.
- Ensuring our assets are operating at its optimum level to ensure no deficit of sugar supply.
- Continuous engagement with the government to ensure sustainable supply of refined sugar in the country.
- Additional one million tonnes capacity through construction of new sugar refinery in Johor.
- Strengthen the structure and governance process for MSM Dubai.
- Explore new business opportunities in the region.
- Increase melting rate in production.
- Replace ageing equipment.
- Comply with certification standards.
- Align production with Group's sales strategy.
- Implement integrated logistics approach.
- Inculcate corporate values.
- Enhance talent base through employee mobility and development programmes.
- Focus on productivity and return per employee.



## ► GROUP REVIEW

## STRATEGIC PLAN (SP20) (V2)

## ACHIEVEMENTS 2017

- Continuous customer engagement coupled with reliability and quality in services and product offerings cemented domestic market share positioning at 58%.
- Sugar price ceiling adjustment by 11 sen/kg.
- The USD\$259 million investment for Malaysia largest standalone sugar refinery in Tanjung Langsat, Johor is within budget and scheduled for commissioning in the first half of 2018 with an additional one million tonnes per annum capacity boost and enlists MSM as the largest sugar refiner in Asia.
- Regional market presence has been enhanced to balance the excess capacity due to local market saturation.
- RM46.9 million in export revenue due to volume increase, an improvement of 19.9% from 2016.
- Achieved RM15 million annual operational cost savings initiatives without compromising operational efficiencies.
- Operational framework fitted with energy saving initiatives which led to sustainable operational improvements.
- Implemented sales demarcation exercise to improve sugar delivery and manage operational costs.
- More than 90% of employees participated in the initial phase of the Values Enhancement Programme to strengthen the MSM sense of belonging and the spirit of camaraderie.
- Accelerate learning curve for new employees whilst development opportunities and career growth for current employees.
- Knowledge transfer and on-the-job training on core competency enhancement through inter-subsidiary secondments and assignments.

## PRIORITIES 2018

- Maintain leadership through strategic collaboration and volume tie-in with customers.
- Explore additional revenue stream via Johor refinery upon completion.
- Ensuring timely completion of Johor refinery and to remain within stipulated budget.
- New export market penetration through various marketing channels.
- Prudent management for operational expenses.
- Strengthening balance sheet through capital restructuring and disposal of non-core assets.
- Continue with Graduate Management Trainee initiative to ensure supply of talent pool in critical skill areas.
- Focus on training and development initiatives in mandatory and effective curriculum to strengthen core competency.
- Instill a high performance culture, focus on responsibility and accountability in achieving business objectives.

## ► GROUP REVIEW

## GLOBAL PRESENCE

## TOP 5 KEY EXPORT MARKETS

SINGAPORE

**33,576**

tonnes

PAPUA NEW  
GUINEA**19,017**

tonnes

HONG KONG

**18,036**

tonnes

NEW ZEALAND

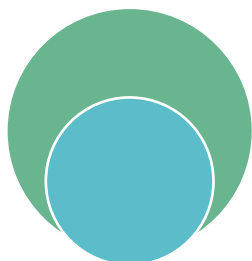
**15,549**

tonnes

SOUTH KOREA

**11,771**

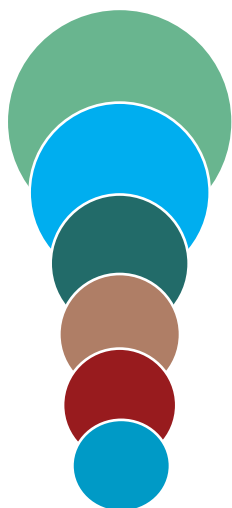
tonnes

**RAW SUGAR  
IMPORT** (tonnes)**880,000**

Brazil

**176,000**

Guatemala

**REFINED SUGAR  
EXPORT** (tonnes)**52.57%**

South East Asia

**14.24%**

Papua New Guinea

**11.64%**

New Zealand

**10.52%**

Asia

**7.13%**

Australia

**3.90%**

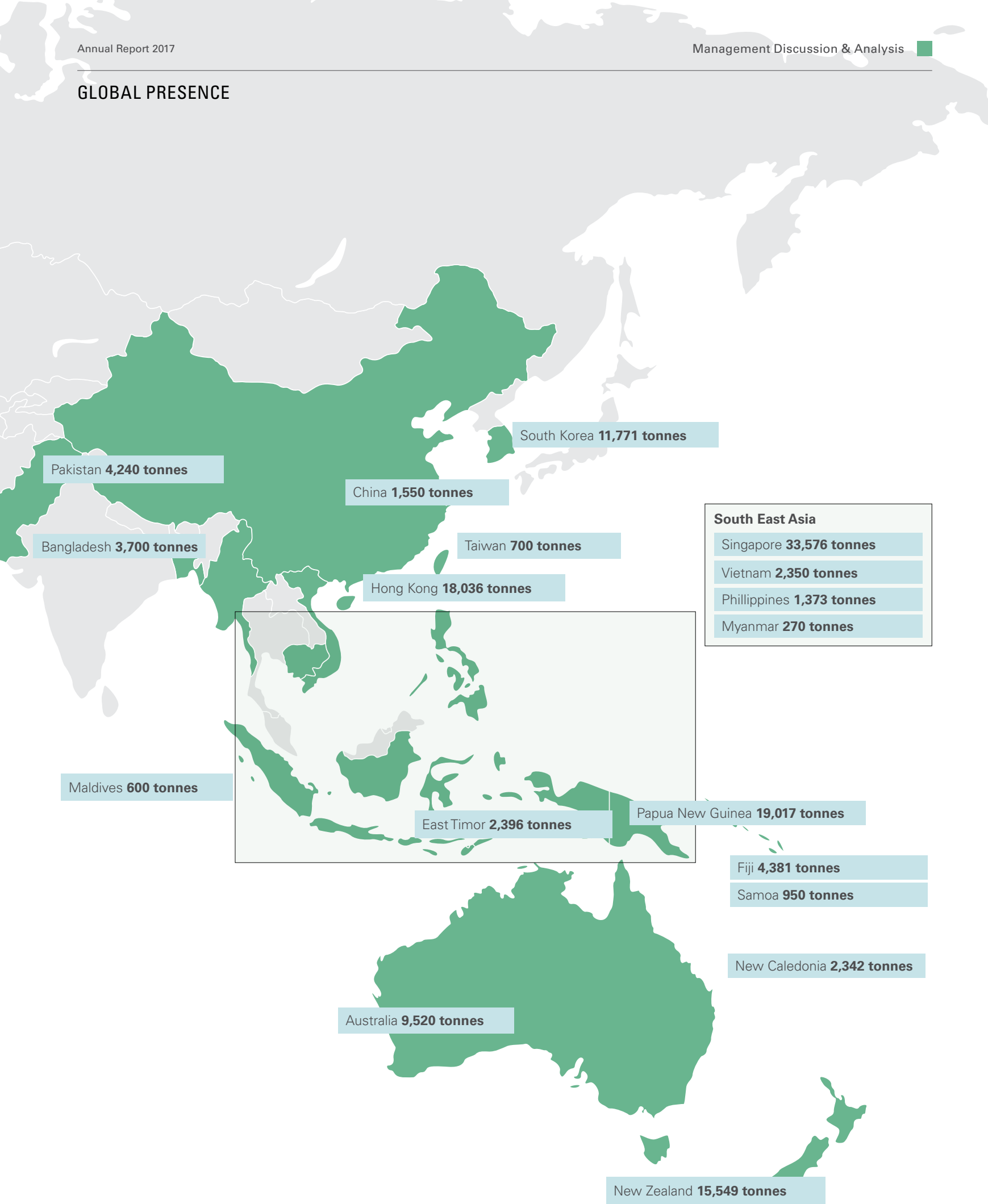
MENA

MSM Trading International DMCC was established in 2016 as a trading hub in Dubai primarily to monitor the global raw sugar commodity market, enable competitive raw sugar purchases and increase revenue gain for export trading activities. To do so, the office shall establish a presence in the region in order to penetrate the MENA (Middle East and North Africa) market, which presents a huge opportunity to grow the export business.

- In 2017, our peak month for the global export of sugar was in May, where we recorded exports of around 15,000 tonnes of refined sugar globally
- Singapore as our main export market with a total of 33,576 tonnes of refined sugar
- Total global sugar exports of 139,540 tonnes

Lebanon **250 tonnes**UAE **320 tonnes**

GLOBAL PRESENCE





## ► GROUP REVIEW

**MATERIAL MATTERS**

MATERIAL MATTERS	DESCRIPTION	ISSUE'S DESCRIPTION	INITIATIVES
<b>Cost Raw Sugar</b> 	Around 88% of MSM's production cost is derived from raw sugar. Our business depends on optimising margins between price of raw and refined sugar. The escalating price of raw sugar and weakening of our Ringgit value are pressuring our margins.	<ul style="list-style-type: none"> <li>Exposed to volatility of raw sugar price.</li> <li>Trading risk to procure raw sugar on futures market.</li> <li>Raw sugar stock levels are influenced by climate, political and economic factors.</li> </ul>	<ul style="list-style-type: none"> <li>Refer page 012 on Chairman's Statement</li> <li>Refer page 030 on MD&amp;A: Business Review</li> </ul>
<b>Investors Confidence</b> 	Maintaining trust and confidence among investors and shareholders is important as it depicts our manner to operate the business responsibly and sustainably.	<ul style="list-style-type: none"> <li>Sustained financial, dividend and share performance.</li> <li>Responsible investment in new business strategy, mergers and acquisition.</li> <li>Strengthening risk and governance policies to ensure financial and trading frameworks are honoured, protected and inculcated as a check and balance mechanism.</li> </ul>	<ul style="list-style-type: none"> <li>Refer page 012 on Chairman's Statement</li> <li>Refer page 042 on CFO's Review</li> <li>Refer page 030 on MD&amp;A: Business Review</li> </ul>
<b>Operational Efficiency</b> 	For over 50 years, MSM's exceptional operational strength and responsible commitment towards customer service forms our core strength. Disruption of business or project delays will undermine MSM's reputation.	<ul style="list-style-type: none"> <li>Unplanned factory shutdown time and production downtime.</li> <li>Health, Safety and Environment (HSE) performance and practice.</li> <li>Optimise asset utilisation.</li> </ul>	<ul style="list-style-type: none"> <li>Refer page 016 on CEO's Review</li> <li>Refer page 030 on MD&amp;A: Business Review</li> </ul>
<b>Managing Regulatory Requirements</b> 	In Malaysia, sugar is regulated under the Price Control and Anti-Profitteering Act 2011. The Government supports, protects and enacts the domestic market sugar policies and regulatory requirements.	<ul style="list-style-type: none"> <li>Domestic sugar price adjustment is insufficient to cushion the impact of margin squeeze.</li> <li>Standing policies on AP issuance and sugar smuggling enforcement.</li> <li>Enhance business framework to ensure responsiveness and cost-effective changes to regulatory requirements.</li> </ul>	Refer page 030 on MD&A: Business Review
<b>Capital Structure</b> 	MSM's capital expenditure (CAPEX) has increased due to the current construction of MSM Johor's refinery. Given our tighter margins, lower gearing would strengthen MSM's financial flexibility.	<ul style="list-style-type: none"> <li>Scheduled completion for the new Johor refinery project is on track.</li> <li>The Johor refinery project management costs and deliverables are well within budget.</li> </ul>	<ul style="list-style-type: none"> <li>Refer page 042 on CFO's Review</li> <li>Refer page 030 on MD&amp;A: Business Review</li> </ul>
<b>Attract, Develop and Retain Best Talents</b> 	MSM strives to build a workplace to suit, attract and retain talents with the required competencies in order to fulfil our vision to be the top 10 global sugar player by 2020.	<ul style="list-style-type: none"> <li>Ability to retain talents in core skills area is a challenge.</li> <li>Scarcity of local talents in the sugar industry.</li> <li>Long learning cycle required for entry level employees.</li> </ul>	Refer page 030 on MD&A: Business Review
<b>Communities and Environmental Empowerment</b> 	A holistic approach of integrating Economic, Environmental and Social (EES) sustainability elements into our business operations and management to create lasting values in the short, mid and long-term basis for our stakeholders.	<ul style="list-style-type: none"> <li>Integrate EES elements to future-proof our business operations.</li> <li>Investment required to operate responsibly across the value chain.</li> <li>Emphasise importance of being in full compliance with regulators.</li> </ul>	Refer page 054 on Sustainability Reporting on Economic, Environmental and Social (EES)

## ► GROUP REVIEW

# OUR RELATIONSHIP WITH STAKEHOLDERS

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

STAKEHOLDER'S GROUP	HOW WE ENGAGE	ISSUES DISCUSSED
<b>Employees</b> 	<ul style="list-style-type: none"> <li>• Message from the Top Management</li> <li>• Management meetings with representatives of employees (Union)</li> <li>• Dialogues and engagements</li> <li>• Departmental meetings</li> <li>• Intranet</li> <li>• Newsletter</li> <li>• Employee engagement survey</li> <li>• In-house human resource trainings and programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Career development opportunities</li> <li>• Benefits and remuneration</li> <li>• General welfare</li> <li>• Occupational Safety and Health</li> </ul>
<b>Communities</b> 	<ul style="list-style-type: none"> <li>• Community engagement and outreach programmes</li> <li>• Website</li> <li>• Visits</li> </ul>	<ul style="list-style-type: none"> <li>• Societal contributions</li> <li>• Socio-environmental operational impact</li> <li>• Volunteerism</li> </ul>
<b>Suppliers</b> 	<ul style="list-style-type: none"> <li>• Contract/tender negotiations</li> <li>• Vendor registrations</li> <li>• Courtesy and site visits</li> <li>• Assessment</li> <li>• Trainings and briefings</li> </ul>	<ul style="list-style-type: none"> <li>• Quality service delivery</li> <li>• Pricing of services and materials</li> <li>• Sustainable standards</li> </ul>
<b>Investors</b> 	<ul style="list-style-type: none"> <li>• Quarterly analyst briefings</li> <li>• Circulars/Notices</li> <li>• Annual General Meeting</li> <li>• Annual reports</li> <li>• One-on-one or group meetings</li> <li>• Courtesy and site visits</li> <li>• Announcement to Bursa Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>• Group financial performance</li> <li>• Business strategy and updates</li> <li>• Governance and risk standards</li> </ul>
<b>Government</b> 	<ul style="list-style-type: none"> <li>• Continuous engagement and dialogue</li> <li>• Formal meetings</li> <li>• Discussions on government initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Pricing structure</li> <li>• AP issuance</li> <li>• Sugar smuggling issues</li> <li>• Ensure sufficient sugar supply for domestic market</li> </ul>
<b>Regulatory Agencies and Statutory Bodies</b> 	<ul style="list-style-type: none"> <li>• Inspections by local authority (DOE, DOSH, etc.)</li> <li>• Active engagement with related agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance matters</li> <li>• Environmental emissions and discharges</li> <li>• Labour practices</li> <li>• Occupational Safety and Health</li> </ul>
<b>Media</b> 	<ul style="list-style-type: none"> <li>• Media releases</li> <li>• Media conferences</li> <li>• Group/one-on-one Q&amp;A session</li> <li>• Email enquiry</li> <li>• Media satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>• Group financial performance</li> <li>• Business strategy and updates</li> <li>• Ongoing and future projects</li> </ul>
<b>Customers</b> 	<ul style="list-style-type: none"> <li>• Website</li> <li>• Events and engagement sessions</li> <li>• Customer care email</li> <li>• Customer satisfaction survey</li> </ul>	<ul style="list-style-type: none"> <li>• Customer engagements</li> <li>• Pricing</li> <li>• Quality support services, supply commitment and service delivery</li> </ul>
<b>Industry Players</b> 	<ul style="list-style-type: none"> <li>• Conferences</li> <li>• Exhibitions</li> <li>• Events</li> <li>• Website</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing and future projects</li> <li>• Industry market updates</li> <li>• Networking sessions</li> </ul>

## ► GROUP REVIEW

## MARKET LANDSCAPE

**Excellent weather in many countries is leading to above-average yield and has led to huge rebound in world sugar production. The global production is expected to reach 186.5 million tonnes for 2017-18 while consumption is forecasted at 183 million tonnes thus making surplus exceed 5.5 million tonnes.**

**Prices slumped during the first half of 2017 when India and China disappointed the market and the anticipated tightness failed to materialise. Brazil is expected to produce less sugar for 2018-19 as most mills move to ethanol for better margins while production is expected to surge in India, Thailand, EU and Pakistan due to better weather conditions. As market is fundamentally well placed, raw sugar prices are seen trading range bound at \$13-15c/lb for quite a while.**

\* Source : International Sugar Organisation

## 2017/2018 SUGAR OVERVIEW

## UNITED STATES

USA production is expected to rise by 5% vs last year on better aspects on beet yield. The country is expected to produce 8.4 million tonnes with a consumption of 11.4 million tonnes, the difference of three million tonnes will come from imports under TRQ (tariff-rate quota) and Mexico.

## BRAZIL

Production is forecasted to rise 1.1 million tonnes to a record 40.2 million tonnes based on favourable weather, improved crop management, and lower use of cane for ethanol. Exports are projected up 1.1 million tonnes to a record 29.6 million tonnes on greater exportable supplies and despite China's safeguard measure to limit sugar imports from Brazil. Consumption is up slightly while stocks are flat. The country is expected to start crushing for 2018-19 season by early April, market consensus is that Brazil will produce 35 million tonnes in total (Central South & North East) as most mills will shift to ethanol due to the current low price of sugar against surging oil prices.

## INDIA

For 2017-18, Indian production is forecasted to rebound by 25% to 25.5 million tonnes due to higher area and yields in Maharashtra, Uttar Pradesh, and northern Karnataka. The government expects no imports for this season due to drastic crop recovery. With this surge in production, the domestic prices have come down thus affecting the margins of the millers, hence to control the prices the government has increased import duty on sugar from 50% to 100%.

## EUROPEAN UNION (EU)

EU is expected to produce 20.1 million tonnes a surge from last year's production of 15.9 million tonnes. The consumption has marginally been impacted to 17.5 million tonnes from last year mainly by the isoglucose. With EU export quota restriction lifted in October'17 the region is expected to export 3.5 million tonnes for 2017-18 from last year's 1.6 million tonnes. With this significant rise in production and lifting of trade restriction EU could rank the largest origin for White exports for 2017-18.

## THAILAND

Production in Thailand is expected to surge and is forecasted to reach 11.9 million tonnes of sugar for 2017-18 season a rise from previous year of 10.03 million tonnes. With a domestic consumption of 3.1 million tonnes the country is expected to export eight million tonnes with a major portion going to Indonesia. The country recently deregulated

its sugar industry due to WTO restrictions and with new policies the domestic prices will float freely while cane fund and 70/30 revenue sharing has been abolished.

## CHINA

Production is forecasted to rise 1.2 million tonnes by 10.5 million tonnes for total production in 2017/18, with expanded sugarbeet and sugarcane area. Chinese consumption grows every year but at a slower pace as prices are too strong and there are other alternative sweetener options such as Aspartame, Sorbitol and especially HFCS. Sugar demand may reach 15.7 million tonnes for 2017-18 however high domestic prices may pressure some of the demand.

## PAKISTAN

Pakistan is ranked ninth in terms of top sugar producers in the world. The country is expected to produce 7.5 million tonnes for 2017-18 while its consumption stands at 5.8 million tonnes. To curb stock piling the government recently allowed a subsidy of \$100/tonne on exports, thus we are seeing major exports coming from Pakistan with exports even expected to reach two million tonnes for 2017-18 from last year 500k tonnes.

## MEXICO

Production is forecasted slightly higher at 6.5 million tonnes. However, exports are projected to jump 20% to 1.5 million tonnes with most of the exports going to the United States. Stocks are lowered 18%, in line with higher exports and consumption.

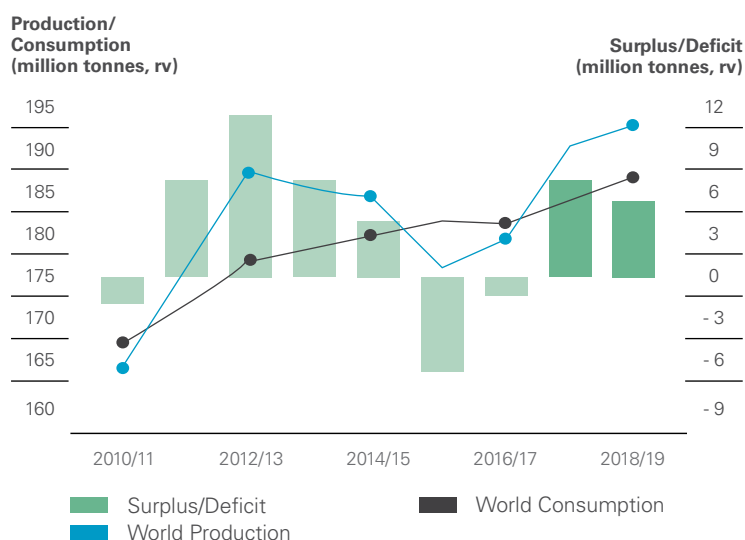
## RUSSIA

Production is forecasted up 200,000 tonnes to a record 6.4 million tonnes on higher yields. Consumption is forecasted to rise as a result of the boost in available supplies.

## AUSTRALIA

Production is forecasted down only 300,000 tonnes to 4.8 million tonnes as the tropical cyclone that hit the northern growing areas of the Queensland coast in March 2017 was less damaged than expected. Exports are expected to be commensurate with lower exportable supplies.

## Global supply/demand balance



Source : LMC International

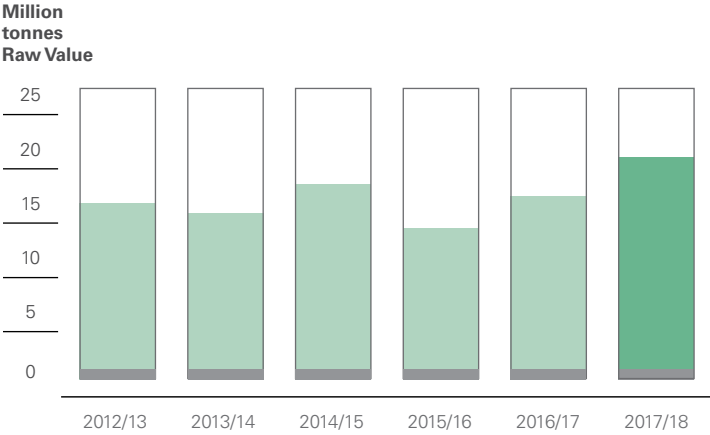


► GROUP REVIEW

MARKET LANDSCAPE

EU Production and Exports

Rise with End of Quotas



Source : Office of Global Analysis, USDA Foreign Agricultural Service

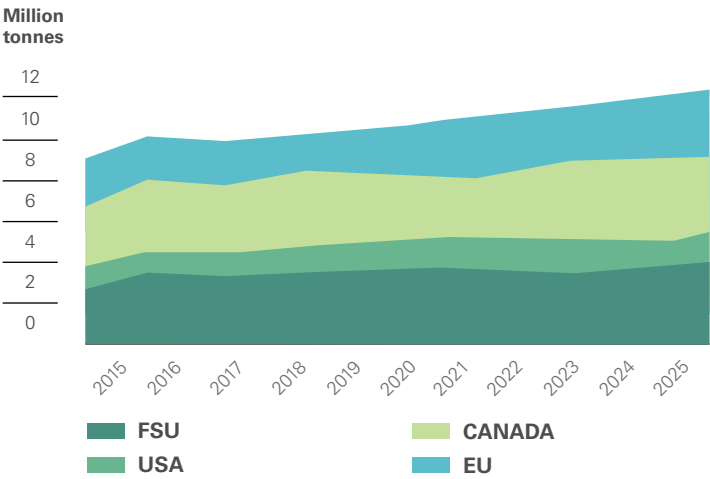


Figure 8. Outlook World Sugar Markets

Source : 2016 Outlook of the U.S. and World Sugar Markets, 2016-2025 by Richard D. Taylor, Center for Agricultural Policy and Trade Studies Department of Agribusiness and Applied Economics North Dakota State University

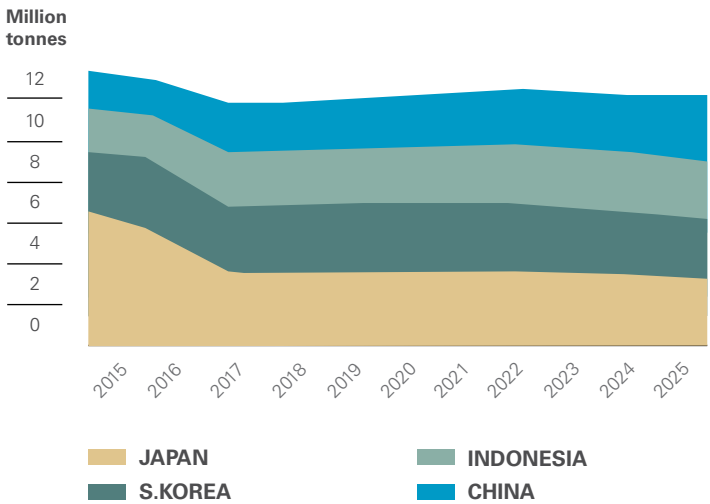


Figure 9. Projected World Sugar Imports by Country, Asian Countries

Source : 2016 Outlook of the U.S. and World Sugar Markets, 2016-2025 by Richard D. Taylor, Center for Agricultural Policy and Trade Studies Department of Agribusiness and Applied Economics North Dakota State University

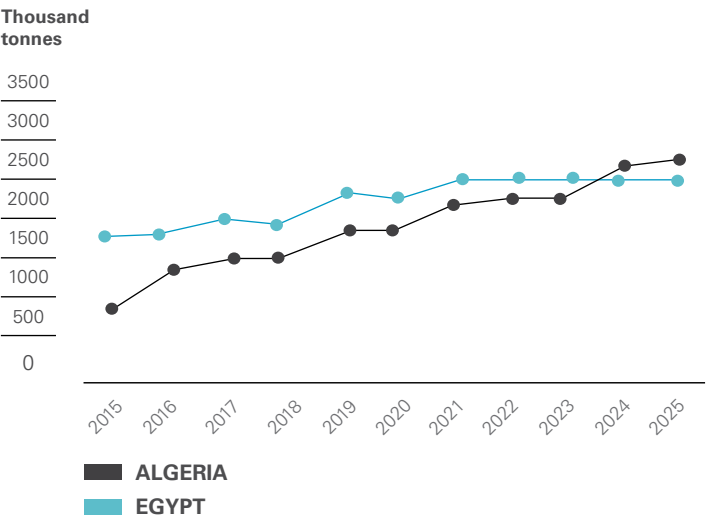


Figure 10. Projected World Sugar Imports by Country, African Countries

Source : 2016 Outlook of the U.S. and World Sugar Markets, 2016-2025 by Richard D. Taylor, Center for Agricultural Policy and Trade Studies Department of Agribusiness and Applied Economics North Dakota State University

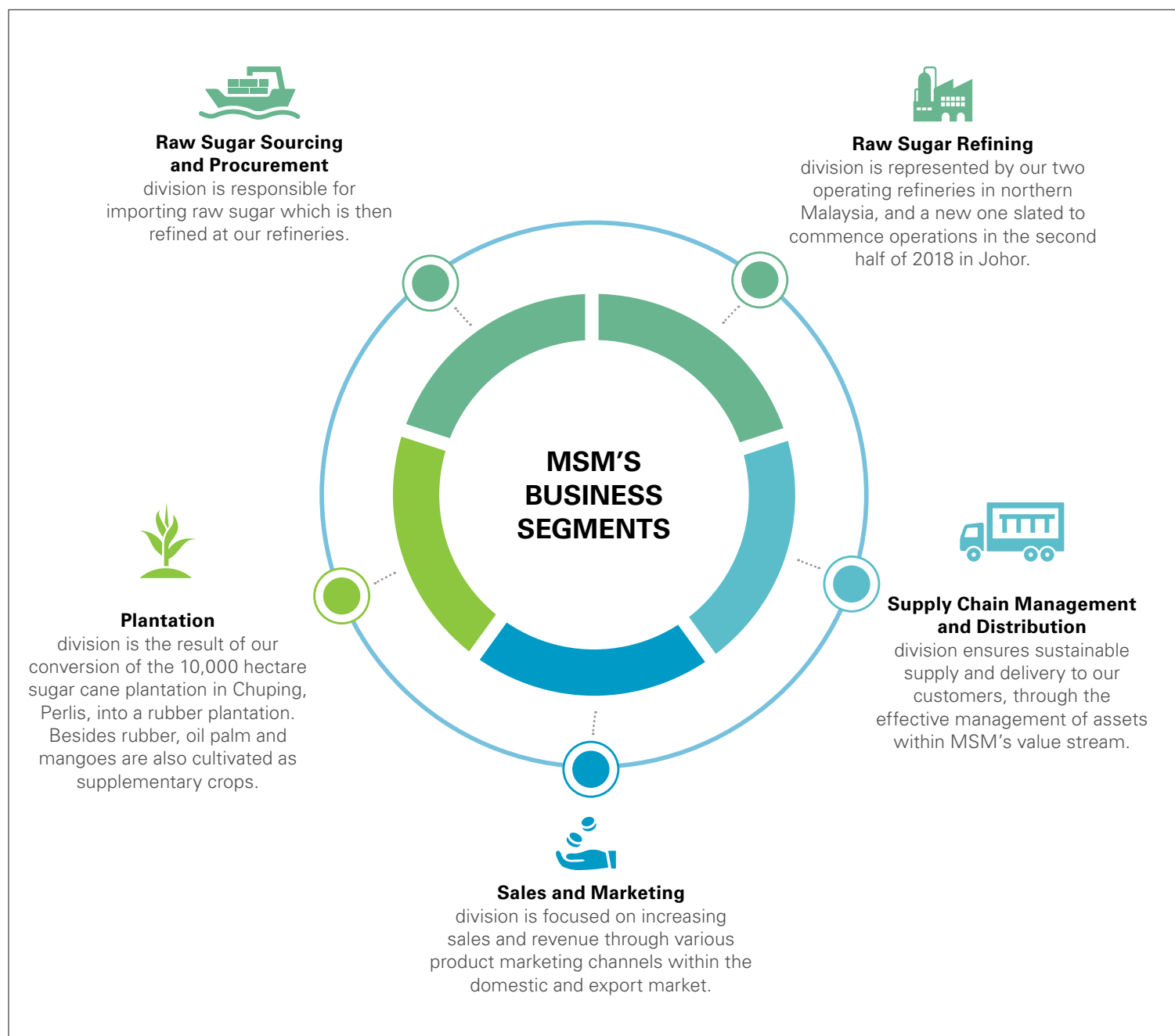
## ► BUSINESS REVIEW

**MANAGEMENT DISCUSSION & ANALYSIS**

MSM MALAYSIA HOLDINGS BERHAD'S (MSM OR THE GROUP) PERFORMANCE IN THE FINANCIAL YEAR 2017 (FY2017) WAS CLOSELY ALIGNED WITH OUR IDENTIFIED KEY STRATEGIES, TO GENERATE SUSTAINABLE LONG-TERM GROWTH AND ENSURE LONG-TERM VALUE CREATION FOR OUR STAKEHOLDERS.

**A SUSTAINABLE BUSINESS MODEL**

MSM's operations is comprised of five key business segments, namely, Raw Sugar Sourcing and Procurement; Raw Sugar Refining; Supply Chain Management and Distribution; Sales and Marketing; and Plantation. Like cogs in a well-oiled machine, the entirety of our business segments form MSM's holistic value in creating a sustainable business model of importing, refining and selling or exporting refined sugar to the domestic and global markets.



## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## RAW SUGAR SOURCING AND PROCUREMENT

## 2017 REVIEW

## MAINTAINING MARKET LEADERSHIP

A key area of concern in relation to the sourcing and procurement of raw sugar in 2017 was the volatile price of raw sugar in the global commodity markets. To mitigate the risks associated with the price volatility, MSM responded by strategically hedging all sales on a back-to-back basis with current raw sugar costs. Furthermore, optimum costs elements were identified to maximise margins for refined sugar trading activities.

Towards the end of 2017, the European Union (EU) re-entered the market by abolishing its sugar production quota system, allowing EU competitors to improve sugar supply stocks to market and export internationally. This has been identified as another key area of concern, and MSM had identified a focused strategy in dealing with this new development. New markets in the MENA region (the largest buyers of sugar from the EU market) has also been identified with a potential to offer competitively priced and high-quality sugar products compared to EU refinery costs.

To ensure that our sugar products are of the highest quality, we continue to carefully select our raw sugar suppliers to ensure minimal compromise in quality for our end product. The factors we took into account included monitoring colour changes and polarisation due to changes in seasons or harvest conditions, as well as Raw Sugar Freight and Country Premium costs which factors for 8% of the total raw sugar cost.

## ENSURING CONTINUOUS GROWTH

MSM sources 100% of its raw sugar which is traded in USD currency. Therefore, the global price of raw sugar and forex significantly affects our bottom line. Bearing this in mind, we engage in more risk averse methods of sourcing and buying raw sugar which includes constant monitoring of the pricing strategy, mitigating trading risks and tightening trading policy.

As for our export initiatives, we have begun embarking on sugar trading activities, with a prime focus in the MENA market as well as other destinations with improved sales margin. Groundwork to access new premium markets have been laid out in preparation for supporting the Johor refinery's capacity once it has been commissioned.

## ACHIEVING OPERATIONAL EXCELLENCE

In 2017, we achieved operational excellence in this segment by conducting our hedging exercise in a cost-efficient manner and in accordance to sales generated in order to avoid any loss-making contracts. Raw sugar daily pricings trends were carefully monitored to minimise loss of opportunities to ensure purchases of raw sugar were competitively priced. The goal was to obtain prices which fared better than the annual average price at NY#11.



2017 Key Highlights	2018 Key Priorities
<b>Maintaining Market Leadership</b>	
<ul style="list-style-type: none"> <li>Optimised raw sugar purchases via strategic hedging, established hedge fund/international trade house contacts and diligently monitoring the market</li> <li>Identified elements for better margins in sugar trading activities</li> </ul>	<ul style="list-style-type: none"> <li>Enhance hedging mechanism to lower the cost of raw sugar purchased</li> <li>Sugar exports targeted directly to premium market countries such as Australia, New Zealand, Pakistan, China, etc, and strengthening our foothold in the South East Asia (SEA) region</li> <li>Diversify our income stream</li> </ul>
<b>Ensuring Continuous Growth</b>	
<ul style="list-style-type: none"> <li>Implemented financially prudent measures to remain at market advantage and reduce exposure when markets are volatile</li> <li>Established presence in the MENA region as a growing sugar trader</li> </ul>	<ul style="list-style-type: none"> <li>Manage price risk and cautiously monitor and manage open commodity positions</li> <li>Conduct structural and timely hedging to reduce impact of forex volatility</li> </ul>
<b>Achieving Operational Excellence</b>	
<ul style="list-style-type: none"> <li>Proactively evaluated hedging risks and ensured coverage against exposure</li> <li>Strategic and operational decision-making process strengthened by transparent communication and raising risk awareness</li> </ul>	<ul style="list-style-type: none"> <li>Enhance robust framework and governance mechanism for adequate protection against market volatility</li> <li>Constantly review trade positions and limits to manage overall risk exposure</li> </ul>



## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## RAW SUGAR REFINING

## 2017 REVIEW

## MAINTAINING MARKET LEADERSHIP

As the leading sugar refiner in Malaysia dating back to 1959, MSM's iconic sugar brand 'Gula Prai' is the most popular choice among consumers. This testifies to our brand value which has passed on from one generation of Malaysians to the next and certainly lives up to its slogan as the "No.1 Selling Brand in Malaysia".

Our core business involves refining raw sugar into certifiable food-grade quality white sugar, brown sugar, caster sugar and icing sugar. Molasses is formed as the by-product of this sugar refining process and marketed.

MSM supplies about 58% of Malaysia's refined sugar for consumers while approximately 14% of its production is exported globally. Currently, we operate two sugar refineries located in the state of Penang and Perlis. In 2017, these refineries produced 1,024,931 tonnes of refined sugar, and continues to fulfil its role as the main supplier to its vast consumer as well as the food and beverage manufacturing industry.

In 2018, barring unforeseen circumstances, we are set for the commencement of operations of our largest standalone sugar refinery in Malaysia, located in the state of Johor and enabling capacity expansion to ensure a viable future as a regional supplier of refined sugar.

## ENSURING CONTINUOUS GROWTH

A crucial enabler of MSM's forward thinking strategy is to grow its production capacity upon the commissioning of the Johor refinery. Throughout the duration of the Johor refinery construction, MSM has maintained a rigorous tendering and procurement process which emphasises our commitment to a strong governance culture and to obtain value for money and quality. We have also maintained a focused construction schedule to ensure timely completion of the project.



Front loader moves raw sugar in the storage warehouse.

CAPACITY  
UTILISATION  
TARGET 2017

87%

ACHIEVED

89.75%

COST SAVINGS  
TARGET 2017

RM7  
million

ACHIEVED

RM15  
million

As at December 2017, the project is on schedule and at 84% progress, and barring unforeseen circumstances, commissioning is slated to take place in the first half of 2018. Ahead of its anticipated completion, the strategy has been set in motion for expanding our domestic and export market sales. Upon full completion of the Johor refinery, MSM will be the biggest standalone sugar refiner in Asia with a total capacity of 2.25 million tonnes per annum.

## ACHIEVING OPERATIONAL EXCELLENCE

The refining business is our core area which contributes to business growth and sustainable operations. Our operational excellence continued to advance over the year as key elements of best practices were linked in a specific way to manage operational workflow process, minimise variability in our operations and optimise manpower usage.

Our factories achieved a sizeable raws melted of 1,075,234 tonnes in 2017 with increased capacity utilisation rate to 89.75% exceeding KPI benchmarking. This is due to less factory shutdown time and production downtime. Refining costs were prudently managed due to lower repair and maintenance costs, improved asset utilisation, reduced outsourcing activities, lower packing costs and labour reductions.

## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

The base of our refining operations was also fitted with energy saving initiatives which led to sustainable utilisation of energy, among them the reduction of steam consumption which can also reduce carbon footprints. As past evidence has suggested, this will be the basis upon which sustainable operational improvements can be achieved in future.

Cost savings initiatives were prioritised to keep refining costs within control and mitigate pressure from external challenges. In total, RM15 million in cost savings was achieved due to effective operational management and plant maintenance costs. Customer expectations were also successfully managed in meeting production targets for 2017.

**ENHANCING HUMAN RESOURCE**

In 2017, there were some issues pertaining to 1kg packaging sealing and bundling issues raised by our customers. In response, we have gathered feedback and applied measures aimed specifically to mitigate this issue and reduce future customer complaints rates. Open and collaborative discussions between our employees and customers are regularly conducted, to consider their feedback and recommendations for service improvements.

In preparation for the Johor refinery outfit, our experienced operational and technical team have been assisting the Johor refinery personnel in terms of knowledge transfer and provide on-the-job training at our existing refineries. Additionally, we have introduced the Graduate Management Trainee (GMT) initiative, a talent development programme for trainees to focus mainly on the technical aspect of the industry. This is necessary as local talents in this field are scarce. The knowledge transfer ensures consistent levels of production excellence and operating standards are maintained throughout our refineries.

2017 Key Highlights	2018 Key Priorities
<b>Maintaining Market Leadership</b>	
<ul style="list-style-type: none"> <li>Supplies 58% of Malaysia's sugar requirements</li> <li>Approximately 14% of sugar production exported globally</li> <li>Total production volume of 1,024,931 tonnes</li> </ul>	<ul style="list-style-type: none"> <li>Enhance volume growth to produce better margins</li> <li>Leverage on Johor refinery capabilities to enhance export trading</li> <li>Operate in scalable and sustainable manner</li> </ul>
<b>Ensuring Continuous Growth</b>	
<ul style="list-style-type: none"> <li>To increase MSM's production capacity to an additional one million tonnes per annum</li> <li>Targeted for completion in the first half of 2018</li> </ul>	<ul style="list-style-type: none"> <li>Develop additional revenue streams, mainly for MSM Johor</li> <li>Strengthening domestic market penetration</li> <li>Exploring possibilities to tie up sugar agreements with strategic partners</li> </ul>
<b>Achieving Operational Excellence</b>	
<ul style="list-style-type: none"> <li>Increased raws melted to 1,075,234 tonnes and capacity utilisation rate to 89.75%, exceeding KPI benchmarking</li> <li>Invested in energy saving initiatives for a sustainable operation</li> <li>Operational cost saving initiatives amounting to RM15 million</li> </ul>	<ul style="list-style-type: none"> <li>Constant costs reduction program to become a low-cost producer</li> <li>Perform capacity planning versus demand growth</li> <li>Replacement and upgrading of critical and non-critical equipment and machinery</li> </ul>
<b>Enhancing Human Resource</b>	
<ul style="list-style-type: none"> <li>Introduction of GMT initiative, a talent development programme focused on technical core competencies</li> <li>Knowledge transfer and on-the-job training via core competency enhancement through inter-subsidiaries secondments and assignments</li> </ul>	<ul style="list-style-type: none"> <li>Ensure workforce remains competitive and at par with industry growth</li> <li>Maintain and improve production excellence and operating standards</li> <li>Continue with GMT initiative to ensure supply of talent pool in critical skill areas</li> </ul>

## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**SUPPLY CHAIN MANAGEMENT AND DISTRIBUTION****2017 REVIEW****MAINTAINING MARKET LEADERSHIP**

A key initiative during the year was leveraging on innovation to improve our stevedoring activities. We introduced an innovative new fabrication of leak proof grabs which reduced our sugar loss in our sugar shipping activities. Consequently, our sugar loss rates dropped tremendously, from 2% loss in 2016 to only 0.03% in 2017. The new leak proof grabs prevent the contamination of sugar shipments from increased exposure to sea water moisture. The adoption of the innovation maintained our high polarization quality between 98% and 99.3%, thus ensuring our leadership in the industry as a manufacturer of high quality sugar.

**ENSURING CONTINUOUS GROWTH**

Singapore represents our largest export market in 2017. Interestingly, it also has the highest sugar consumption per capita in the Asian region at 65kg per capita. As our main export market in the region, we play a critical role to ensure the overall supply chain process and handling remains efficient. Apart from being able to strengthen our presence in the country, this business outlook will enable us to capture similar business opportunities elsewhere.

To improve our distribution planning and processes, we introduced a demarcation exercise and broke down market segments for smoother replenishment of orders and optimum stock count for a fast turnaround time.

In 2017, we underwent a crucial exercise aimed at reducing packing costs while increasing our capacities. Outsourcing activities for packing facilities to a co-manufacturer was ceased to ensure full utilisation of in-house assets. The decision to eliminate co-manufacturer charges made prudent business sense as part of our cost optimisation exercise.

**ACHIEVING OPERATIONAL EXCELLENCE**

As part of our asset utilisation enhancement programme, we reviewed our market routes and distribution lines and began implementing direct delivery routes instead of sending sugar stocks to our appointed distribution centre for redistribution to our customers.

The exercise freed up stocks within MSM's distribution centre, to be distributed in a more efficient manner instead of the legacy cross-state distributed consignment approach. Aside from reduction in distribution costs, it ensured customers received their orders on time, with reduced quality defect rates.

To ensure efficient demand and supply planning as a means to optimise production lines, stock balancing was conducted regularly to harness the benefits of reducing production stocks which are not in demand. An acceptable stock service level was established where minimum and maximum thresholds are monitored to ensure that we are neither over nor understocked.

Operational efficiencies for non-core processes were outsourced. Our approach with regards to outsourcing focuses on skill sets which are not within MSM's area of expertise, coupled with the cost factor. For example, trucking services costs which are volatile by nature, with the price of diesel and wear and tear of trucking parts. The erratic nature of these costs will result in variable distribution costs which could affect our bottom line and it therefore makes more prudent business sense to outsource it.

**ENHANCING HUMAN RESOURCE**

A vital way human resource can contribute to an effective supply chain and distribution network is by enhancing synergies across the value chain. Hence, the importance of ensuring greater teamwork within our cross-functional units of distribution, warehousing and logistics is critical.

In 2017, we introduced regular and periodic daily, weekly and monthly reviews on Supply Chain KPIs within our daily operations plans and identified operational outcomes.

This has generated greater transparency and a more robust planning process which incorporates proactive decision making, whilst referencing reactive reports through delivered results. With a common platform that cuts across the value chain, we are able to access operational challenges, outcomes and perspectives of different teams in our value chain which encourages teamwork in terms of identifying actions to reduce, mitigate or avoid a foreseeable error.

**2017 Key Highlights****Maintaining Market Leadership**

- Improved standards and practices to ensure customer satisfaction
- Developed solutions to complex issues whilst maintaining product quality

**Ensuring Continuous Growth**

- Optimised distribution cost and time
- Reviewed outsourcing activities as part of cost optimisation exercise

**Achieving Operational Excellence**

- Optimisation of MSM's warehouse with efficient demand and supply planning
- Eliminated the need for six external raw sugar warehouse

**Enhancing Human Resource**

- Introduced regular and periodic daily, weekly and monthly reviews on Supply Chain KPIs within our daily operations plan and identified operational outcomes



## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS



## 2018 Key Priorities

- Optimise supply chain processes whilst maintaining product quality
- Innovate to provide growth and support consumer logistical demands
- Leverage on current strength and asset of parent company, FGV, to optimise truck deliveries of refined sugar through cost sharing activities, load improvement and reduction of weekly sales cycles which will reduce our carbon footprint
- Provide direct delivery methods to our customers in Singapore via trucks, barges and tankers, which reduced logistical costs and allowed for faster delivery timeframe
- Maintain cost optimisation exercise across the supply chain network
- Establish lean supply chain practice once all supply chain value pillars are established in the value stream
- Ensure on time delivery and in accordance to customers specifications
- Conduct monthly and quarterly reviews of Supply Chain KPIs by employee function to assess gaps and eventually formulate employee training needs and identify necessary investments into additional resources
- Implement sustainable supply chain practices



## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## SALES AND MARKETING

## 2017 REVIEW

## MAINTAINING MARKET LEADERSHIP

Amidst the challenges faced by importation and transshipment of sugar sourced from other origins into Malaysia, MSM's objectives remain clear to ensure a steady sugar supply, improve sales, overall revenue and increase the average selling price to counter the global raw sugar price spike.

In an effort to sustain its market leading position, MSM has been engaging with the Government in rolling back previous policies pertaining to APs for sugar imports. In March 2016, all issuance of permits to the 65 industrial users in Malaysia were cancelled by the Government. The move was applauded by the local sugar industry considering the large amount of investment made.

However, this action was not sustained for a long enough time period to generate any noticeable benefits to the sugar industry. In 2017, the Government once again issued several new import permits. To mitigate this, MSM has been in constant engagement with the relevant Government authorities to collaboratively arrive at a sustainable long-term solution to the issue.

MSM continues to gain new ground of its 58% domestic market position through aggressive sales and marketing efforts, and the introduction of a new product, MSM's organic sugar line. The new organic sugar line is in response to current trends and consumer demands for healthier sugar to consume due to increased health awareness amongst consumers.

## ENSURING CONTINUOUS GROWTH

From the onset, we have made huge leaps forward through successful improvements of our sales and marketing growth strategy. We are grateful to the Government for increasing the ceiling price of sugar by 11 sen/kg to offset domestic market challenges. We continue to engage with the relevant Government agencies and regulators to provide counsel on industry trends, formulation of policies and price structure for the sugar industry in Malaysia.

Another positive development is our focus on sustained engagements with our key customers, in our efforts to understand their needs and serve them better. The outcomes of our engagements also contribute to our learning curve on market segment requirements, and provide us a base upon which we can improve our customer service to maintain continuous growth in the long-term.

As at the end of 2017, MSM looks well positioned to ease the pressure on its operational margins, although this may ultimately depend on global sugar prices to continue on a downtrend and stabilise.

## ACHIEVING OPERATIONAL EXCELLENCE

The market demand composition for 2017 is in favour of the wholesale segment accounting for 48% of all sales as opposed to the industries segment at 38%, whilst our export capabilities remain an area for further exploration and improvement.

In its full year, domestic sales volume accounted for 858,400 tonnes. Growth was stunned by the ongoing illegal importation of sugar and AP issuance to selected companies. In order to re-stimulate domestic market sales, extensive customer research was undertaken to fully understand customer preferences and requirements. This led to the introduction of a new product and improvements in packing sizes to improve customer purchasing preferences.

Another positive development was the continuous improvement of our debt collection process to improve operating margins and generate positive cash flows. To provide further market stability, our strategy was to engage with the sugar industry based on fair and equal competition without entering into any unhealthy price competition.

2017 Key Highlights	2018 Key Priorities
<b>Maintaining Market Leadership</b>	
<ul style="list-style-type: none"> <li>Wholesale Sales – 474,580 tonnes</li> <li>Industries Sales – 383,820 tonnes</li> <li>Export Sales – 139,540 tonnes</li> </ul>	<ul style="list-style-type: none"> <li>Proactive engagements with Government authorities to gain mutual collaborative solutions</li> <li>Maintain majority market share for the local market</li> <li>Focus on strengthening relationships with customers and partners</li> </ul>
<b>Ensuring Continuous Growth</b>	
<ul style="list-style-type: none"> <li>Improved overall average selling price by 11.16%</li> <li>Market segmentation analysis to improve customer service</li> </ul>	<ul style="list-style-type: none"> <li>Enhance sales model to retain and capture new markets</li> <li>Innovative product development</li> <li>Collaboration with strategic partners to improve sales and revenue performance</li> </ul>
<b>Achieving Operational Excellence</b>	
<ul style="list-style-type: none"> <li>Domestic sales volume accounted for 858,400 tonnes</li> <li>Performed customer profiling, analysis, mining and intelligence</li> <li>Implement differentiated customer strategies</li> </ul>	<ul style="list-style-type: none"> <li>Focus on consumer awareness, education and product promotion</li> <li>Capitalise on opportunistic sales with higher margins</li> <li>Sales segmentation to increase volume</li> </ul>



## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## PLANTATION



*Panoramic view of our mango plantation.*

### 2017 REVIEW

#### MAINTAINING MARKET LEADERSHIP

MSM's shift of focus from its legacy sugar cane plantation to a rubber plantation with palm oil and mangoes as supplementary crops is currently underway in phased stages. The shift in strategy was conducted to leverage on rubber which is a stable and strong commodity, and thus has the potential to yield long-term sustainable value to our shareholders.

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

ACHIEVED  
MALAYSIA  
STANDARD  
MS1784:2005  
CERTIFICATION  
FOR MANGOES  
PRODUCED  
UNDER MYGAP

FERTILISER  
COST  
REDUCTION  
TARGET 2017

5%

ACHIEVED  
15%

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

#### ENSURING CONTINUOUS GROWTH

Good rubber tapping practices and collection procedures are essential to obtain maximum yield. Another key factor is cleanliness to ensure clean raw materials and a high quality of finished products. To drive these outcomes through building the capacities of our plantation workers, we established a rubber tapping school onsite which provides a comprehensive in-house training programme on modern skills and techniques for effective rubber tapping.

Trainers from our programme are sourced from our parent company, Felda Global Ventures Holdings Berhad (FGV), and come with extensive industry experience which they pass on to our employees. At the end of the training programme, trained employees are required to undergo a test which assesses their efficiency, timing and quality of tapping panels before they are certified as a rubber tapper.



## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

**ACHIEVING OPERATIONAL EXCELLENCE**

For 2017, the focus for the plantation segment was directed on strategies to optimise land usage, operational cost management and deliver long-term sustainable values. To achieve our target of an average of 450 standing trees per hectare, we have identified the replacement of 252,455 seedlings in 2017 and another 227,500 seedlings targeted in 2018. To date, 92% of the seedlings for 2017 have been successfully replaced.

Our plantation team is vigilantly attentive to the young rubber plant seedlings' growth and mortality rates, as these young plants are susceptible to extreme weather conditions and the availability of water. To replace seedlings and trees which die, we have in place an annual budget for rubber tree replacement. With regards to the supplementary mango crops, 7.4 hectares has been successfully planted with mangoes, a substantial increase compared to the previous year.

Significant cost reductions in plantation development and fertilising costs were also achieved. We successfully negotiated competitive rates with our suppliers and conducted bulk purchases of fertilisers. This resulted in cost reduction for fertilisers by 15%, against the allocated budget. Increased methods of mechanical weed control by means of grass slashing, ploughing and harrowing instead of chemicals has also reduced operational expenses costs significantly.

**ENHANCING HUMAN RESOURCE**

As our plantation segment is still within its infancy stage in terms of business development, enhancing the capacities and skills of our plantation's human resource capital presents a strategic means of developing a high-performance culture which will result in the long-term profitability of this segment.

2017 Key Highlights	2018 Key Priorities
<b>Maintaining Market Leadership</b>	
<ul style="list-style-type: none"> <li>Optimised land usage mainly for plantation of rubber, with palm oil and mangoes as supplementary crops</li> <li>Prioritised the health and safety of workers by reducing usage of agrochemicals</li> <li>Achieved Malaysian Standard MS1784:2005 certification for our mangoes produce under MyGAP</li> </ul>	<ul style="list-style-type: none"> <li>Present a long-term value proposition in terms of sustainable plantation growth</li> <li>Strategic optimisation of land usage for other plantations with medium to long-term yield growth</li> </ul>
<b>Ensuring Continuous Growth</b>	
<ul style="list-style-type: none"> <li>Implemented good agricultural practice to obtain maximum yield and high-quality crops</li> <li>Provided in-house training certification programmes</li> </ul>	<ul style="list-style-type: none"> <li>Manage development and fertilisation costs</li> <li>Continue to deliver long-term sustainable value to shareholders</li> </ul>
<b>Achieving Operational Excellence</b>	
<ul style="list-style-type: none"> <li>92% of 252,445 seedlings replaced under Seedling Replacement Programme</li> <li>7.4 hectares of mango crops are planted</li> <li>Fertiliser costs reduced by 15%</li> </ul>	<ul style="list-style-type: none"> <li>Ensure yields are harvested at an optimum level</li> <li>Improve standard operating procedures concerning yield extraction processes</li> </ul>
<b>Enhancing Human Resource</b>	
<ul style="list-style-type: none"> <li>100% attendance rate for Value Alignment Training workshops on the Group's value inculcation programme conducted for plantation employees</li> <li>On-the-job field training resulted in better employee retention rates</li> <li>Produced 14 graduates from the Rubber Tapping School Programme</li> </ul>	<ul style="list-style-type: none"> <li>Continue targeted in-house training programmes for plantation employees to increase their knowledge and organisational values</li> <li>Engage with independent plantation advisers for training and technical knowledge on agronomy practices relating to rubber, oil palm and mango cultivation</li> </ul>

## ► BUSINESS REVIEW

## MANAGEMENT DISCUSSION &amp; ANALYSIS

## HUMAN RESOURCE

Enhancing Human Resource	
Strategic Thrusts	Group Initiatives in 2017
<b>Enhancing the Core Competencies to React and Adapt to Shifting Market Dynamics</b>	<ul style="list-style-type: none"> <li>• In its startup phase, more than 90% of employees has participated in our values inculcation programme to strengthen the MSM sense of belonging and spirit of camaraderie.</li> <li>• Accelerate learning curve by providing training programs specifically suited whether for new employees, development opportunities and career growth for current employees.</li> <li>• Introduction of GMT initiative, a talent development programme focused on core competency enhancement.</li> <li>• Knowledge transfer and on-the-job training through inter-subsidiaries secondments and assignments.</li> </ul>
<b>Internal Recruitment Initiatives for MSM Johor</b>	Staff Mobilisation Programme.
<b>Talent Development &amp; Talent Acquisition Programme</b>	<p>21 trainees from GMT programme within the following areas:</p> <ul style="list-style-type: none"> <li>• Information Technology</li> <li>• Process</li> <li>• Electrical</li> <li>• Instruments</li> <li>• Mechanical</li> <li>• Quality Assurance</li> </ul>
<b>Training &amp; Development</b>	<ul style="list-style-type: none"> <li>• Minimum eight hours training per employee on mandatory skills.</li> <li>• Provided on-the-job training through secondments and assignment programmes between subsidiaries.</li> </ul>
<b>Performance Management System (Balance Scorecard)</b>	Applicable for all executive employees.
<b>Key Priorities in 2018</b>	<ul style="list-style-type: none"> <li>• Continue with GMT initiative to ensure supply of talent pool in critical skill areas.</li> <li>• Focus on training and development initiatives in mandatory and elective curriculum to strengthen core competency.</li> <li>• Instill a high performance culture which focuses on responsibility and accountability in achieving business objectives.</li> </ul>

# KEY PERFORMANCE INDICATORS AND RESULTS 2017

## RAW SUGAR SOURCING AND PROCUREMENT

PROCURING  
RAW SUGAR

**KPI 2017**  
**964,000**  
Tonnes

**Actual 2017**  
**967,842**  
Tonnes

PHYSICAL TRADING  
WHITE SUGAR

**KPI 2017**  
**144,000**  
Tonnes

**Actual 2017**  
**132,270**  
Tonnes

THIRD PARTY TRADING  
WHITE SUGAR

**KPI 2017**  
**10,000**  
Tonnes

**Actual 2017**  
**7,270**  
Tonnes

PAPER  
TRADING (USD)

**KPI 2017**  
**1.02**  
Million

**Actual 2017**  
**1.29**  
Million

## RAW SUGAR REFINING

### MSM Prai

PRODUCTION  
VOLUME

**KPI 2017**  
**900,000**  
Tonnes

**Actual 2017**  
**855,064**  
Tonnes

CAPACITY  
UTILISATION

**KPI 2017**  
**94.2%**

**Actual 2017**  
**89.5%**

COST SAVING  
INITIATIVES (RM)

**KPI 2017**  
**5**  
Million

**Actual 2017**  
**15**  
Million

RAW  
MELTED

**KPI 2017**  
**932,642**  
Tonnes

**Actual 2017**  
**886,536**  
Tonnes

CUSTOMER  
COMPLAINT RATE

**KPI 2017**  
**0.02%**

**Actual 2017**  
**0.04%**

### MSM Perlis

PRODUCTION  
VOLUME

**KPI 2017**  
**156,000**  
Tonnes

**Actual 2017**  
**169,867**  
Tonnes

CAPACITY  
UTILISATION

**KPI 2017**  
**80%**

**Actual 2017**  
**90%**  
Tonnes

COST SAVING  
INITIATIVES (RM)

**KPI 2017**  
**2**  
Million

**Actual 2017**  
**-**  
Million

RAW  
MELTED

**KPI 2017**  
**163,000**  
Tonnes

**Actual 2017**  
**188,698**  
Tonnes

CUSTOMER  
COMPLAINT RATE

**KPI 2017**  
**0.03%**

**Actual 2017**  
**0.0005%**



## KEY PERFORMANCE INDICATORS AND RESULTS 2017

## Overall KPIs for MSM Prai &amp; MSM Perlis

PRODUCTION  
VOLUME

KPI 2017

1,056,000

Tonnes

Actual 2017

1,024,931

Tonnes

CAPACITY  
UTILISATION

KPI 2017

87%

Actual 2017

89.75%

COST SAVING  
INITIATIVES (RM)

KPI 2017

7

Million

Actual 2017

15

Million

RAW  
MELTED

KPI 2017

1,095,642

Tonnes

Actual 2017

1,075,234

Tonnes

CUSTOMER  
COMPLAINT RATE

KPI 2017

0.05%

Actual 2017

0.04%

## SUPPLY CHAIN MANAGEMENT AND DISTRIBUTION

SALES AND  
DISTRIBUTION (RM)

KPI 2017

87 Million

Actual 2017

84 Million

ON TIME  
IN FULL

KPI 2017

24 / 48 Hours

Actual 2017

24 / 48 Hours

DEMARCATED  
DELIVERY

KPI 2017

85%

Actual 2017

85%

INVENTORY RECORD  
ACCURACY

KPI 2017

95%

Actual 2017

97%

STOCK  
COVER

KPI 2017

7 Days

Actual 2017

8 Days

## PLANTATION

RUBBER REPLACEMENT  
SCHEDULE

KPI 2017

95%

Actual 2017

92%

FERTILISER COST REDUCTION

KPI 2017

5%

Actual 2017

15%

DEVELOPMENT COST REDUCTION

KPI 2017

5%

Actual 2017

27%

INCREASE PLANTING AREA  
FOR MANGOES

KPI 2017

10.7 Hectare

Actual 2017

7.4 Hectare

## SALES AND MARKETING

SALES VOLUME

KPI 2017

1,074,110

Tonnes

Actual 2017

1,023,820

Tonnes

REVENUE  
(RM)

KPI 2017

2,708,558

Thousand

Actual 2017

2,656,053

Thousand

DEBT  
COLLECTION

KPI 2017

45

Days

Actual 2017

35

Days

## CFO'S REVIEW

# Dear Shareholders

**IT IS MY HONOUR AND PRIVILEGE TO PRESENT YOU AN ANALYSIS OF OUR FINANCIAL PERFORMANCE FOR THE YEAR. THIS REPORT IS IN ITS SECOND EDITION FOR AN INTEGRATED REPORTING APPROACH AND IS A CRUCIAL PART FOR US TO PURSUE THIS METHOD OF REPORTING FOR THE BENEFIT OF OUR SHAREHOLDERS AND STAKEHOLDERS.**

During the Financial Year Ended 2017 (FY2017), we had identified five key financial priorities as fundamentals to strategically drive our long-term financial growth, which are as follows:

OPTIMISING OUR FUNDING STRATEGY AND GEARING RATIO

IDENTIFYING STRATEGIC HEDGING MECHANISMS

PRUDENT CAPITAL EXPENDITURE (CAPEX) ALLOCATIONS

MAINTAINING A HEALTHY CASH BALANCE

STRENGTHENING OUR RISK AND GOVERNANCE POLICIES TO ENSURE FINANCIAL AND TRADING FRAMEWORKS/ AGREEMENTS ARE HONOURED, PROTECTED, LIMITED AND INCULCATED AS A CHECK AND BALANCE MECHANISM

Despite the myriad of challenges that shaped our operating environment during the year under review, we remained focused on these strategic priorities, as we continue to stabilise the financial foundations for the sustained growth of the Group.

### KEY FINANCIAL HIGHLIGHTS 2017

In FY2017, the year under review was indeed challenging. Global sugar and forex market volatility magnified an adverse impact towards our growth. Factored in with global and regional subdued macroeconomic conditions, these phenomena affected our trading activities, particularly our ability to hedge for forex exposure at an advantageous position. Overall, this does not augur well as around 88% of our production cost is based on NY#11 market price of raw sugar (traded in USD) coupled with our dependency on 100% of raw sugar imports - heavily impacts the current year's financial performance.

In light of these uncontrollable external market factors, we reprioritised to adapt and strengthened our financial frameworks - consolidating our market leading position. As a result, we were able to achieve the following initiatives during the year:

- Revenue achievement at RM2.66 billion
- Operational cost savings amounting RM15 million without compromising operational efficiency
- Administrative cost reductions of approximately RM19 million

These initiatives have made a direct contribution to our 2017 financial performance and seeks to yield better financial results in the forthcoming year.

## CFO'S REVIEW



Wrapping line with robotic arm at work.

## FINANCIAL PERFORMANCE

MSM recorded year-on-year (YoY) revenue achievement of RM2.66 billion. The contributing factors were mainly due to a 11.16% improvement in the overall average selling price tied with a 3.5% offset reduction in overall tonnage sold in 2017.

We incurred Loss After Tax (LAT) at RM32.57 million, due to uncontrollable external market factors. This was mainly attributable to higher average raw sugar price by 23%.

Bearing witness to an extremely volatile global raw sugar commodity market, exposure to price fluctuations has significantly affected our margins.

On average, MSM spends around USD457 million on raw sugar purchases per year. The trading risk on the futures market again exposes us to exchange rate volatility. As USD rate peaked at RM4.4290 in January 2017, against average market rate of RM4.1449 in 2016, this exacerbated MSM's bottom line further.

With full dependency on raw sugar import, both the price of raw sugar and the RM depreciation led to our weaker performance in 2017. Our business depends on optimising margins between prices of raw and the regulated price of refined sugar.

On the positive side, the Group's refined sugar production stood at 1,024,931 tonnes of which 139,540 tonnes are catered for the export market, an excellent production output contributed by operational improvements and efficiencies. As part of our costs containment exercise, we manage to draw out RM15 million in operational cost savings due to improved operational and equipment efficiencies. Meanwhile, numerous general and administrative cuts amounting RM19 million were implemented across the Group.



## CFO'S REVIEW

### FINANCIAL SCORECARDS

The key contributors to MSM's earning for 2017 were its refineries and trading arm. The financial scorecards are outlined below as part of the current year's strategic blueprint to achieve a robust financial performance.



#### Production Costs

Production cost for 2017 increased by 7.8% due to higher foreign exchange and raw sugar price. Capacity utilisation rate surpassed its benchmark by 2.65% compared to the previous year due to minimal shutdown time and less stoppage time. This and other operational enhancements led to a sizable RM15 million in operational cost savings for the year. Average refining cost per tonne increased by 9.3% due to higher packing materials costs.



#### Assets

Property, plant and equipment increased by 53% due to ongoing progress of MSM Johor refinery which amounts to RM712 million compared to RM240 million in 2016.

A continued effort and a more focused approach to debt collection was initiated by the Credit Control Committee since 2016. As a results of this exercise, our trade receivables shows a gradual improvement from RM262.4 million in 2016 and improved to RM257.7 million in 2017.



#### Liabilities

Payables decreased by 58% to RM196.97 million compared to 2016, primarily as a result of two raw sugar shipment which were in transit at the end of the year. Therefore, creditor days have been shortened to 13 days in 2017 as compared to 38 days in 2016.



#### Capital Resources

MSM's gearing ratio stood at 38% in 2017 from 26% the previous year, resulted primarily from higher external loans during the year for the construction purpose of the new refinery – MSM Johor. This too applies for loan to subsidiary companies for the aforementioned construction.



#### Trade Operations

For MSM Dubai, it was the second year of full operation. Its primary task is to focus on establishing presence in the Middle East and North Africa (MENA) region and operate as MSM's trading hub outside Malaysia. The company registered a healthy revenue and profit for the year. Having gained sufficient market knowledge, the company shall continue to exercise its role as a third-party trading for white sugar with a higher profit margin and provide market analytics as well as industry updates within the region.



Molasses storage tanks at MSM Prai.

## CFO'S REVIEW

### ENSURING CONTINUOUS GROWTH

Despite the challenges we encountered, MSM utilised its capital resource allocation in a prudent and disciplined manner to ensure long-term growth and profitability. The USD259 million investment for the largest standalone sugar refinery in Tanjung Langsat, Johor will contribute to an additional one million tonnes per annum capacity boost – aligned to our long-term growth objectives. The volume growth will enlist MSM as a recognised global player by becoming the largest standalone sugar refiner in Asia.

As the current domestic market growth is saturated, we have reassessed our focus to enhance additional revenue opportunities along the export market to produce better margins. Premium markets and sugar-hungry countries particularly in the South East Asia (SEA) region are the targeted key growth drivers coupled with optimistic outlook in the Middle East and North Africa (MENA) region.

### FINANCIAL AND LIQUIDITY RISK MANAGEMENT

MSM will continue to fund its working capital by increasing trade and forex facilities for the Group. This is regarded as a critical area in preparation for the Johor refinery which is targeted for completion during the first half of 2018. Additionally, this will also enable and improve wider access to a more competitive funding rate.

In regards to forex hedging, even though USD/MYR exchange rate spiked in 2017 compared to the preceding year, MSM had employed the right strategy to hedge on a quarterly basis as we managed to average down our forex rate throughout 2017 from USD4.45 in quarter one to USD4.23 in quarter four, with an annual average of USD4.36.

### 2018 FINANCIAL PRIORITIES

2018 shall be a better year for MSM. Our focus on strengthening the balance sheet through capital restructuring and disposal of non-core assets will enable us to focus more on our core business and stand out as a leaner organisation.

We expect to produce better margins as the raw sugar price has been trading range bound USD13-15 for quite a while as the impact of low yields in sugar producing countries have started to diminish. While we are cautiously optimistic that global raw sugar prices will stabilise in 2018, thereby easing pressure on our margins, we do not expect to see an immediate impact as the priority is to offset the losses occurred in 2017.

Nevertheless, we are employing greater flexibility to our forex hedging mechanism to provide us with better advantage in mitigating the volatility of the market. Hedging policies have been strengthened to avoid any loss-making contracts and gain advantage for a better annual average price at NY#11. We will adopt a more flexible approach to forex hedging by looking at requirements beyond quarterly basis - while remaining prudent. Moreover, forex risk mitigation is another priority, by exploring Ringgit invoicing with our suppliers for raw sugar purchases.

Moving forward, we will continue to monitor our cashflow and working capital requirements to enable red flags to be raised and pro-active actions to be taken to ensure our overall financial standing remains robust.



**RAJA FARIDAH RAJA AHMAD**  
Chief Financial Officer

## 5-YEAR FINANCIAL SUMMARY

	2017 RM'000	2016 RM'000	2015 RM'000	2014 RM'000	2013 RM'000
Revenue	<b>2,656,053</b>	2,658,446	2,307,263	2,281,493	2,202,480
Cost of sales	<b>(2,510,256)</b>	(2,327,896)	(1,818,173)	(1,814,139)	(1,765,592)
Gross profit	<b>145,797</b>	330,550	489,090	467,354	436,888
Other operating income	<b>8,685</b>	6,500	4,686	6,169	11,270
Selling and distribution expenses	<b>(83,732)</b>	(98,406)	(71,914)	(75,402)	(57,886)
Administrative expenses	<b>(61,122)</b>	(80,081)	(70,734)	(53,122)	(42,738)
Other operating expenses	<b>(7,005)</b>	(5,570)	(5,085)	(5,527)	(252)
Other (losses)/gains – net	<b>(1,223)</b>	3,428	25,769	(4,345)	1,501
Profit from operations	<b>1,400</b>	156,421	371,812	335,127	348,783
Finance income	<b>5,293</b>	5,511	7,862	12,891	15,017
Finance costs	<b>(22,500)</b>	(13,417)	(7,546)	(3,719)	(4,895)
(Loss)/Profit before zakat and taxation	<b>(15,807)</b>	148,515	372,128	344,299	385,905
Zakat	-	(2,000)	(5,000)	(4,500)	(17,481)
Taxation	<b>(16,767)</b>	(25,793)	(91,832)	(82,786)	(86,747)
<b>(Loss)/Profit for the financial year</b>	<b>(32,574)</b>	<b>120,722</b>	<b>275,296</b>	<b>257,013</b>	<b>254,677</b>

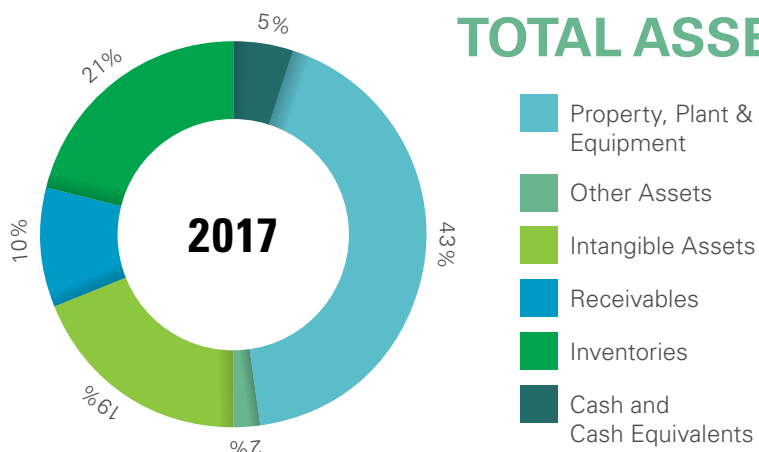
### FINANCIAL RATIOS

	2017	2016	2015	2014	2013
Return on shareholder's equity	<b>(1.7%)</b>	6.1%	13.5%	13.2%	13.7%
Return on total assets	<b>(1.0%)</b>	3.7%	10.1%	10.2%	11.7%
Debt/equity ratio	<b>0.8</b>	0.6	0.3	0.3	0.2
Dividend cover	<b>(1.2)</b>	0.7	1.5	1.5	1.7
Total assets (RM'000)	<b>3,408,549</b>	3,225,428	2,722,405	2,518,203	2,171,131
Net assets per share	<b>2.75</b>	2.83	2.90	2.77	2.64
(Loss)/Earnings per share (sen)	<b>(4.63)</b>	17.17	39.16	36.56	36.23

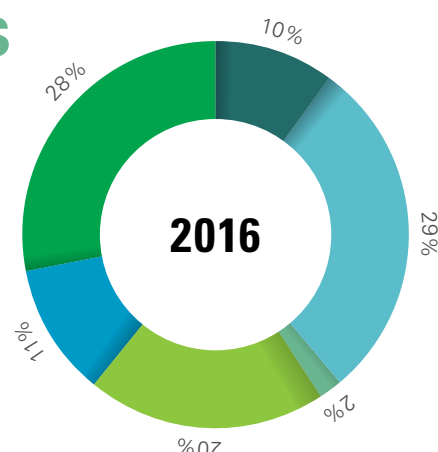


# STATEMENT OF FINANCIAL POSITION

## TOTAL ASSETS

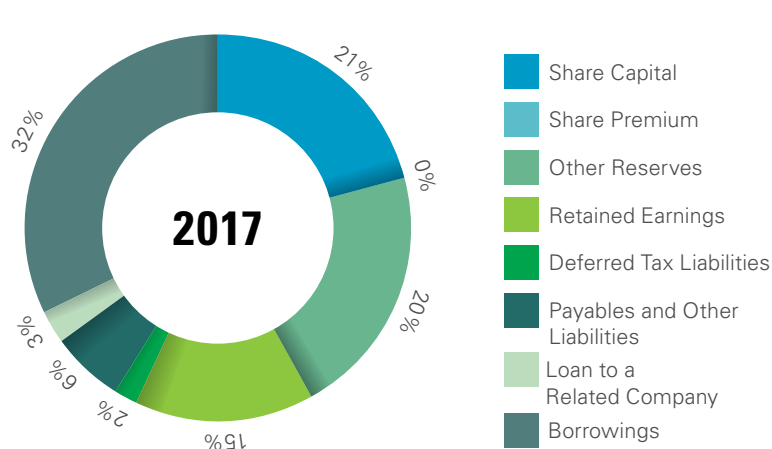


2017	
Assets Type	Amount RM'000
Property, Plant & Equipment	1,457,282
Other Assets	76,752
Intangible Assets	644,572
Receivables	341,371
Inventories	718,045
Cash and Cash Equivalents	170,527

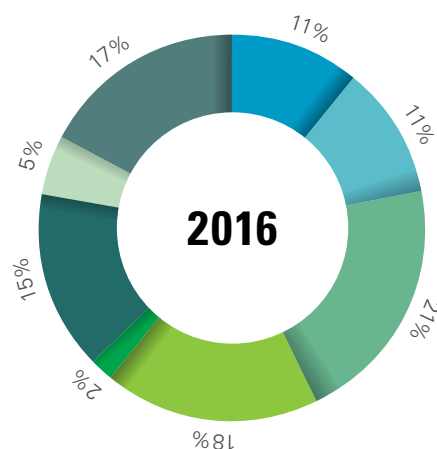


2016	
Assets Type	Amount RM'000
Property, Plant & Equipment	950,408
Other Assets	51,064
Intangible Assets	646,704
Receivables	350,392
Inventories	888,949
Cash and Cash Equivalents	337,911

## TOTAL EQUITY AND LIABILITIES



2017	
Liabilities Type	Amount RM'000
Share Capital	718,255
Share Premium	-
Other Reserves	696,103
Retained Earnings	515,768
Deferred Tax Liabilities	78,675
Payables and Other Liabilities	198,821
Loan to a Related Company	108,826
Borrowings	1,092,101



2016	
Liabilities Type	Amount RM'000
Share Capital	351,490
Share Premium	366,765
Other Reserves	692,094
Retained Earnings	576,461
Deferred Tax Liabilities	73,744
Payables and Other Liabilities	473,219
Loan to Related Company	156,452
Borrowings	535,203

## QUARTERLY FINANCIAL PERFORMANCE

2017	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Revenue	648,971	692,458	668,515	646,109
(Loss)/Profit from operation	(38,086)	(26,431)	34,498	31,419
(Loss)/Profit before taxation and zakat	(39,562)	(28,593)	25,312	27,036
(Loss)/Profit attributable to equity holders of the Company	(34,622)	(21,450)	10,416	13,082
Basic (loss)/earnings per share (sen)	(4.93)	(3.05)	1.48	1.86
Single-tier dividend per share (sen)	-	4.0	-	-

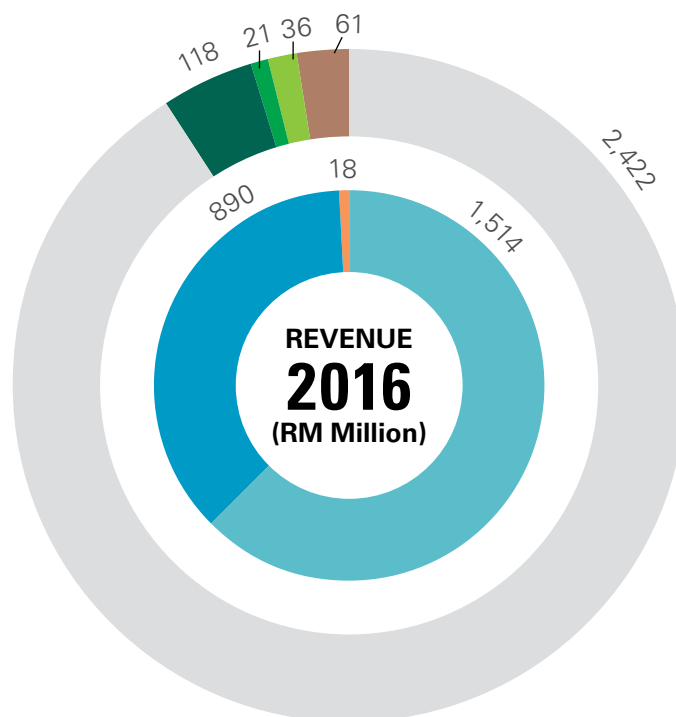
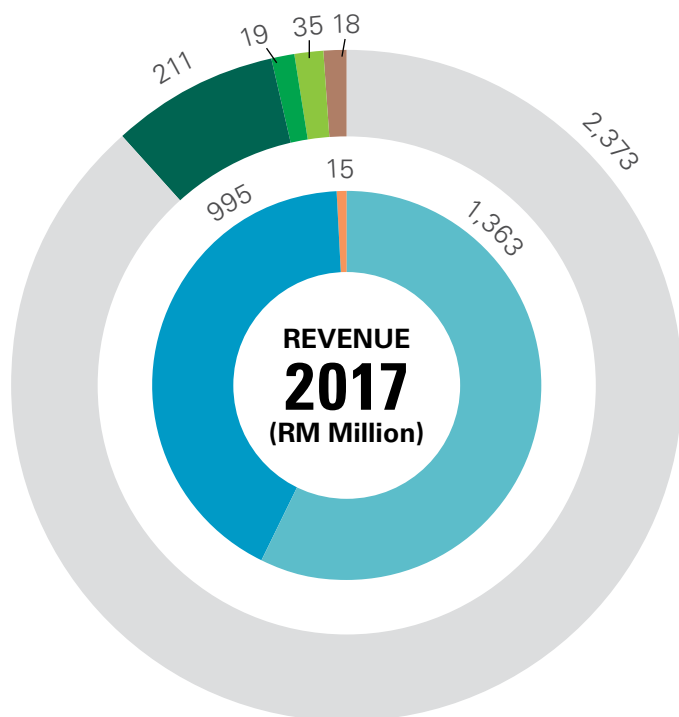
2016	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Revenue	553,160	633,856	633,122	838,308
Profit from operation	62,270	34,625	34,045	25,481
Profit before taxation and zakat	60,555	31,077	32,750	24,133
Profit attributable to equity holders of the Company	59,344	23,679	23,305	14,394
Basic earnings per share (sen)	8.44	3.37	3.32	2.05
Single-tier dividend per share (sen)	-	14.0	-	10.0

# STATEMENT OF VALUE ADDED

	2017 RM'000	2016 RM'000
<b>VALUE ADDED</b>		
Revenue	2,656,053	2,658,446
Purchase of goods and services	(2,539,523)	(2,386,974)
Value added by the Group	116,530	271,472
Other operating income	8,685	6,500
Other (losses)/gains net	(1,223)	3,428
Finance income	5,293	5,511
Finance cost	(22,500)	(13,417)
<b>Value added available for distribution</b>	<b>106,785</b>	<b>273,494</b>
<b>DISTRIBUTION</b>		
To Employees		
Employment cost	69,193	72,973
To Government/Approved Agencies		
Taxation and Zakat	16,767	27,793
To Shareholders		
Dividends	28,119	168,715
Retained for reinvestment and future growth		
Depreciation and amortisation	53,399	52,006
Retained profits	(60,693)	(47,993)
<b>Total distribution</b>	<b>106,785</b>	<b>273,494</b>

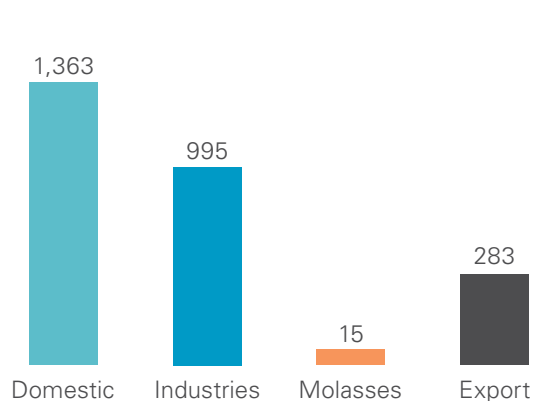


## SEGMENTAL ANALYSIS

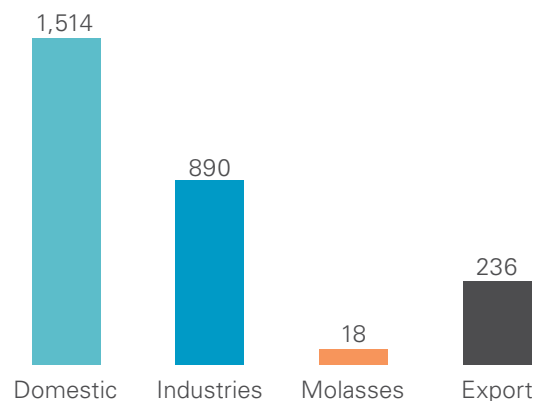


■ Asia 
 ■ Australia 
 ■ Europe 
 ■ Others 
 ■ Domestic 
 ■ Industries 
 ■ Molasses 
 ■ Malaysia

### REVENUE 2017 (RM Million)



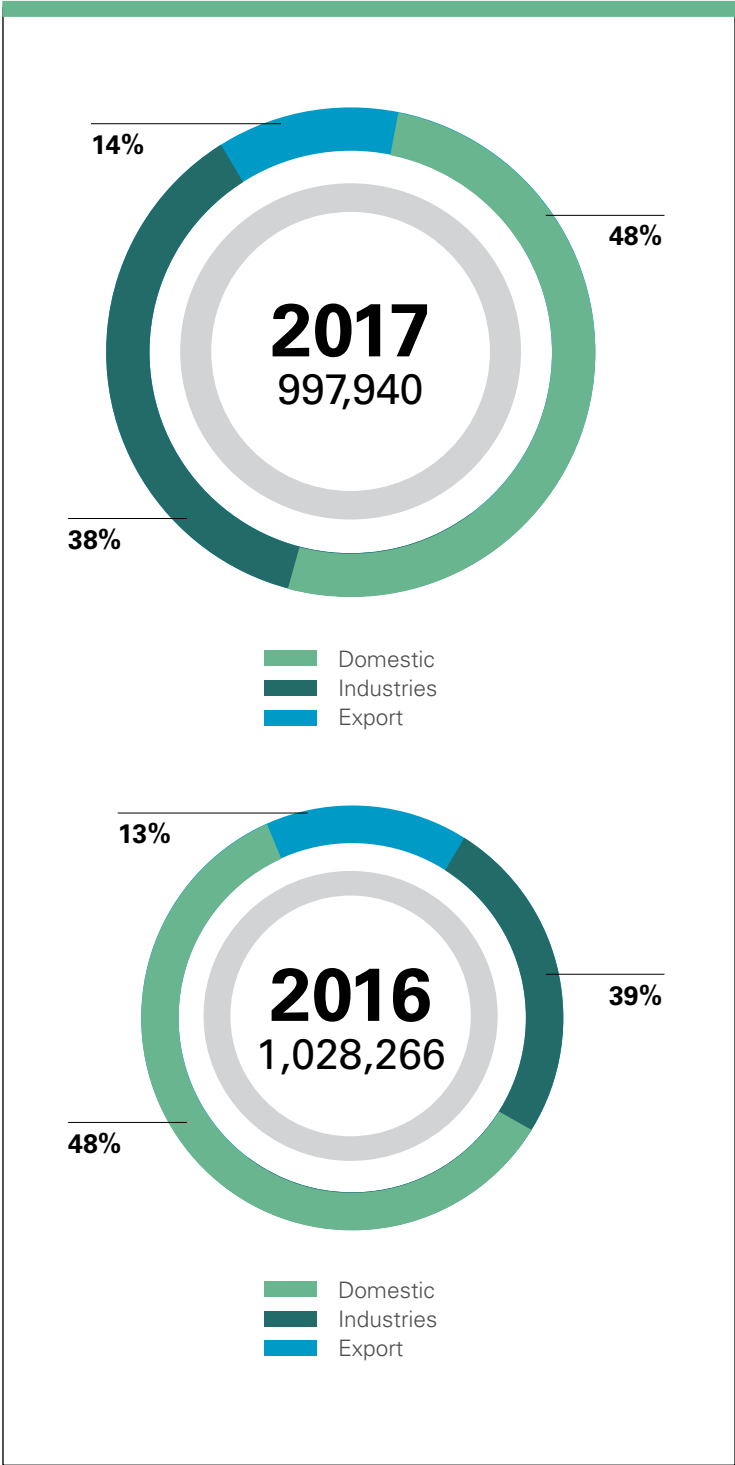
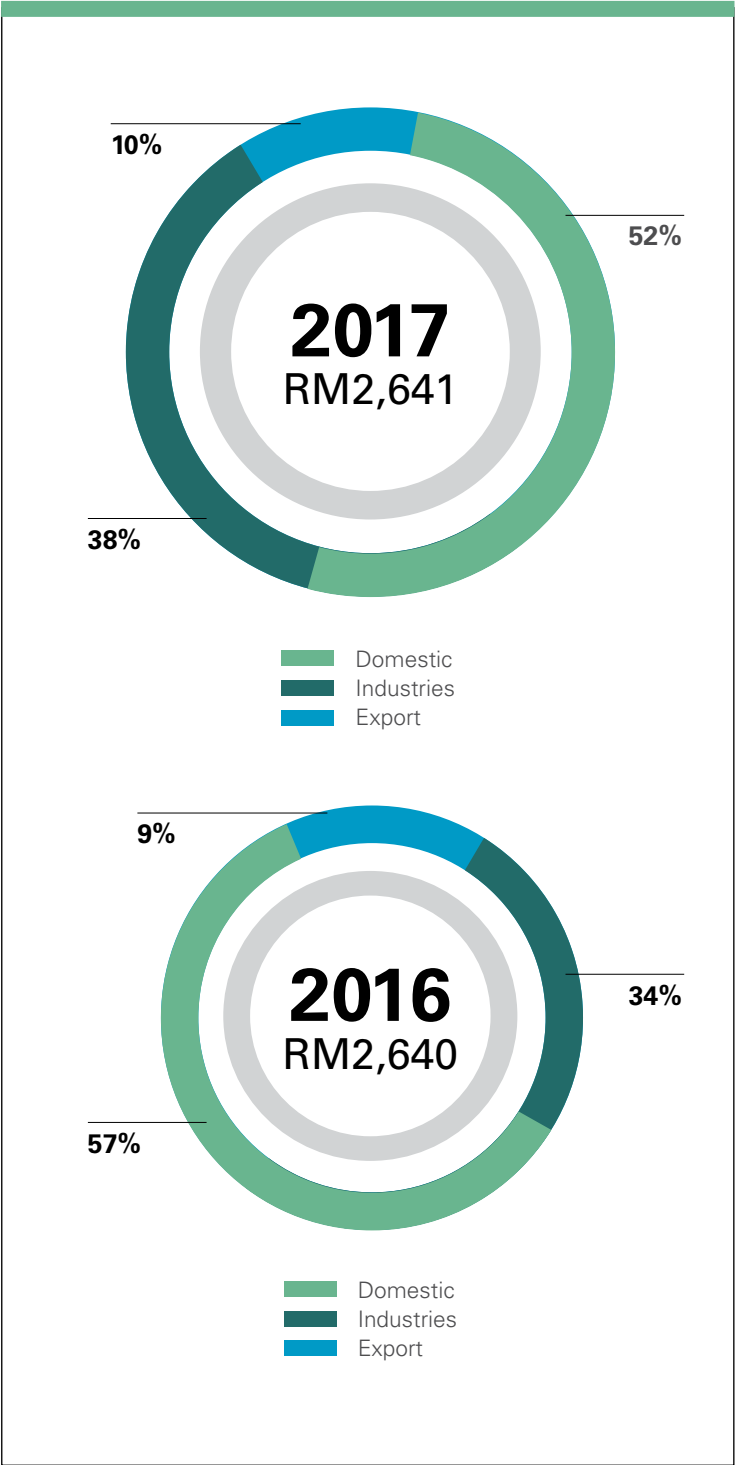
### REVENUE 2016 (RM Million)



SALES ANALYSIS

SALES REVENUE  
(RM MILLION)

TOTAL SALES  
(TONNES)



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

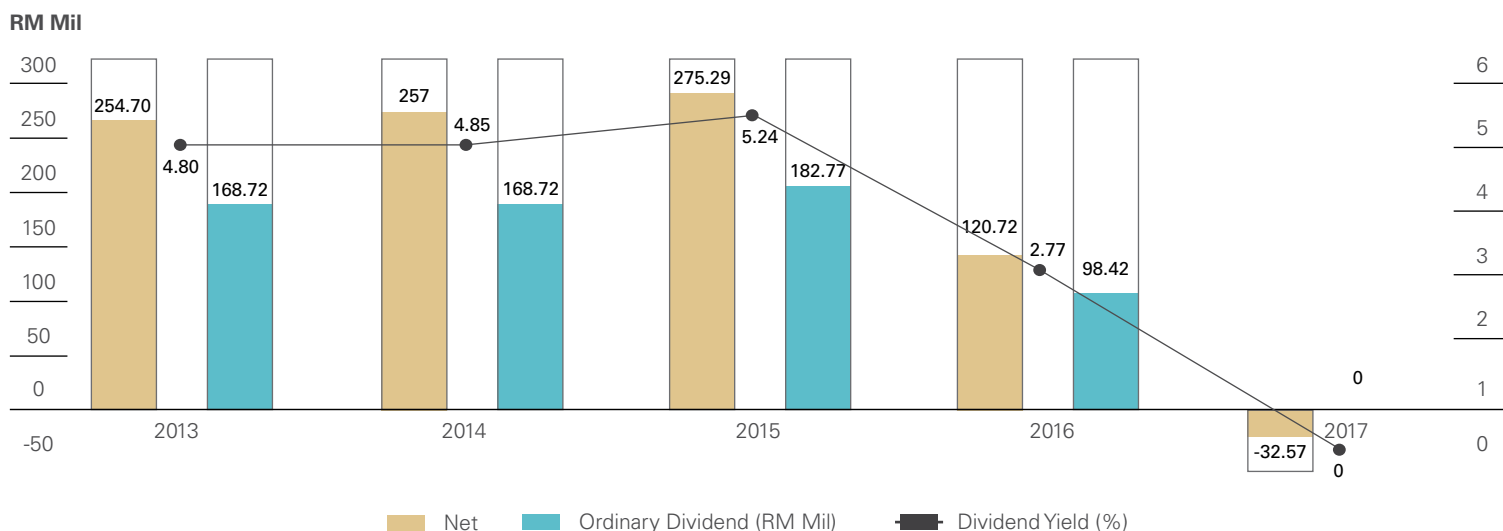
# INVESTOR RELATIONS

MSM shares opened at RM5.05 on 2 January 2017 and closed the year at RM4.10 having traded approximately 186,452 lots. The highest price for the year was recorded on 2 January 2017 at RM5.05.

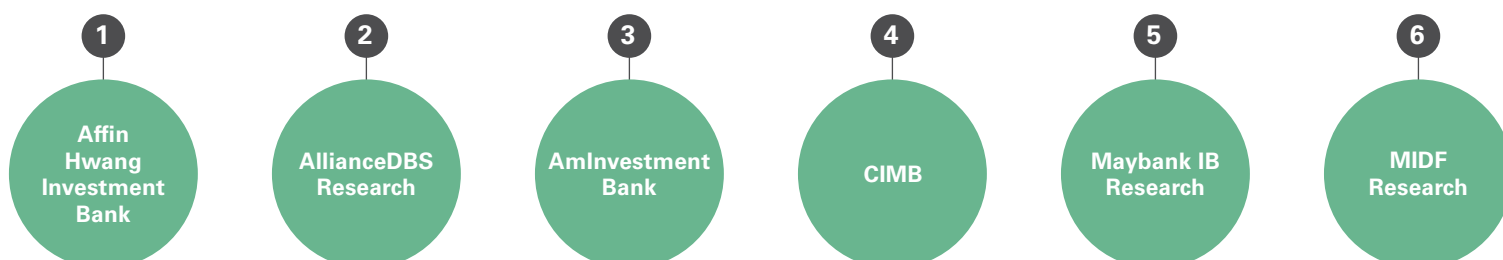
## Share Performance 2017



## Return to Shareholders



## Equity Research Coverage





# FINANCIAL CALENDAR

## ANNOUNCEMENT ON UNAUDITED CONSOLIDATED RESULTS

### 2017

**22 February 2017**

4<sup>th</sup> quarter ended 31 December 2016

**31 May 2017**

1<sup>st</sup> quarter ended 31 March 2017

**29 August 2017**

2<sup>nd</sup> quarter ended 30 June 2017

**22 November 2017**

3<sup>rd</sup> quarter ended 30 September 2017

### 2018

**21 February 2018**

4<sup>th</sup> quarter ended 31 December 2017

## DIVIDENDS

### 2017

**Single Tier Final Dividend  
of 4.0 sen per ordinary  
share for the financial year  
ended 31 December 2016**

**20 April 2017**

Notice of Book Closure

**29 May 2017**

Entitlement

**13 June 2017**

Payment

### 2018

No dividend was  
declared and paid for the  
financial year ended  
31 December 2017

## ANNUAL GENERAL MEETING

### 6<sup>th</sup> Annual General Meeting

**20 April 2017**

Notice of meeting

**20 April 2017**

Issuance of Annual Report

**15 May 2017**

Meeting date

### 7<sup>th</sup> Annual General Meeting

**23 April 2018**

Notice of meeting

**23 April 2018**

Issuance of Annual Report

**26 June 2018**

Meeting date

# SUSTAINABILITY REPORT

## OUR SWEET EES JOURNEY



### ECONOMIC SUSTAINABILITY

Employment for 995 employees in the north of Peninsular Malaysia

95.8% suppliers are Malaysian registered companies

### ENVIRONMENTAL SUSTAINABILITY

Natural gas consumption  
3,630,510 mmBTU

reduction  
6.45%

Diesel consumption  
277,463 litres

reduction  
53.5%

### SOCIAL SUSTAINABILITY

466 students benefited from the "Back to School Programme"

increase  
215%

2,714  
volunteer hours

increase  
6%



pg55

*Economic Sustainability:  
Providing employment to Malaysians since 1964.*



pg58

*Environmental Sustainability:  
487.2 tonnes of waste recycled in 2017.*



pg66

*Social Sustainability: Member of the  
PINTAR School Adoption Programme.*



pg68

*OSH: MSM Johor achieved  
one million man-hours without LTI.*

At MSM, we employ a holistic approach of integrating Economic, Environmental and Social (EES) sustainability elements into our business operations and management to create lasting values in the short, medium and long-term basis for our stakeholders.

The sustained success of our business is intertwined with our contributions towards the development of the economic, environmental and social spheres of our operations.

To attain our organisational vision of being an internationally acknowledged and sustainable brand by 2020, we are focused to build relationships of trust with our stakeholders, by establishing a sustainable presence across our value chain.

## OUR SWEET EES JOURNEY

### REPORTING ON OUR FOCUS AREAS:

## ECONOMIC SUSTAINABILITY

As a company which has been deep-rooted in Malaysia's socio-economic development for the past five decades, MSM's unswerving commitment towards nation-building is a fundamental part of our organisational tenets.

Through our effective business management and operations, we intend to provide sustainable changes on the ground while delivering strong and meaningful impact aligned with the Government's effort to achieve a developed nation.

As the country's leading refined sugar producer, we play a key role in stimulating job creation throughout our various business segments, mainly in our operational and warehousing facilities and refineries. Our employment of Malaysian citizens and our contributions to local taxes form the mainstay of economic sustainability imperatives.

By placing a special emphasis on sustainability, we are able to address challenges, create opportunities and identify solutions concerning commercial decisions targeted to promote the most responsible best practices.

Consequently, this allows us to improve our integrity and accountability, which in turn increases the efficiency of our business.

### Supporting Socio-Economic Development in Penang, Perlis and Johor

MSM operates two refineries in the states of Penang and Perlis located in the north of Peninsular Malaysia, with an employment amounting to 995 workforce. Additionally, our third refinery in Tanjung Langsat, Johor, targeted for commissioning in the first half of 2018, is set to expand the Group's employment to over 200 Malaysians citizens. Our rationale in developing the largest standalone sugar refinery located in the south part of Malaysia - Johor, is largely based in positioning Malaysia as a regional sugar hub. The USD259 million refinery located on a 20.49 hectare site will spark impetus to spur socio-economic development. Employment opportunities are created hence, generate a lively and vibrant local economy.

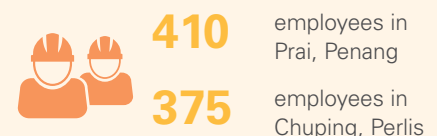


Investment representatives visit from PNB to MSM Prai.

Up north in Penang and Perlis, the surrounding communities have gained from increased employment opportunities which contributes to their wellbeing and growth within the area. They also are able to expand the capacities of their knowledge, by participating in focused training and development programmes to enhance employees' skills levels through the promulgation of the most productive, efficient and up-to-date refining and agricultural practices.

In a nutshell, we are creating a long-term employment opportunities through our diverse value chain of service providers, suppliers, maintenance companies and related industries throughout our Malaysian operations which also supports other businesses.

### Sugar Refineries



### Plantation





## OUR SWEET EES JOURNEY

### Procurement Practices

MSM practices open sourcing policy and a consistent framework is set-up to maintain the exercise and ensure a sustainable sourcing and procurement of vendors within our supply, manufacturing and distribution value chain. This has been firmly grounded on our organisational commitment to support the growth of local small and medium industries. At present, 95.8% suppliers are Malaysian based companies.

Accountability and transparency form the core thrust of our procurement governance framework, which integrates effective mechanisms of checks and balances along with strict adherence to relevant company policies, national laws and industry regulations. All MSM employees are required to strictly comply with our procurement processes in the selection of suppliers and vendors to ensure an accountable and transparent business operations. Suppliers that meet our stringent requirements will qualify for the selection process.

To ensure that vendors, contractors and suppliers remain consistent with MSM in terms of EES principles and practices, we regularly monitor the EES aspects of our vendors' and contractors' business. Among the EES factors we take into account in our supplier screening are environmental compliance and impacts, health and safety, compliance with national minimum wage requirements, ensure that employers comply with work hours limitation, freedom of association and collective bargaining, not utilising child labour or forced or compulsory labour practices, practice a policy of non-discrimination and fair labour practices.

**95.8%**  
suppliers are  
Malaysian registered  
companies

**RM  
256,150,789.40**  
local procurement  
expenses

### Supplier Management

MSM's supplier management processes is guided by our Supplier Code of Conduct which has been developed to ensure that all our suppliers abide by with high ethical standards and comply with all applicable national legal requirements.

The Supplier Code of Conduct prohibits unscrupulous business practices such as bribery and corruption, and requires all our suppliers and contractors to conduct their engagements with the Group professionally, ethically and responsibly. By extending our ongoing commitment to ethical supplier management practices, we ensure fair and non-discriminatory practices for our stakeholders with regards to the enhancement of ethical business practices in our business dealings.

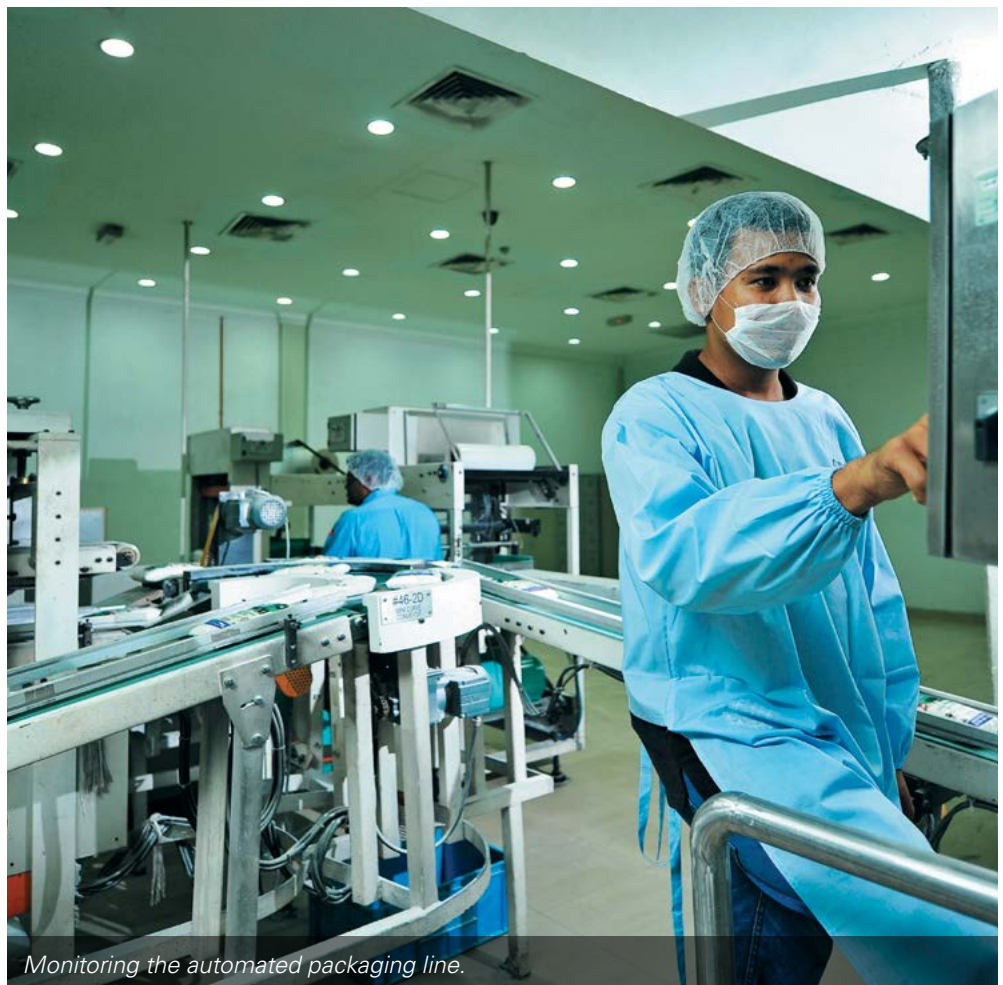
As part of our commitment towards the Supplier Code of Conduct we put effort to regularly update our suppliers and contractors pertaining to our company requirements, including environmental obligations in order to do business mutually.

### Ensuring Engaged and Ethical Marketplace Practices

High levels of customer satisfaction are vital for the ongoing success and growth of MSM. Efforts in this sphere encompass customers' satisfaction with our levels of service and business ethics rendered, and integrate new customers into our service delivery commitments.

The initiatives of this practice is to produce an excellent customer service and ensure our product deliveries are conducted in an ethical and professional manner. In line with this, we have in place processes to ensure an efficient and responsive support services to our customers.

Our team are always open to iron out any issues or complaints through a dedicated customer service e-mail address at [consumer@msmsugar.com](mailto:consumer@msmsugar.com). Additionally, our team also perform regular onsite visits to our customer premises, in order to engage with them personally.



Monitoring the automated packaging line.



## OUR SWEET EES JOURNEY

### CUSTOMER SATISFACTION SURVEY

In 2017, MSM conducted a survey amongst our industries and wholesalers customer segment to benchmark ourselves in terms of customer service and satisfaction.

**TOTAL PARTICIPANTS:**  
**42**  
(Industries & Wholesalers only)

**RESPONSE RATE:**  
**84%**

### Product Quality

Since the inception of MSM, we have been consistently delivering the highest quality of sugar products to our vast customers, locally and abroad. This has led to the sterling reputation of our brand - Gula Prai, the number one best-selling sugar brand in Malaysia. To maintain our market leading position, our refineries are constantly audited to produced quality sugar products for our customers.

Our processes are in full compliance and certified with the Food Safety System Certification (FSSC 22000 - Manufacturing), Food Safety Management System (ISO22000) and the Hazard Analysis and Critical Control Point (HACCP) Certification from the Ministry of Health, Malaysia.

Through MSM's membership of SEDEX, the Supplier Ethical Data Exchange, we are dedicated to drive improvements towards a responsible and ethical business practices across the global supply chain framework. In testament to our sustained commitment in complying with ethical labour practice, MSM is awarded the Green Code from leading Food and Beverage (F&B) companies in Malaysia.

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. This augurs well as our Occupational Health and Safety Standards fulfill the requirements by the Occupational Health and Safety Advisory Services (OHSAS 18001) and the Malaysian Occupational Health and Safety Management Systems (MS1722).

We have in place a comprehensive spectrum of product quality processes and controls which are audited on an annual basis. These are regularly monitored through performance indicators that drive continuous improvement. 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.

### Knowledge-Sharing with Industry Members

MSM has always played an active role in events and discussions pertaining to industry challenges and the wider economy as a whole. These include participation and sponsorship of topical panel discussions, conventions and conferences. Our desire is to contribute towards the development of a fundamentally sound and informed industry knowledge base aimed at forging strong and meaningful relationship in realising our vision to become the top 10 global sugar player by 2020.

In 2017, MSM participated in the following events:

- Dubai Sugar Conference 2017, Dubai
- Analysts Roundtable Discussion, Kuala Lumpur



*Consistently ensuring quality sugar products.*



*Knowledge-sharing session among MSM employees.*



## OUR SWEET EES JOURNEY

### REPORTING ON OUR FOCUS AREAS:

# ENVIRONMENTAL SUSTAINABILITY

Naturally, refining operations is an energy intensive sector. This goes without saying that it applies similarly to MSM's refining operations. In order to mitigate the environmental impact, we have adopted an energy savings approach to monitor the progress of carbon footprint reduction, waste management and utilization of clean and renewable energy sources within our operations.

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

### MSM's Environmental Policies

Effluents and waste management

Hazardous waste management

Water consumption

Energy consumption

### Waste

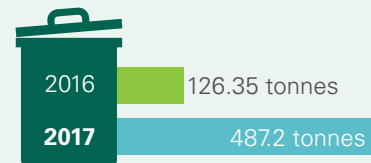
MSM's refineries are fitted with cutting-edge nano-filtration waste treatment system that enables us to process the discharge produced by our Ion Exchange Resin (IER). Within the sugar refining process, the resulting salt residue can be reused for resin regeneration, while the rest of the residue is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

#### Total weight of waste by type and disposal method

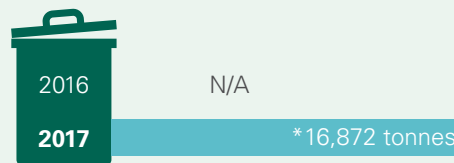
##### Hazardous waste collected by licensed contractor for recovery



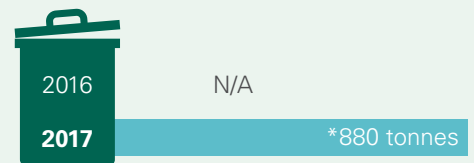
##### Recycled waste



##### Non-hazardous for waste landfilled



##### General waste

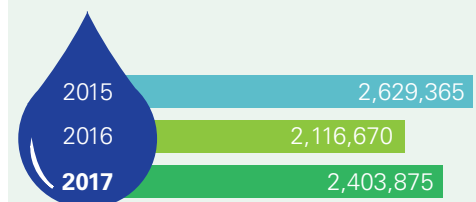


\* The numbers above are reported for the first time and shall be the baseline for future reporting.

### Water

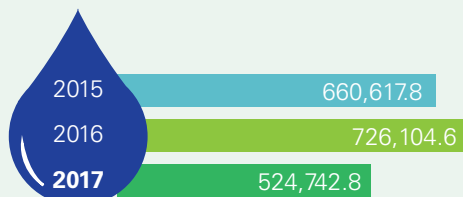
Water forms one of our planet's most precious natural resources, and MSM is cognisant of its corporate responsibility in upholding its environmental stewardship of this vital resource. We have in place sustained water management measures to ensure the efficiency of water usage within our operations, bearing in mind the vast water quantities used in the sugar refining process. To ensure best practice of water management, we regularly track the water usage and water reused in our daily operations.

#### Total water withdrawal by source (cubic metre (m³)/year)

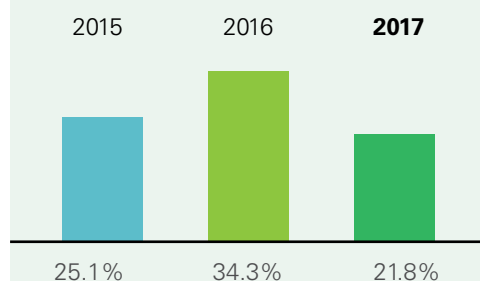


## OUR SWEET EES JOURNEY

### Recycled and Reused Water Volume (m3/year)



### Recycled and Reused Water Percentages



## ENERGY

### Natural Gas

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

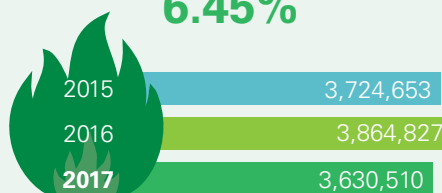
MSM has invested heavily to generate approximately half of its own energy requirements using back pressure turbines, with the exhaust steam channelled to the heating process. Additionally, we also recycle our process condensate for boiler steam generation. In 2017, our natural gas consumption decreased by 6.45% or 234,317 mmBTU due to investments made in reducing natural gas usage.



### Natural Gas Usage (mmBTU)

#### Natural gas consumption reduction

**6.45%**



### Electricity

MSM's electricity usage is calculated primarily on our electricity bills, which is based on consumption at our office buildings, refineries and warehouses. Our CO<sub>2</sub> emissions from electricity usage is derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid.

In 2017, we managed to generate electricity internally amounting to 35,835,401 kWh, which significantly reduced our purchased electricity consumption to 49,386,436 kWh. During the year, we consumed 85,221,837 kWh of electricity, with 0.17% of this amount contributed from the construction of our new refinery - MSM Johor. Comparing our electricity consumption between 2017 and 2016, we manage to reduce the consumption by 1% in 2017 compared to 86,131,571 kWh in 2016.

As a result of our Group's reduction in electricity consumption, we produced a total of 36,565.3 tonnes of CO<sub>2</sub> emissions in 2017 compared to 63,823.49 tonnes the previous year, translating to a CO<sub>2</sub> emission reduction of 42.7%.

### Diesel

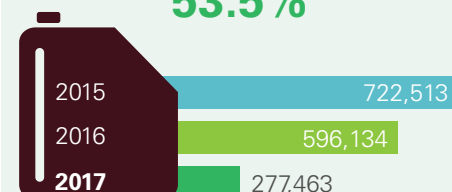
We recorded a significant reduction in our diesel consumption in 2017 by 53.5% or 318,671 litres. This was attributable to the minimal shutdown and less stoppage time in addition to the completion of a new boiler installation at MSM Perlis which resulted in the reduction of diesel engines usage.

The base of our refining operations were also fitted with energy saving initiatives which led to the reduction and sustainable utilisation of energy for the year under review which consequently reduced the Group's carbon footprint. Moving forward, we will continue to diligently monitor our energy use, identifying and implementing more energy savings initiatives wherever possible.

### Diesel Consumed (Litres)

#### Diesel consumption reduction

**53.5%**





## OUR SWEET EES JOURNEY

### GHG & OTHER EMISSIONS

#### Business Air Travel

As the nature of our business comprise of importing raw sugar and exporting refined sugar globally, the business activities taking place are conducted in various manner across the sugar market. We are extremely mindful of the transport-related emissions produced via business air travel and therefore encourage customers, suppliers and employees to adopt the usage of teleconferencing facilities.

As a result, MSM has recorded reductions in travel, travel-related carbon emissions and travel costs, along with an increase in employee productivity and work-life balance. We were able to do so whilst maintaining and strengthening our customer relationships, a crucial enabler to sustain our revenue growth and stay on track towards our sustainability goals.

Inside our Malaysian operations, we encourage employees to car pool when more than two of them are travelling whether to the Head Office, refineries and other meeting functions. To ensure cost efficiencies, we utilise a centralised system to process booking for the majority of our short and long-haul flights. 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.

In 2017, MSM employees took a total of 562 individual flights, which produced an estimated 48.4 tonnes of CO<sub>2</sub> emissions. This represents an increase of 206% from the previous year when MSM employees produced a moderate 15.9 tonnes of CO<sub>2</sub> emissions. The increase is due to frequent traveling from within our domestic business operations especially to the new refinery in Tanjung Langsat, Johor.



*Combines efforts of each employee leads to success.*



*MSM employees recognizes the importance of value creation and sustainable growth.*

#### Printing

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

In line with our corporate goal of reducing paper usage, our 2017 Annual Report's pagination has been reduced from previous years. Additionally, we uploaded past year's reports on our website, accessible at [www.msmsugar.com](http://www.msmsugar.com) and in CD format for a convenient and paperless viewing. All our Procurement tender announcements have similarly been uploaded onto our website under the Tender Announcement page at <http://www.msmsugar.com/tender> and linked with FGV's e-procurement portal.

#### Others

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



## OUR SWEET EES JOURNEY

### REPORTING ON OUR FOCUS AREAS:

## SOCIAL SUSTAINABILITY



MSM's social sustainability tenet is firmly grounded in the belief that part of our corporate responsibility (CR) is to work with the community, in support of the development of its culture, education, and socio-economic standing. In this regard, we are committed to build a sphere that encompasses a safe and inclusive workplace, supports and nurtures our employees' potential, ensures the highest standards of health and safety, respects human rights and aids the community through mutual CR programmes.

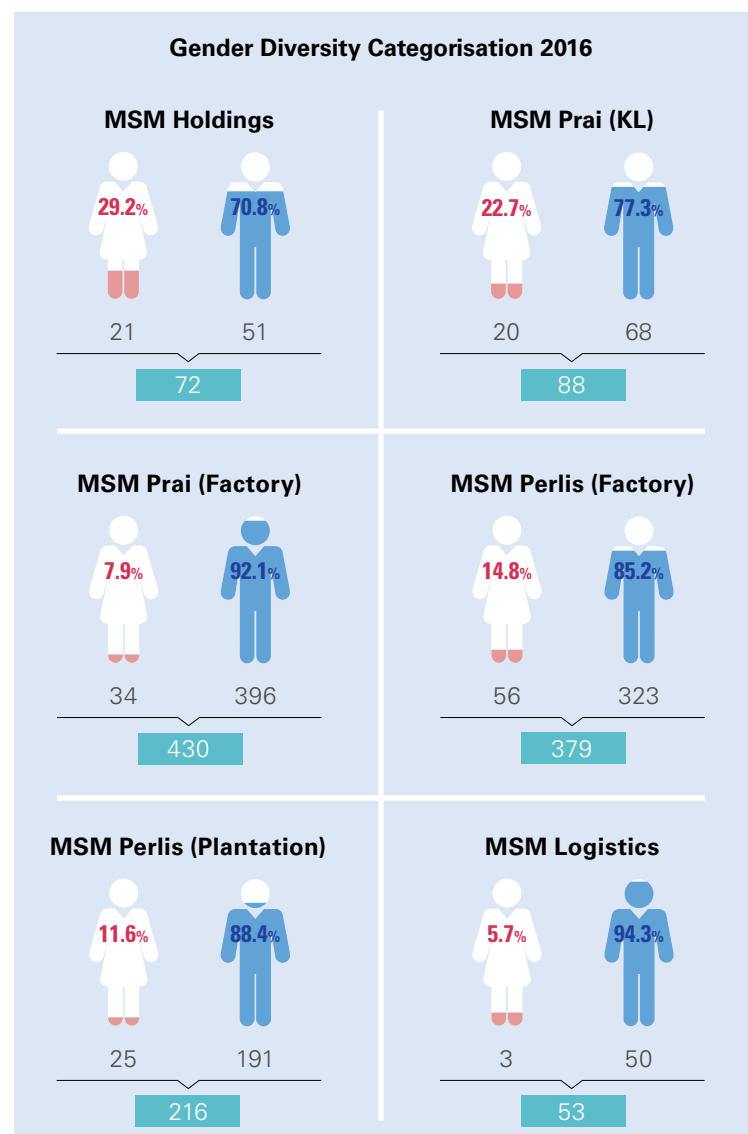
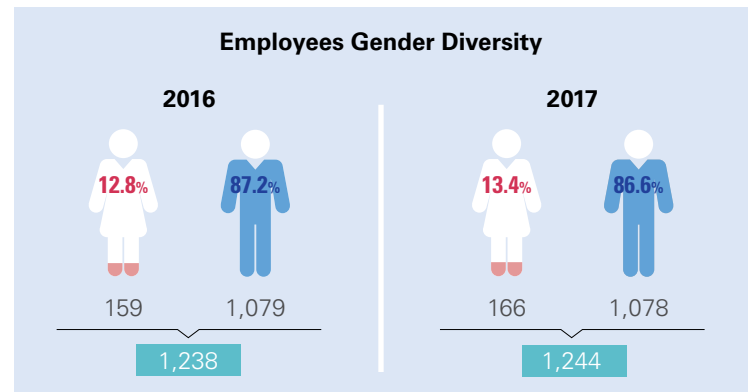
### Employees

For over 50 years, MSM has consistently invested in developing its human capital and contributing to the employees' well-being. Our multicultural workforce, represents our strong stance on harnessing diversity in opinions, perspectives and backgrounds of the employees, adding on to the strength of the company.

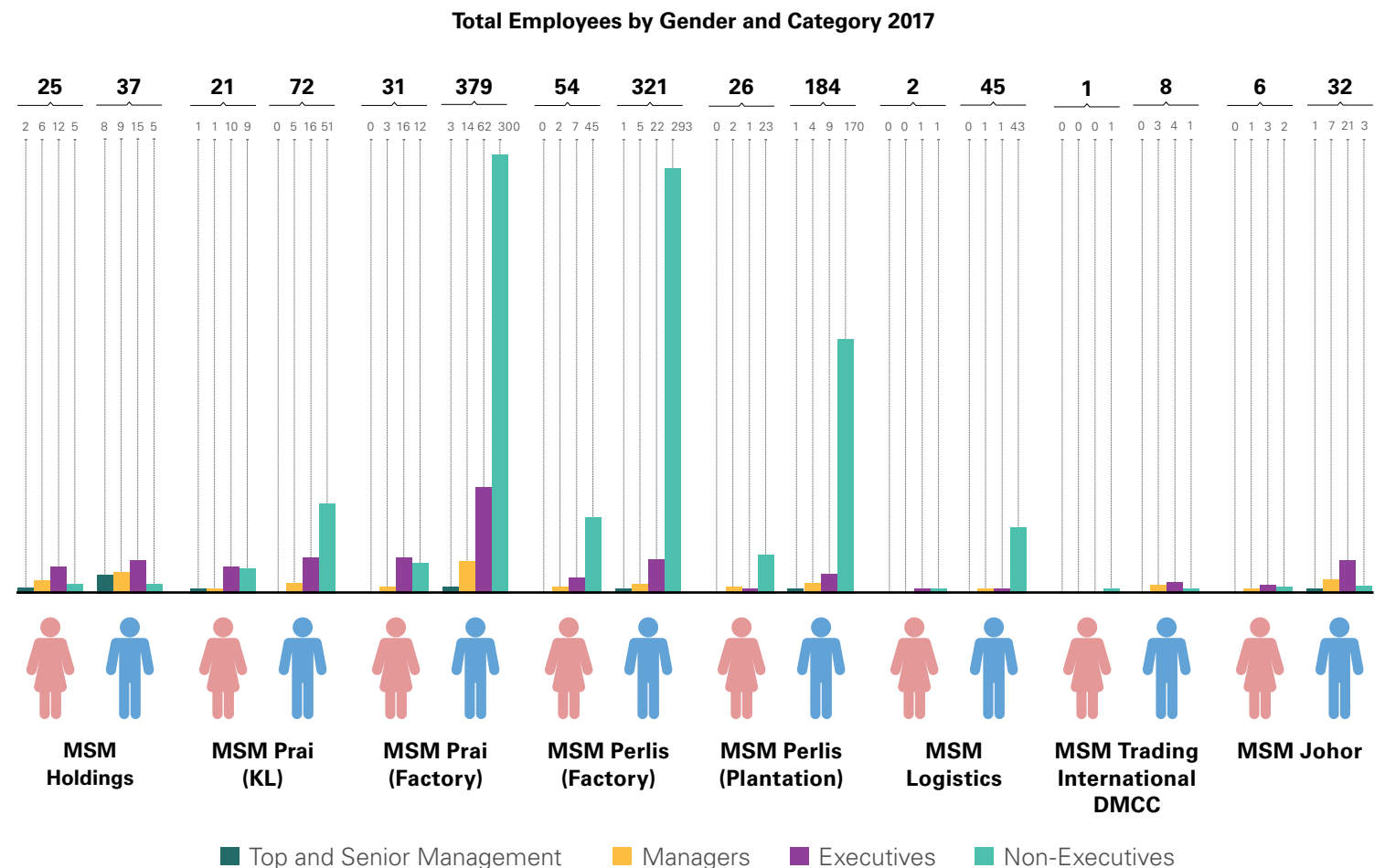
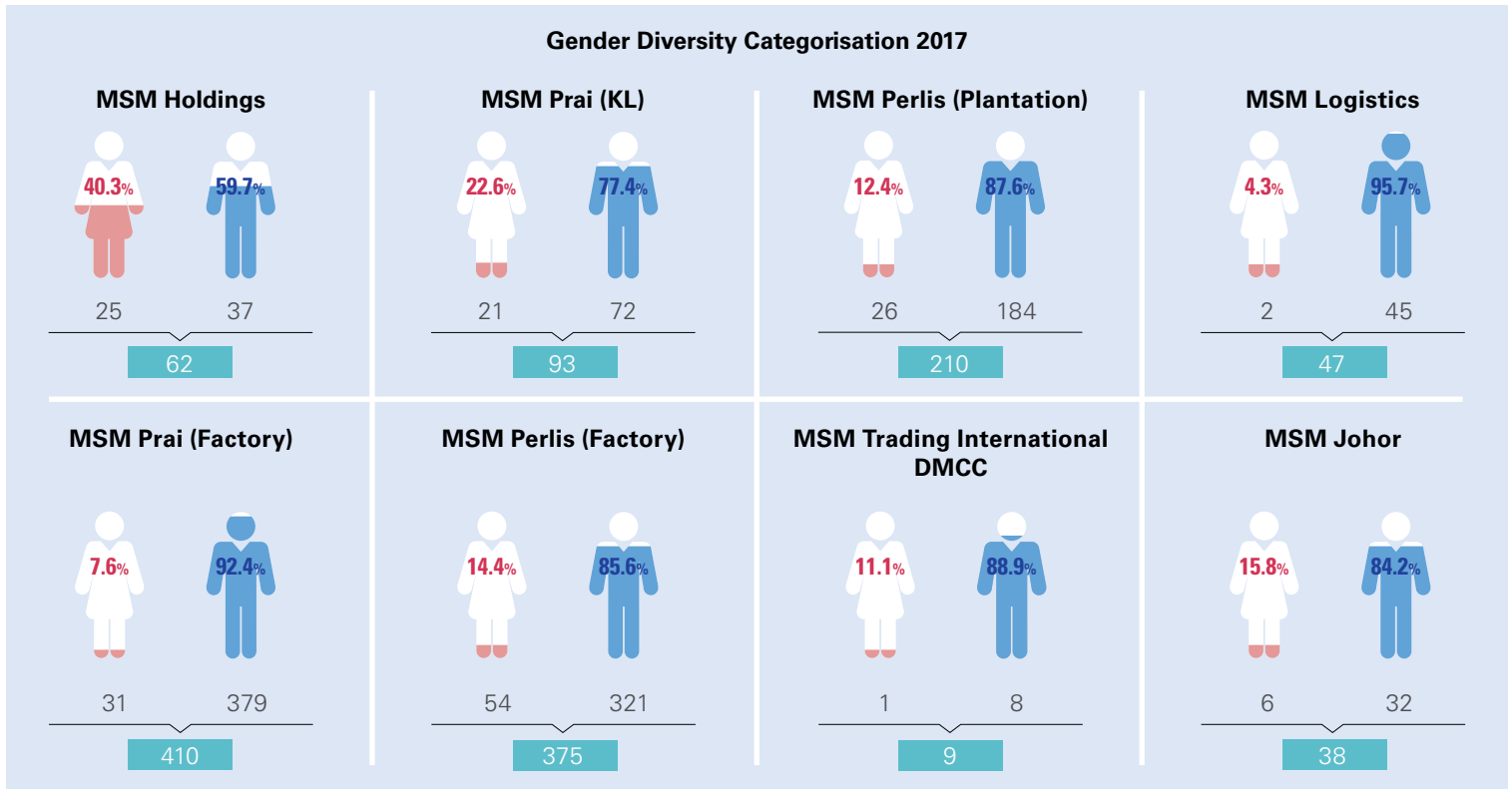
MSM's respect towards human rights, dignity and equality are maintained based on our Code of Ethics. It forms the basis upon which we interact and engage with our colleagues, employees, suppliers, customers, consumers and communities. Our employee work policies, embedded in the employee handbook propagates the greater message of valuing and respecting diversity and inclusion, within a workplace free from discrimination and harassment. We have in place structured grievance and complaints process to encourage employees to report potential violations without fear of reprisal.

### Gender Diversity

The manufacturing sector tends to be a male dominated sphere, as one which sees more men applying for jobs at manufacturing facilities and plants instead of women in light of factory, machinery and work shift demands. As such, MSM's workforce gender diversity base reflects this greater sectoral trend. However, our concerted efforts through the years to promote women to management level positions has seen us achieve significant improvements in this area. In 2017, we recorded a 77:23 male to female ratio at manager levels and above, which is significantly close to the recommended target of 30% female representation at management levels.



## OUR SWEET EES JOURNEY

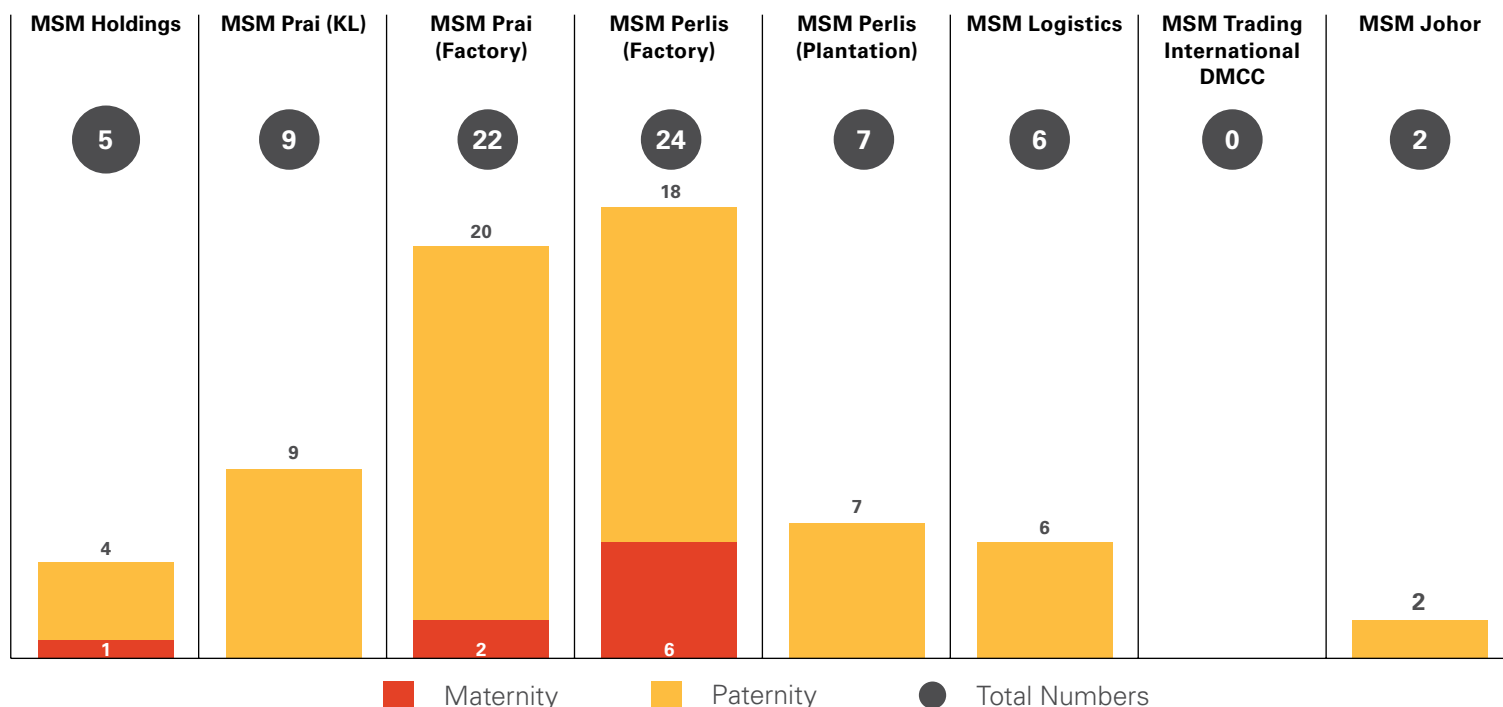


## OUR SWEET EES JOURNEY

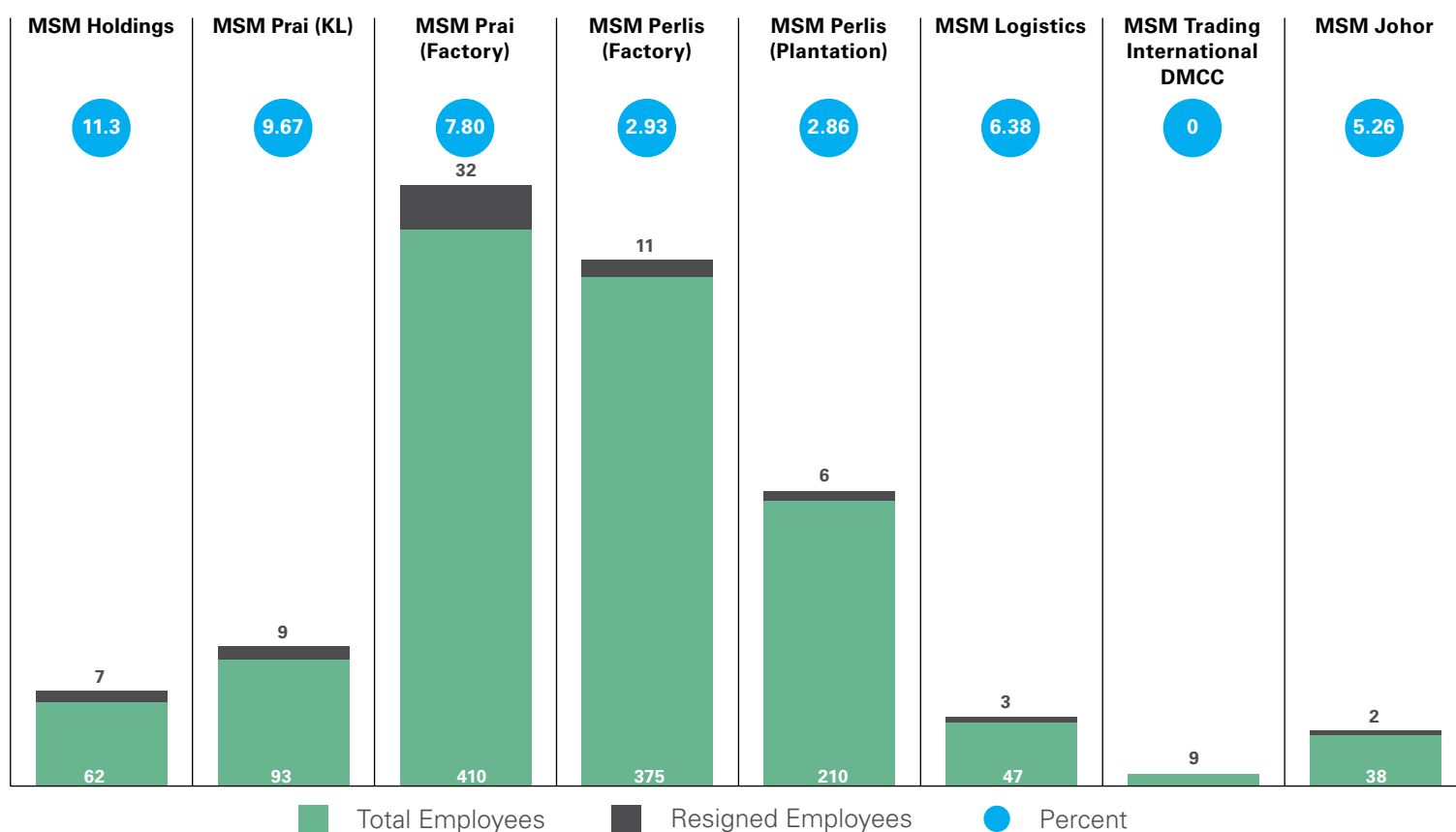
### Building Loyalty

To be ranked amongst the top employer of choice, MSM maintains a range of competitive benefits and entitlements for its employees to convey appreciation for their consistent efforts towards elevating MSM as the leading refined sugar producer in the country. In this regard, we have ensured a low employee turnover rate.

#### Employees Returning to Work after Maternity/Paternity 2017



#### Employees Turnover Rate 2017



## OUR SWEET EES JOURNEY

### Staff Mobility Programme

The anticipated launch of our Tanjung Langsat refinery in Johor presents MSM with the challenge of ensuring a ready talent pool of skilled and well-trained workers. In tandem with this strategic expansion, MSM has laid out its Staff Mobility Programme to meet the demands of our expanded manufacturing capacities.

The Staff Mobility Programme is a unique secondment method to blend present employee and new trainees with the right skill set (mainly focused on technical competencies). Later, key Senior Management and Technical experts are seconded to the Johor site office where they can begin to establish the technical process required onsite, and impart their knowledge and skills to newly hired employees.

Through this focused hands-on approach, we are able to shape and refine new employees skills development and knowledge capacities. This intensive training and development programme allows for new employees to speed up their learning curve, as they pick up the know-how required for the efficient start-up of operations at our new Johor factory by on-the-job training from skilled and knowledgeable employees who not only train them but share their experience in ensuring consistency of high production standards across our refineries.

MSM's Staff Mobility Programme is divided into four categories:

(a) Short-Term Assignment  
(2 weeks – 4 weeks)

(b) Medium-Term Assignment  
(2 months – 6 months)

(c) Long-Term Assignment  
(6 months – 12 months)

(d) Inter-Subsidiaries Transfer

To support the implementation of the Staff Mobility Program, MSM had developed a trained pool of engineering team members for deployment, employing talents from our Graduate Management Training Program. This cycle of talent management and training has accorded significant benefits in terms of optimising the development of our in-house talent pool. In 2017, the utilisation of this approach facilitated the learning opportunities for our technical employees to acquire technical certifications required by the regulatory bodies, hence allowing us to grow responsibly and sustainably.

We also reviewed Human Resource policies including secondment benefits such as housing facilities and hardship allowance within our Staff Mobility Programme to ensure fairness of the programme to our senior skilled and talented employees.

To further strengthen our core competencies, MSM embarked on a values alignment programme to nurture a culture of shared knowledge and inculcate Group unity. The first phase of the values enhancement programme has seen more than 90% of MSM employees participation across various job levels.

#### TOTAL TRAINING HOURS : 32,332 HOURS



Average training  
hours  
(MSM Group)

Male  
**29,180 hours**

Female  
**3,152 hours**

Executives & above  
**20,572 hours**

Non-executives  
**11,760 hours**



Total spent on  
Training and  
Development  
annually

Local training  
**RM534,240.87**



Percentage of  
employees covered  
by collective  
bargaining  
agreement

MSM Prai  
**52%**

MSM Perlis  
**59%**



## OUR SWEET EES JOURNEY

### Employee Engagements 2017

MSM's employee engagement activities is important to encourage our employee to adopt healthy, active lifestyles through participation in sports activities and promoting work-life balance. Below is a list of sports activities organised and participated by our employees at in 2017.

**2 February 2017**

MSM Perlis Bowling Tournament at Perlis SS Superbowl, Kangar, Perlis

**5 May 2017**

Cycling programme with the Crown Prince of Perlis, Tuanku Syed Faizuddin Putra Jamalullail in Chuping, Perlis

**16 November 2017**

Health and Safety Campaign at MSM Perlis

**28 February 2017**

MSM Prai Badminton Tournament organised by Kelab Sukan dan Rekreasi MSM Prai at Sunway Sport Centre, Seberang Jaya, Penang

**19 May 2017**

MSM Perlis Volleyball Tournament organised by Kelab Sukan dan Rekreasi MSM Perlis at Volleyball Court, MSM Perlis Housing

**19 November 2017**

Karnival Catur Anak Muda Bintong in Bintong, Perlis

**12 March 2017**

Salam Sawadee Perlis-Sadao 2017 Cycling Programme from Perlis, Malaysia to Sadao, Thailand

**20 May 2017**

UniMAP Open Chess Tournament 2017, Zaa'ba Hall at University Malaysia, Perlis

**5 December 2017**

Fishing Competition organised by Kelab Sukan dan Rekreasi MSM Perlis in Alor Setar, Kedah

**1 – 2 April 2017**

Langkawi Cycling Tour organised by Kelab Sukan dan Rekreasi MSM Perlis in Langkawi

**25 July 2017**

Health Screening Program collaboration with PERKESO at MSM Perlis

**28 April 2017**

MSM Perlis Badminton Tournament organised by Kelab Sukan dan Rekreasi MSM Perlis at Multi-Purpose Hall, MSM Perlis

**16 – 19 August 2017**

Chess Tournament Sukan Felda Malaysia 2017 at Universiti Pendidikan Sultan Idris, Tanjung Malim, Perak

**1 May 2017**

Gula Perlis Open Chess Challenge at Putra Regency Hotel, Perlis

**30 September 2017**

Kubang Pasu District Penalty Shootout Competition in Kedah

## OUR SWEET EES JOURNEY

### Social

To ensure a performance-driven working environment complemented with a strong culture and teamwork, MSM has stepped up its community engagement efforts in support of the local communities. Our corporate responsibility (CR) tenets aims at aiding the development of a vibrant and sustainable local community eco-system in a series of initiatives such as promoting volunteerism, providing financial and material contributions for the underprivileged and supporting educational institutions initiatives.

#### Supporting Educational Institutions Initiatives

In years ahead, the future citizens of Malaysia shall be represented by our children who will eventually contribute towards the continuous socio-economic development of this nation. A strong educational foundation is of vital importance for these children in preparation for their future.

One of the new key initiatives in 2017 is our collaboration with PINTAR Foundation. Please refer to our sidebar to find out more about our efforts with PINTAR. For our annual 'Back to School' programme, we continue to provide financial assistance to students in preparation for the new school term in 2017. A total of 466 students from primary and secondary schools benefited from the financial assistance as compared to 148 students in 2016.

In its 8<sup>th</sup> year running, the annual Gula Perlis Open Chess Challenge 2017 was held in conjunction with the celebration of HRH the King of Perlis' Birthday. Over 360 participants from different states in Malaysia took part. This platform creates awareness and provides training to junior chess players at primary and secondary schools, enhancing their skills for participation at national and international level.

Significantly, the highlight is our MSM Fellowship Fund which provides funding to educational institutions with a mission to develop excellence in education and research. A total of RM250,000 is disbursed annually to Universiti Sains Malaysia (USM), which is channelled to outstanding and qualified individuals pursuing a research-based Masters Degree in any subject offered by USM's School of Industrial Technology. The fellowship quantum of RM30,000 per annum for two years covers tuition fees, salaries or allowances and research expenses.

### MSM Fellowship Fund



12 Fellowships awarded between 2015 and 2017

Candidates are chosen on their merits based on performance of industrial-based scientific research with elements of innovation for national public benefits and economic growth

### COLLABORATING WITH PINTAR FOUNDATION TO ENHANCE EDUCATIONAL OUTCOMES IN UNDER-SERVED SCHOOLS

In 2017, MSM collaborated with PINTAR Foundation (PINTAR), which works closely with schools in under-served communities to provide equitable access to quality education for students. PINTAR works collaboratively with corporations whose CR mission is to make a meaningful difference in the lives of students from under-served communities.

During the year, MSM adopted four schools under the PINTAR Foundation School Adoption Programme in Penang and Perlis. Our objective is to raise the academic and curriculum performance of these students through various initiatives. These schools lack the necessary means and resources to enhance their teaching methods for a well-rounded education - which is a key component of PINTAR's objectives and aspirations by Promoting Intelligence, Nurturing Talent and Advocating Responsibility.

MSM implemented programmes guided by PINTAR's four core modules comprising of Motivational and Team Building Programme (Leadership), Educational Support Programme, Capability and Capacity Building Programme and Reducing Vulnerabilities and Social Issues Programme. These programmes were developed in order to contribute to the students' holistic development covering academic, psychological and social aspects. More than 2,000 students, teachers, parents and community members benefitted from these programmes in 2017.

## OUR SWEET EES JOURNEY

### Programmes Conducted with PINTAR Foundation School Adoption Programme

- 1 Workshop on techniques for answering examination questions and strategies for UPSR, PT3 and SPM levels at Sekolah Kebangsaan Juara and Sekolah Menengah Kebangsaan Prai in Penang, Sekolah Kebangsaan Batu Bertangkup and Sekolah Menengah Kebangsaan Datuk Jaafar Hassan in Perlis
- 2 Motivational programme “Perkampungan Ilmu, Program Outreach Belaian Jiwa dan Ekploasi and Kem Pembangunan Insan”
- 3 Tuition classes for UPSR, PT3 and SPM candidates at Sekolah Kebangsaan Juara and Sekolah Menengah Kebangsaan Prai in Penang, Sekolah Kebangsaan Batu Bertangkup and Sekolah Menengah Kebangsaan Datuk Jaafar Hassan in Perlis
- 4 Upskilling and knowledge sharing programme for teachers known as “21<sup>st</sup> Century Learning and Program Latihan Dalam Perkhidmatan (LDP)”
- 5 English Literacy Program titled “Learning is Fun”
- 6 Curriculum development through “Program Pembangunan Ragbi” at Sekolah Kebangsaan Juara in Penang

### Zakat and Alms Giving

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

Throughout 2017, MSM continued with our zakat contributions to the underprivileged, comprising the poor and destitute, single mothers, senior citizens and orphans. On 5 May 2017, we distributed RM250,500 to 167 underprivileged individuals under the allocation from Zakat 2016. We also contributed RM30,000 to Masjid Al-Husna, Batu Bertangkup, and RM10,000 each to Maahad Tahfiz Al-Barakah, Maahad Tahfiz Al-Barqiy and Maahad Tahfiz Nurul Saadah to upgrade their building facilities. While an additional RM10,000 each were allocated for the refurbishment of three poor homes and 16 units of water coolers donated to 16 schools in the state of Perlis.

During festive occasions, MSM does its part to ease the burden of underprivileged communities in order to assist them with their financial hardships. In 2017, we organised several community projects in conjunction with the holy month of Ramadhan that included bubur lambuk-cooking events and breaking fast with the less fortunate families within our communities. We also donated three cows as part of Hari Raya Haji festival in Perlis, as part of our Ibadah Korban Programme.

Ensuring the welfare of our employees is an important component of our CR initiatives. Following on from the flash floods which hit Penang on 7 November 2017, we provided cash relief assistance to 31 of our MSM Prai employees who underwent hardship and granted them compassionate leave for them to attend to their families and homes.

### Assistance and Volunteerism

An essential element of our employee volunteerism activities is assisting the communities with their efforts to maintain a healthy and clean environment. Since 2013, MSM Prai employees in collaboration with Seberang Prai Municipal Council, have been contributing their efforts and time to help the community living within the vicinity of Taman Tunku in Butterworth to maintain the cleanliness of the recreational public park as a vital community space. In 2017, MSM Prai employees chalked up close to 2,000 man-hours performing general maintenance work at the park, such as lawn mowing, cleaning the area and facilities.

We also assisted our employees on 11 and 12 November 2017, when 51 employees of MSM Group teamed up to clean up affected colleagues' homes due to the floods that hit Penang, clocking a total of 714 volunteer hours.

### Volunteer Hours



### Your Feedback is Valuable!

In advancing our investments in sustainability, we see beneficial synergies between our evolving sustainability reporting and stakeholder engagement processes. Our development of sustainability goals and strategies will continue to benefit from collaborative discussions and engagements with our stakeholders. Additionally, once our reports are published, we listen carefully to stakeholders' feedback where more clarifications and explanations are desired within our disclosure topics. We have set ourselves a high bar for transparency and exemplary corporate citizenship, and work hard to live up to our stakeholders' expectations. We welcome all comments, suggestions and critiques on our sustainability practices and reporting. Please send us a message via email to [corpcomms@msmsugar.com](mailto:corpcomms@msmsugar.com).

## OUR SWEET EES JOURNEY

### REPORTING ON OUR FOCUS AREAS:

# OCCUPATIONAL SAFETY AND HEALTH (OSH)



*Employees undergo various safety and health programmes.*

The primary workplace areas within MSM Group comprise of our two sugar refineries, a distribution centre and packing facility, distribution warehouse and a plantation land. MSM will be adding another refinery in 2018 upon the completion of the new sugar refinery in Tanjung Langsat, Johor.

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

#### **Adhering to International and Local Safety and Health Industry Standards**

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

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

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

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

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

The Occupational Health and Safety Assessment Series (OHSAS) is a standard that is developed by the OHSAS 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.



## OUR SWEET EES JOURNEY

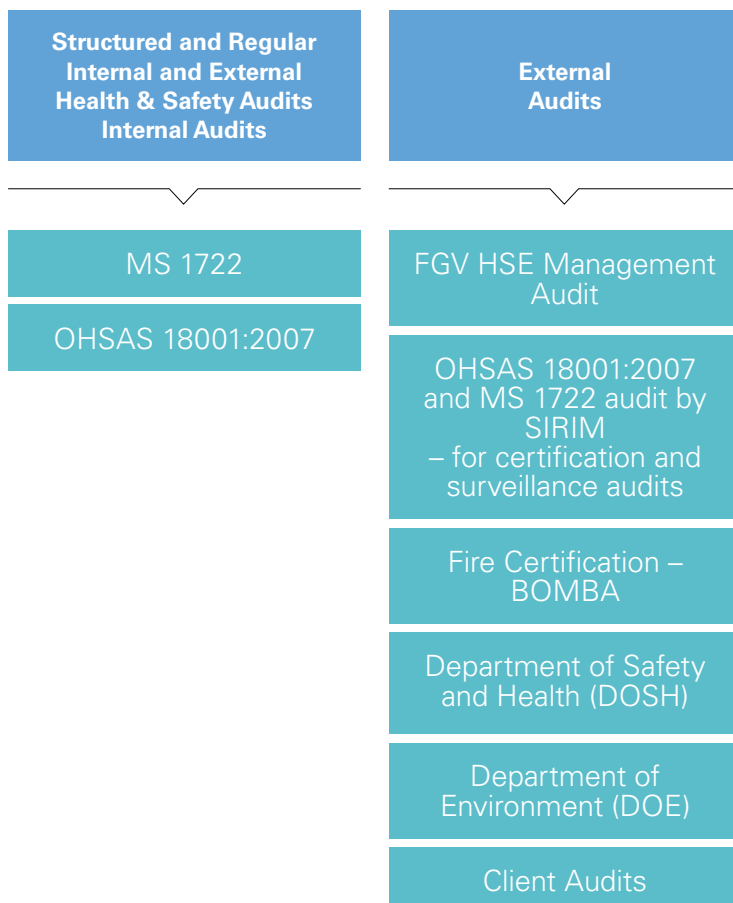
### Monitoring & Measurement of HSE Performance

To ensure we meet all our safety goals and targets, MSM implements a continuous schedule of activities and programmes that monitors and measures our Health, Safety and Environment (HSE) performance. This includes a monthly workplace inspection at all our locations conducted by the respective SHC. 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:

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



### Maintaining a Continuous Reporting Cycle

In 2017, 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 (Sungai Buloh Warehouse), MSM Prai (Larkin Warehouse) and MSM Johor to adopt this new reporting mechanism.

MSM 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. In 2017, activities and accidents covering more than 900 employees were reported and recorded, compared to 700 employees the previous year due to a different reporting mechanism.

#### MSM Reporting Cycle

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

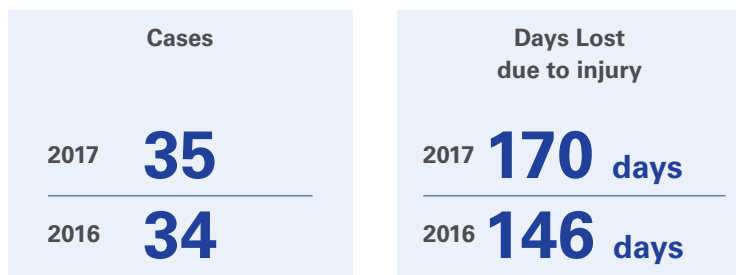
### Monitoring our Accident Statistics

We maintain a comprehensive record of our accident statistics, and use the data collated to identify high risk areas within our operations. Utilising this informed and targeted approach, we are able to undertake the necessary steps to mitigate and reduce the identified risks. We regularly communicate these statistics to our employees, contractors through SHC meetings and notice boards to increase their awareness.

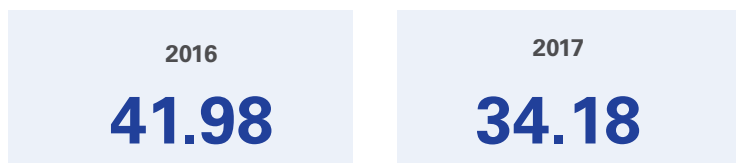
## OUR SWEET EES JOURNEY

### Lost Time Injury (LTI)

We recorded a higher number of days lost due to injury in 2017 compared to the previous year due to our expanded reporting mechanism to increase our monitoring capabilities, which includes MSM Prai (Sungai Buloh Warehouse), MSM Prai (Larkin Warehouse) and MSM Johor.





### Incident Rate



### HSE Meetings Conducted

MSM HSE Committee Site Meeting	Bi-monthly
MSM Management Review Meeting	Yearly
MSM HSE Sub-Committee Meeting (Contractors)	Monthly
FGV Group Safety Meeting	Quarterly

### Health and Safety Training Activities and Programmes

AREAS OF TRAINING	TRAINING PROGRAMMES
<b>Emergency Preparedness Trainings</b> 	<ul style="list-style-type: none"> <li>• Fire Drills               <ul style="list-style-type: none"> <li>- MSM Head Office – 2 May 2017</li> <li>- MSM Prai – 30 November 2017</li> <li>- MSM Perlis – 16 November 2017</li> </ul> </li> <li>• Developed and trained Emergency Response Team members at MSM Head Office, MSM Prai, MSM Prai (Sungai Buloh Warehouse), MSM Perlis and MSM Johor</li> </ul>
<b>HSE Awareness and Trainings</b> 	<ul style="list-style-type: none"> <li>• Accident Reporting, Investigation and Prevention Training</li> <li>• Basic Fire Prevention Course by BOMBA</li> <li>• CIDB training for Green Card</li> <li>• Confined Space Awareness</li> <li>• Fire Extinguisher Inspection Course</li> <li>• Hearing Conservation Course</li> <li>• Internal Audit OHSAS 18001:2007 Course</li> <li>• Internal Fire Extinguisher Training</li> <li>• Motorcycle Safety on Road Course by NIOSH</li> <li>• Occupational Lung Disease Awareness by NIOSH programme</li> <li>• Radiation Test Awareness Training by NDT contractor</li> <li>• Safety and Fire Awareness</li> <li>• Scaffold Awareness Training with CIDB</li> <li>• Surveillance Audit for OHSAS 18001:2007 and MSM 1722:2011</li> <li>• Turbidity Training</li> <li>• Usage of Personal Protective Equipment (PPE) Programme by NIOSH</li> </ul>

## OUR SWEET EES JOURNEY

AREAS OF TRAINING	TRAINING PROGRAMMES	
<b>Competency Trainings</b>		<ul style="list-style-type: none"> <li>• Act and Regulation Safety Training – OSHA (Occupation Safety and Health Act) 1994 and FMA (Factory Machinery Act) 1967</li> <li>• Authorised Entrant and Standby Person (AESP) for Confined Space</li> <li>• Authorised Gas Tester/Entry Supervisor (AGT/ES) training by DOSH</li> </ul>
<b>Trainings Provided by MSM to Contractors</b>		<ul style="list-style-type: none"> <li>• Contractor Safety Pass/Briefing</li> <li>• Forklift Safety Training</li> </ul>
<b>Emergency Response Team (ERT)</b>		<ul style="list-style-type: none"> <li>• Early Fire Prevention, Evacuation Training and First Aid Response to Fire</li> <li>• Fire Safety and Prevention Course</li> <li>• First Aider Training</li> </ul>
<b>Noise Pollution Control</b>		<ul style="list-style-type: none"> <li>• Noise Boundary Monitoring – MSM Prai (Sungai Buloh Warehouse)</li> </ul>
<b>HSE Efforts and Initiatives (Campaigns)</b>		<ul style="list-style-type: none"> <li>• Fire Prevention Talk – 14 December 2017 MSM Prai (Sungai Buloh Warehouse)</li> <li>• Safety Campaign – 16 November 2017 MSM Perlis</li> </ul>
<b>Others</b>		<ul style="list-style-type: none"> <li>• Health Surveillance</li> <li>• Audiometric test by our panel clinic for employees working at high decibel noise area/workplaces</li> </ul>

## Key Highlights: HSE Performance 2017



**One million**  
man-hours

without Lost Time Injury  
at MSM Johor.



**ZERO**  
fatal accidents

among employees,  
contractors, and workers.

# PROFILE OF DIRECTORS

## DATUK WIRA AZHAR ABDUL HAMID

Chairman, Non-Independent Non-Executive Director



**Age:** 56 **Nationality:** Malaysian **Gender:** Male

**Date of Appointment:** 26 September 2017

**Length of Service:** < 3 years

**Date of Last Re-election:** -

### Qualification(s):

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

### Working Experience and Occupation:

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

### Directorship of Public Companies:

- Icon Offshore Berhad
- Hume Industries Berhad
- Hong Leong Bank Berhad
- Felda Global Ventures Holdings Berhad

## DATO' ZAINAL HAJI ISMAIL

Independent Non-Executive Director



**Age:** 74 **Nationality:** Malaysian **Gender:** Male

**Date of Appointment:** 25 March 2011

**Length of Service:** 7 - 9 years

**Date of Last Re-election:** 15 May 2017

### Board Committee Membership:

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

### Qualification(s):

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

### Working Experience and Occupation:

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

### Directorship of Public Companies:

- Nil



## PROFILE OF DIRECTORS

### DATO' HAJJAH ROSNI HAJI ZAHARI

Independent Non-Executive Director



**Age:** 57    **Nationality:** Malaysian    **Gender:** Female

**Date of Appointment:** 25 March 2011

**Length of Service:** 7 - 9 years

**Date of Last Re-election:** 15 May 2017

#### Board Committee Membership:

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

#### Qualification(s):

- Bachelor of Law, University of Technology MARA

#### Working Experience and Occupation:

- Political Secretary to the Deputy Prime Minister of Malaysia (2017-present)
- Information Chief, Pergerakan Wanita UMNO Malaysia (2013-present)
- Chief, Pergerakan Wanita UMNO Pahang (2008)
- Executive Committee Member, Pergerakan Wanita UMNO Malaysia (2004)
- Chief, Pergerakan Wanita UMNO Maran (1992)
- Syariah Lawyer, Messrs Rosni, Francis Tan & Co (1990)
- Advocates & Solicitor, High Court of Malaysia (1990)

#### Directorship of Public Companies:

- Nil

### DATO' ROSINI ABD SAMAD

Independent Non-Executive Director



**Age:** 63    **Nationality:** Malaysian    **Gender:** Female

**Date of Appointment:** 7 January 2015

**Length of Service:** < 3 years

**Date of Last Re-election:** 2 June 2015

#### Board Committee Membership:

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

#### Qualification(s):

- Postgraduate Diploma in Accounting, University of Malaya
- Bachelor of Economics, Accounting (Hons.), University of Malaya
- Master of 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)
- Member of the Disciplinary Committee, Percetakan Nasional Malaysia Berhad (2008-2014)
- Member of the Tender Committee, Percetakan Nasional Malaysia Berhad (2010-2014)
- Member of the Nomination and Remuneration Committee, Percetakan Nasional Malaysia Berhad (2008-2014)
- Chairman of the Audit Committee, Percetakan Nasional Malaysia Berhad (2008-2014)
- Board Member, Percetakan Nasional Malaysia Berhad (2007-2014)
- Accountant General's nominee, Council of Malaysian Institute of Accountant (MIA) (2011-2014)
- Deputy Accountant General (Corporate), The Accountant General's Department Malaysia (2010-2014)

#### Directorship of Public Companies:

- Nil

## PROFILE OF DIRECTORS

### DATUK LIM THEAN SHIANG

Independent Non-Executive Director



**Age:** 46 **Nationality:** Malaysian **Gender:** Male

**Date of Appointment:** 23 August 2013

**Length of Service:** 4 - 6 years

**Date of Last Re-election:** 15 May 2017

#### Board Committee Membership:

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

#### Qualification(s):

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

#### Working Experience and Occupation:

- Executive Vice Chairman/Group Chief Executive Officer, Daya Materials Berhad (2015-present)
- Executive Chairman, Port Klang Free Zone (2008-2009)
- General Manager, Port Klang Authority (2008-2009)
- Director, WWE Holdings Berhad (2004-2006)
- Director, El Medical Systems Sdn Bhd (2001-2008)
- Director, Latimax Engineering Sdn Bhd (2001-2008)
- Director, Focus Indera Sdn Bhd (2001-2008)
- Director, Tripo Engineering Sdn Bhd (2001-2008)
- Director, Glotel Sdn Bhd (2001-2008)

#### Directorship of Public Companies:

- Daya Materials Berhad
- Tropicana Corporation Berhad

### DATUK HANAPI SUHADA

Non-Independent Non-Executive Director



**Age:** 61 **Nationality:** Malaysian **Gender:** Male

**Date of Appointment:** 7 October 2015

**Length of Service:** < 3 years

**Date of Last Re-election:** 10 May 2016

#### Board Committee Membership:

- Member of the Board Governance & Risk Management Committee

#### Qualification(s):

- Bachelor of Arts, (Hons.), University Kebangsaan Malaysia

#### Working Experience and Occupation:

- Director-General, FELDA (2015)
- Acting Director-General, FELDA (2014)
- Deputy Director-General (Corporate Service), FELDA (2013)
- Director, Land Department, FELDA (2012)
- Regional General Manager, Johor Bahru, FELDA (2011)
- Regional General Manager, Kuantan, FELDA (2007)
- Regional General Manager, Mempaga, FELDA (2005)
- Secretary to FELDA Board, FELDA (1991)
- Socio Economy Officer, Regional Office Ipoh, FELDA (1987)
- Training Officer, FELDA (1985)
- Socio Economy Officer, Regional Office Negeri Sembilan, FELDA (1983)
- Administrative Officer, FELDA (1981)

#### Directorship of Public Companies:

- Nil

## PROFILE OF DIRECTORS

### DATO' ZAKARIA ARSHAD

Non-Independent Non-Executive Director



**Age:** 58    **Nationality:** Malaysian    **Gender:** Male

**Date of Appointment:** 1 April 2016

**Length of Service:** < 3 years

**Date of Last Re-election:** 10 May 2016

#### Board Committee Membership:

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

#### Qualification(s):

- Bachelor of Social Science Economics (Hons), Universiti Sains Malaysia

#### Working Experience and Occupation:

- Group President/Chief Executive Officer, FGV (2016-Present)
- Advisor to Mobile Food Trucks and Street Food Association, Malaysia (MSA) (2015-Present)
- Council Member, Action Group for Entrepreneurship (AGE), Universiti Malaysia Kelantan
- Alternate Member, Malaysia Palm Oil Board (MPOB) (Present)
- Board of Trustees' Malaysia Palm Oil Council (MPOC) (Present)
- Executive Vice President/Head of Palm Downstream Cluster, FGV (2014-2016)
- Chief Executive Officer, Felma Vegetable Oil Products Sdn Bhd (2012-2013)
- Chief Executive Officer, Delima Oil Products Sdn Bhd (2010-2013)
- Senior General Manager, Felma Rubber Industries Sdn Bhd (2006-2010)
- General Manager, Felma Marketing Services Sdn Bhd (2004-2005)
- General Manager (Commercial & Administration), Felma Rubber Products Sdn Bhd (2002-2004)
- Manager (Business), Malaysia Cocoa Manufacturing Sdn Bhd (1999-2002)
- Administration and Marketing Manager, Felma Rubber Industries Sdn Bhd (1984-1999)

#### Directorship of Public Companies:

- Felma Global Ventures Holdings Berhad
- Felma Holdings Bhd
- Pontian United Plantations Berhad

### YB DATO' MOHAMMAD FAKRUDDIN HAJI MOHD ARIFF

Independent Non-Executive Director



**Age:** 51    **Nationality:** Malaysian    **Gender:** Male

**Date of Appointment:** 21 November 2016

**Length of Service:** < 3 years

**Date of Last Re-election:** 15 May 2017

#### Board Committee Membership:

- Member of the Audit Committee
- Member of the Investment Committee

#### Qualification(s):

- Bachelor of Science in Industrial Engineering, University of Miami, USA

#### Working Experience and Occupation:

- Member of Pahang State Assembly, Bebar (2013-Present)
- UMNO Committee Member, Pekan (2008-Present)
- Former Chairman of UMNO Electoral Bureau and Membership (2008-2013)
- Director, Felma Engineering Services Sdn Bhd (2004-2015)
- Business Development Manager, MACES Sdn Bhd (2005)
- General Manager, Percetakan Anda Sdn Bhd (1999-2005)
- Senior Engineer Manufacturing, Black & Decker Sdn Bhd (1994-1999)
- Project Engineer, SME Tools Sdn Bhd (1989-1994)

#### Directorship of Public Companies:

- Nil

## PROFILE OF DIRECTORS

### DATO' KHAIRIL ANUAR AZIZ

Non-Independent Executive Director



**Age:** 50    **Nationality:** Malaysian    **Gender:** Male

**Date of Appointment:** 22 November 2017

**Length of Service:** < 3 years

**Date of Last Re-election:** -

#### Board Committee Membership:

- Nil

#### Qualification(s):

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

#### Working Experience and Occupation:

- Chief Operating Officer, Sugar Sector (2018-present)
- Executive Director, MSM Malaysia Holdings Berhad (December 2017-present)
- Chief Operating Officer of Logistics & Other LO Sector, Felda Global Ventures Holdings Berhad (2017)
- Executive Vice President, Head of TML Cluster, Felda Global Ventures Holdings Berhad (2014-2017)
- Member of the Programme Advisory Committee (PAC) "Technical Promotion & Market Development Sub-Committee" by Malaysian Palm Oil Board (MPOB) (2017-present)
- Appointed as the Cluster Chairman of Government Link Companies (GLCs) Gabungan Pemikir Profesional FELDA (GAPROF) by Hon. Prime Minister via SERANTA FELDA, Prime Minister's Department (2014-present)
- Non-Executive Director, Kuantan Port Authority (2015-present)
- Non-Executive Director, Pelaburan MARA Berhad (PMB) (2014-present)
- Non-Executive Director of Sinergi Perdana Sdn Bhd (a consortium formed by FELDA, the Rubber Industry Smallholders Development Authority (RISDA), Federal Land Consolidation and Rehabilitation Authority (FELCRA), under the auspices of the Ministry of Rural & Regional Development and Prime Minister's Department) (2010-present)
- Executive Chairman, GSSB Consulting Sdn Bhd (2010-2014)
- Director, International Business and Chief Marketing Officer, SCAN Associates Berhad (2006-2009)
- Chief Executive Officer of MLABS Systems Bhd (an associate company of Universiti Sains Malaysia) (2004-2006)
- Head of Marketing and Sales Division, JARING Communications Sdn Bhd (a subsidiary of MIMOS Bhd) (2001-2004)
- Time Engineering Bhd (TEB) (1999-2000)
- Cement Industries of Malaysia Bhd (1996-1998)
- United Engineers Malaysia Bhd (UEM) (1994-1995)
- Renong Management Trainee, Renong Group Bhd (1993-1994)
- Systems Analyst, Resource Management Division, National Health Service (NHS) in Wakefield, UK (1992-1993)

#### Directorship of Public Companies:

- Pelaburan Mara Berhad

#### 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 2017 are set out in the Corporate Governance statement on page 083 of this Annual Report.
5. The full profiles of every Directors are available online at [www.msmsugar.com](http://www.msmsugar.com)



# PROFILE OF COMPANY SECRETARY

## KOO SHUANG YEN

Company Secretary



**Age:** 55

**Nationality:** Malaysian

**Gender:** Female

**Appointment to the position:**  
20 May 2011

**Qualification(s):**

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

**Working Experience and Occupation:**

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

**Directorship in MSM and its related of Companies:**

Nil

# PROFILE OF SENIOR MANAGEMENT

## MOHD SHAFFIE SAID

Acting Chief Executive Officer  
MSM Malaysia Holdings Berhad



**Age:** 54  
**Nationality:** Malaysian  
**Gender:** Male

**Appointment to the position:**  
22 January 2018

**Qualification(s):**

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

## RAJA FARIDAH RAJA AHMAD

Chief Financial Officer  
MSM Malaysia Holdings Berhad



**Age:** 54  
**Nationality:** Malaysian  
**Gender:** Female

**Appointment to the position:**  
1 June 2017

**Qualification(s):**

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

### Working Experience and Occupation:

- Chief 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, N. Sembilan (1998-2012)
- Manufacturing Manager, Mutiara Chocolates Sdn Bhd, Perak (1995-1998)
- Maintenance Engineer, MEMC Sdn Bhd, Silicon Wafer Mfg, Selangor (1994-1995)
- Engineer, Pacific World Sdn Bhd, Pasir Gudang (1991-1994)
- Electrical Engineer, Pasir Gudang Edible Oils Sdn Bhd, Pasir Gudang (1989-1991)

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

Nil

### Directorship in MSM Group of Companies:

Nil

### Directorship of Public Companies/Listed Issuers:

Nil

### Working Experience and Occupation:

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

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

Nil

### Directorship in MSM Group of Companies:

Subsidiaries of MSM

### Directorship of Public Companies/Listed Issuers:

MSM Prai Berhad

## PROFILE OF SENIOR MANAGEMENT

### OSMAN A. KARIM

Chief Executive Officer  
MSM Prai Berhad



**Age:** 50  
**Nationality:** Malaysian  
**Gender:** Male

**Appointment to the position:**  
1 June 2017

**Qualification(s):**

- Bachelor of Chemical Engineering, University of Malaya, Malaysia

#### Working Experience and Occupation:

- Chief Executive Officer, MSM Prai Berhad (2017– Present)
- Head of Production, MSM Prai Berhad (2016-2017)
- Assistant General Manager, Production, MSM Perlis Sdn Bhd (2012-2016)
- Production Manager, MSM Perlis Sdn Bhd (2005-2012)
- Assistant Production Manager, MSM Perlis Sdn Bhd (2003-2005)
- Process Engineer, MSM Perlis Sdn Bhd (1992-2003)

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

Nil

#### Directorship in MSM Group of Companies:

Nil

#### Directorship of Public Companies/Listed Issuers:

Nil

#### Additional Information

- 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.
- None of the Senior Management has any directorship in public companies and listed issuers.
- None of the Senior Management has any conflict of interest with MSM Malaysia Holdings Berhad.
- None of the Senior Management has
  - been convicted of any offence (other than traffic offences) within the pass five(5) years; and
  - been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year
- The full profiles of the senior management are available online at [www.msmsugar.com](http://www.msmsugar.com)

### ISMAIL SAMSU

Chief Executive Officer  
MSM Perlis Sdn Bhd



**Age:** 55  
**Nationality:** Malaysian  
**Gender:** Male

**Appointment to the position:**  
1 September 2016

**Qualification(s):**

- Bachelor of Science (Mechanical Engineering and Aeronautical Engineering), University of Glasgow, Scotland
- Certified 1st Grade Steam Engineer

#### Working Experience and Occupation:

- Chief Executive Officer, MSM Perlis Sdn Bhd (2016 – Present)
- Deputy General Manager, MSM Perlis Sdn Bhd (2015-2016)
- Assistant General Manager, MSM Perlis Sdn Bhd (2014-2015)
- Technical Coordinator, MSM Perlis Sdn Bhd (2008)
- Senior Manager, Milling, MSM Perlis Sdn Bhd (2008-2014)
- Manager, Milling, MSM Perlis Sdn Bhd (2005-2008)
- Mechanical Engineer, MSM Perlis Sdn Bhd (1994-2005)
- Mechanical Engineer, Kedah Cement Sdn Bhd (1991-1994)
- Mechanical Engineer, Linatex Process Rubber Berhad (1988-1991)

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

Hold 3,800 shares in MSM

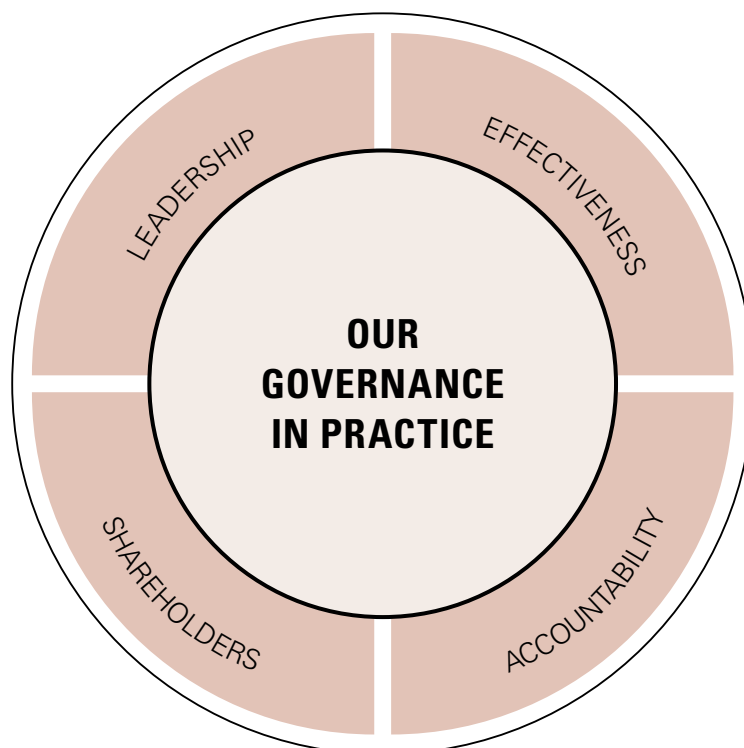
#### Directorship in MSM Group of Companies:

Nil

#### Directorship of Public Companies/Listed Issuers:

Nil

# CORPORATE GOVERNANCE OVERVIEW STATEMENT



LEADERSHIP	EFFECTIVENESS	ACCOUNTABILITY	SHAREHOLDERS
The Board directs, develops and oversees implementation of the Group's strategy and monitors its operating performance. It is collectively responsible to shareholders for the long-term success of the Group.	The Board maintains a twelve-month programme of agenda items to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time.	The Board has overall responsibility for the Group's system of internal control which safeguards the shareholders' investment and the Group's assets, and for reviewing its effectiveness.	The Board attaches great importance to maintaining relationships with all shareholders who are kept informed of significant Group developments.

## PRINCIPLES OF GOOD GOVERNANCE

The Board is responsible for the long-term success and stewardship of the Company, overseeing its conduct and affairs to create sustainable value for the benefit of its shareholders and other stakeholders including customers, suppliers, employees and the communities in which the business operates.

The Board delegates certain roles and responsibilities to its various committees and to senior management. The committees assist the Board by fulfilling their obligations and reporting back to the Board on the outcomes from their respective activities.

This report, together with the Audit Committee Report, on page 091, the Nomination and Remuneration Committee Report on page 096, and the Board Governance and Risk Management Committee Report on page 100, describes how the Board applies the principles of good governance and best practice as set out in the Malaysian Code on Corporate Governance 2017 ("MCCG 2017") which can be found on the Securities Commission's website: [www.sc.com.my](http://www.sc.com.my).

Our approach to governance, reported below, is in accordance with best practice as outlined by the key principles of the 3 sections of the MCCG 2017: leadership and effectiveness; accountability; and relations with shareholders. This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report, which is available online at [www.msmsugar.com](http://www.msmsugar.com).



## CORPORATE GOVERNANCE OVERVIEW STATEMENT - LEADERSHIP

### GROUP GOVERNANCE STRUCTURE

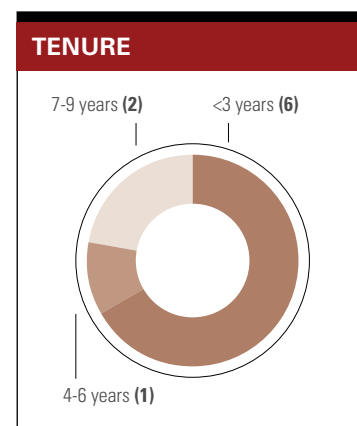
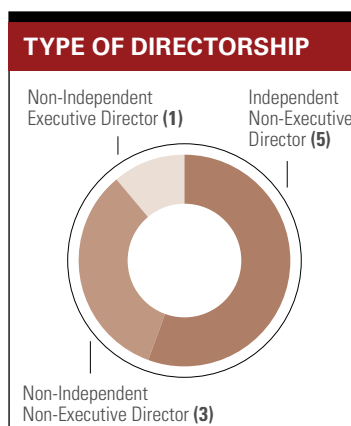
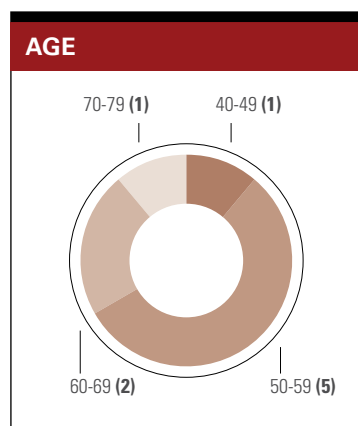
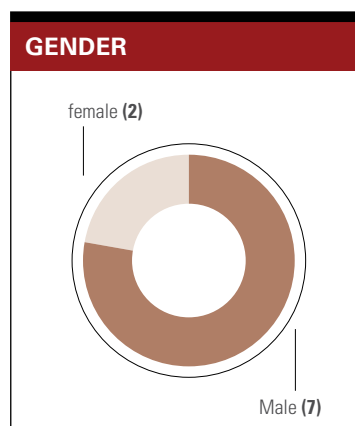
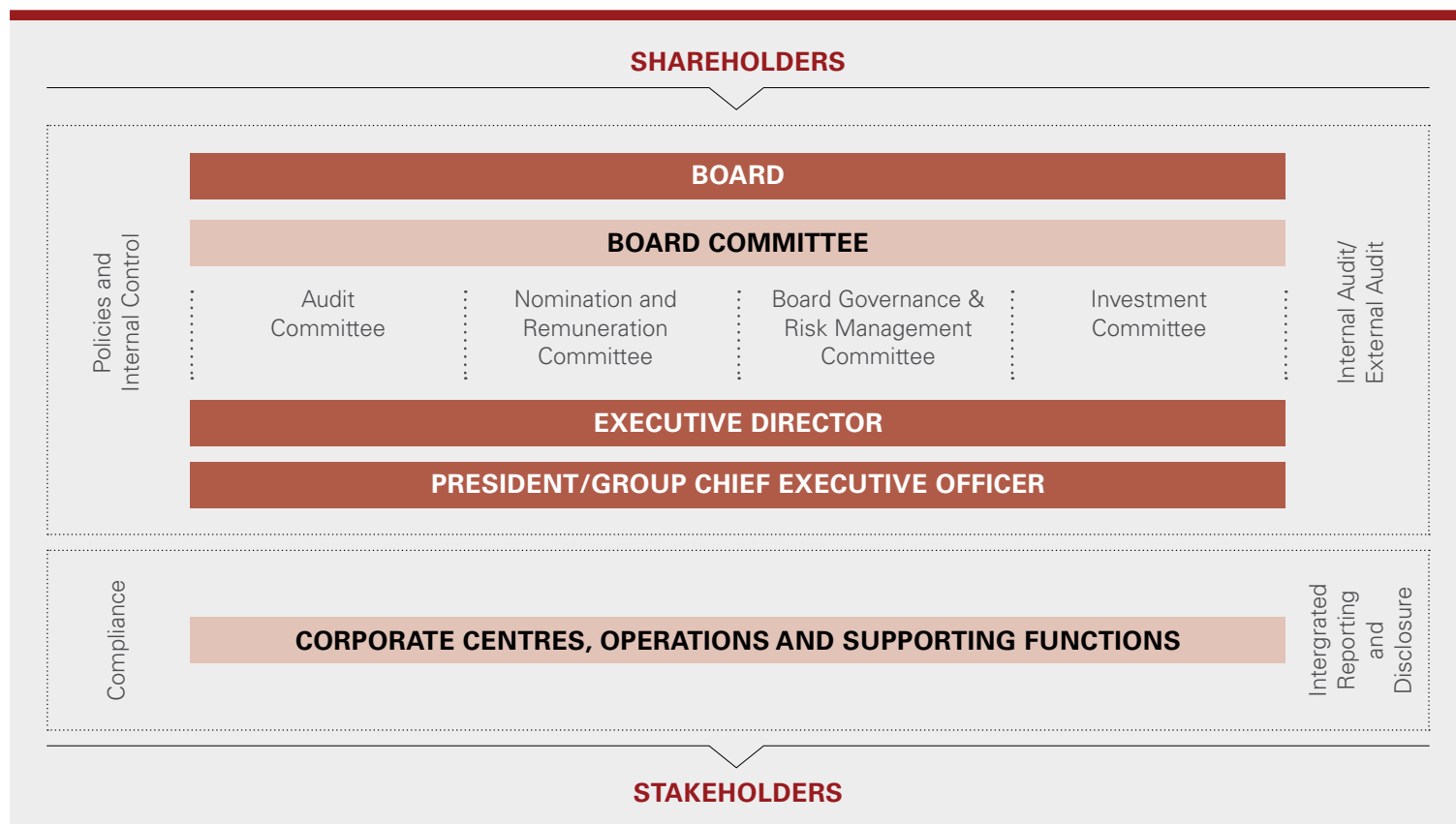
The Board consists of a strong team of experienced Non-Executive Directors. Five (5) of the Non-Executive Directors are independent in accordance with the definition prescribed in the MMLR with the remaining four (4) deemed Non-Independent. The composition of the Board is reviewed annually by the Nomination and Remuneration Committee to ensure there is an effective balance of skills, experience and knowledge. Further biographical details on each Director can be found on page 072.

To assist the Board in carrying out its functions and to ensure that there is independent oversight of internal controls and risk management, the Board delegates certain responsibilities to its principal committees: Audit Committee, Nomination and Remuneration Committee, Board Governance and Risk Management Committee and Investment Committee ("Board Committees"). Membership of these committees

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

The ultimate responsibility for the management of the MSM Group; the Group's strategy; the Group's performance and discharging of legal responsibilities is held by the Board, whose work is supported by Board Committees.

The Board delegates certain matters to these Board Committees and delegates day-to-day operations to MSM's Management team, which is headed by the President/Group Chief Executive Officer ("P/GCEO"), who is fully accountable for the Group and is supported by a direct reporting line to the Executive Director ("ED"), Dato' Khairil Anuar Aziz. Apart from their delegated responsibilities, there are still a number of matters reserved solely for the Board's undertaking. MSM's Governance framework is depicted below:



## CORPORATE GOVERNANCE OVERVIEW STATEMENT - LEADERSHIP

### ROLE OF THE BOARD

The Board is ultimately responsible for the business strategy and the financial robustness of the Group, for monitoring performance and for establishing a governance structure and practice which facilitates effective decision making and good governance. To enable the members of the Board to discharge these responsibilities, they have full and timely access to all relevant information. All Directors have allocated sufficient time to the Company to discharge their responsibilities effectively.

### KEY ROLES

#### Chairman

The Chairman's main role is to ensure effective conduct of the Board through the execution of the following:

- Guide and mediate the Board's actions with respect to organisational priorities and good governance;
- Ensure the Board conducts itself in accordance with the Board Charter;
- Ensure the Board meetings are conducted effectively with all relevant matters tabled in the agenda and that all Directors receive timely information and are properly briefed;
- Ensure the Board is updated on material matters relating to the Group by the ED and P/GCEO;
- Be the main point of contact between the Board and the ED and P/GCEO;
- Undertake appropriate corporate communications activities together with the ED and P/GCEO;
- Ensure the ED and P/GCEO look beyond their executive functions and accept their full share of the responsibilities;
- Review progress regularly on important initiatives and significant issues facing the Group together with the ED and P/GCEO; and
- Initiate and oversee the ED's and P/GCEO's performance evaluation process.

#### Executive Director

The role of the ED is to design, develop and implement strategic plans for the organization in a manner that is both cost and time-efficient. The ED also monitors for the day-to-day operation of the organization, which includes managing committees as well as developing business plans in collaboration with the Board. The ED is accountable to the Chairman of the Board of Directors and reports to the Board on a regular basis.

#### Non-Executive Directors

- Bring complementary skills and experience to the Board.
- Constructively challenge the ED on matters affecting the Group.
- Satisfy themselves as to the accuracy of the financial performance of the Group and the robustness and effectiveness of financial controls and risk management processes.
- Help develop strategy with an independent outlook.

#### President/Group Chief Executive Officer

- Implements the Group's strategy with input from the rest of the Board and its advisers.
- Responsible for the overall operational activity of the Group.
- Manages the day-to-day business of the Group, leads its direction and promotes the Group's culture and values.
- Brings matters of particular significance or risk to the ED and Chairman for discussion and consideration by the Board where appropriate.
- Responsible for overseeing the delivery of the sustainability agenda within the Group.

#### Executive Committee

An Executive Committee, consisting of the ED, P/GCEO and senior executives from the Group, meets occasionally to discuss strategy, operational and commercial matters affecting the business. The feedback from this committee is shared with the Board.

#### Company Secretary

The Board is supported by a qualified and competent Company Secretary and has unrestricted direct access to the advice services of the Company Secretary to facilitate them to discharge their duties and responsibilities.

The Company Secretary is responsible for the:

- Co-ordination of all Board business including meeting agendas, board papers, minutes of meetings, communication with regulatory bodies and all statutory and other required submissions.
- Provide unimpeded advice and services to the Directors, as and when the need arises, to enhance the effective functioning of the Board and to ensure regulatory compliance.
- Ensure that Board procedures and applicable rules are observed.
- Maintain records of the Board and Board Committees and its respective meetings and ensuring effective management of the Company's records;
- Prepare comprehensive minutes to document Board proceedings and ensuring conclusions are accurately recorded;
- Disseminate of information in a timely manner relevant to Directors' roles and functions and keeping them updated on new or evolving regulatory requirements;
- Carry out other functions as deemed appropriate by the Board from time-to-time;
- Assist the Board with interpreting legal and regulatory acts related to the listing rules and international regulations and developments; and
- Advise the Board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT - EFFECTIVENESS

## EFFECTIVENESS

## BOARD OPERATION AND ATTENDANCE

There were 11 Board meetings held during the year. Out of the number, 4 were unscheduled meetings. Board agendas are set by the Chairman in consultation with the P/GCEO and with the assistance of the Company Secretary. The agenda and supporting papers are distributed to the Board members at least seven (7) days prior to Board/Board Committee meetings.

All Directors are expected to attend all Board meetings and respective Committee meetings in addition to the Annual General Meeting. Where a Director is unable to attend a meeting they have the opportunity to review the papers and discuss any issues with the Chairman in advance of the meeting. Following the meeting the Chairman, or Committee Chair as appropriate, also briefs any Director not present to update them on key matters discussed and decisions taken.

Details of Board membership and attendance at Board meetings held in 2017 are set out below:

BOARD AND BOARD COMMITTEE MEETINGS AND ATTENDANCE IN 2017						
Directors	Board		Board Committee			
	%	No.	AC	NRC	BGRMC	IC
Datuk Wira Azhar Abdul Hamid <sup>1</sup>	100	2/2	-	-	-	-
Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad <sup>2</sup>	80	4/5	-	-	-	-
Dato' Zainal Haji Ismail	100	11/11	-	9/9	-	5/5
Dato' Hajjah Rosni Haji Zahari	100	11/11	-	8/9	-	5/5
Dato' Rosini Abd Samad	91	10/11	8/8	-	5/5	-
Datuk Noor Ehsanuddin Mohd Harun Narrashid <sup>3</sup>	55.6	5/9	6/7	-	-	-
Datuk Lim Thean Shiang	81.8	9/11	8/8	-	5/5	-
Datuk Hanapi Suhada	72.7	8/11	-	-	3/5	-
Dato' Zakaria Arshad <sup>4</sup>	54.5	6/11	-	5/9	-	3/5
Dato' Mohammad Fakhruddin Haji Mohd Ariff <sup>5</sup>	100	11/11	6/6	-	-	4/4
Dato' Khairil Anuar Aziz <sup>6</sup>	100	1/1	-	-	-	-

Notes :

(1) Appointed with effect from 26 September 2017.

(2) Resigned on 19 June 2017.

(3) (a) Resigned as Board member, and (b) ceased as Audit Committee member, both on 26 September 2017.

(4) Dato' Zakaria Arshad was granted leave of absence and he was relieved from all his capacities as GP/CEO and/or Director to act for FGV Group including all of its subsidiaries with effect from 6 June 2017 until 15 October 2017. Otherwise, his attendance is 100%.

(5) Appointed as Audit Committee and Investment Committee member with effect from 22 February 2017.

(6) Appointed as Board member on 22 November 2017.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT - EFFECTIVENESS

### KEY ACTIVITIES

The Company Secretary maintains a twelve month rolling programme of agenda items to ensure that all matters reserved for the Board and other key issues are considered at the appropriate time.

Among the key matters considered by the Board during the financial year were:

### BOARD STRUCTURE

- Re-appointment/re-election of Directors retiring at the 2017 AGM
- Appointment and Resignation of Chairman
- Resignation of Non-Independent Non-Executive Director
- Appointment and Re-Designation of Acting Chairman
- Appointment of Nominee Director representing FGV
- Appointment of the Acting Chief Executive Officer
- Revised members composition of MSM Board Committees
- Annual Assessment of the Effectiveness of the Board, Board Committees and Individual Directors
- Annual Assessment of the Independent Directors
- Re-designation of Dato' Khairil Anuar Aziz as ED of MSM Malaysia Holdings Berhad

### FINANCIAL

- 2016/2017 quarterly results for announcement to Bursa
- Directors' Report and Audited Financial Statements for the financial year ended 31 December 2016
- Final dividend for the financial year ended 31 December 2016
- Re-appointment of external auditors
- Key Audit Matters - Presentation by PricewaterhouseCoopers
- Quarterly report on :
  - MSM Group Recurrent Related Party Transactions
  - MSM Group's Capital Expenditure
  - Group Risks Register
  - Recoverability and Trade Receivables
- Review on the potential impact on changes in key drivers to MSM profit for the financial year ended 31 December 2017
- Adoption and implementation MSM Trading International DMCC's Discretionary Authority Limit 1.0 and Agreement Signing Protocol for MSM Trading International DMCC's operation
- Initiatives to improve financial results of MSM Group
- Update on financial covenants in relation to General Facility Agreement dated 11 December 2015 relating to a loan facility
- Execution of the Supplemental Agreement dated 3 July 2017 in relation to the amended and restated General Facility Agreement
- Fund raising exercise - acceptance of banking facility of up to RM150,000,000 offered by CIMB Islamic Bank Berhad
- Audit fees for MSM Malaysia Holdings Berhad and its Group of Companies for financial year 2017

### REMUNERATION AND HUMAN RESOURCE MATTER

- Annual Fees for MSM Board, MSM Board Committees' Members
- Changes of the board composition of MSM Malaysia Holdings Berhad's subsidiaries
- Employee salary increment for the financial year 2017
- Employee bonus proposal for the financial year 2016
- Job evaluation for key positions for MSM Group
- Appointment of Acting Chief Executive Officer for MSM Prai Berhad

- End of the secondment term of MSM Malaysia Holdings Bhd senior management staff to FGV and appointment of Chief Financial Officer

### COMPANY AND GROUP OPERATIONS

- Adoption of new and revised various policies and procedures
- Award tenders for provision of freight forwarder services and haulage operation to East Malaysia
- Award contracts for the provision of the transportation, distribution and warehousing for refined and raw sugar
- Raw sugar contract entered by MSM Prai Berhad with Bunge Agri-Business Singapore Pte Ltd dated 10 October 2016
- Construction of the new sugar refinery project in Tanjung Langsat, Pasir Gudang, Johor:
  - i) Award of several tenders
  - ii) Progress updates report
- Review on the moving forward of MSM Trading International DMCC Operation
- Establishment of new risk register for MSM Sugar Refinery (Johor) Sdn Bhd and MSM Trading International DMCC
- Commercial Blueprint post completion of Johor refinery
- Change of principal activity of MSM Trading International DMCC from a Trader to a Service Provider
- Enter into a Gas Supply Agreement with Gas Malaysia Berhad for MSM Sugar Refinery (Johor) Sdn Bhd
- Opening of futures brokers account with Macquarie Bank Limited and INTL FCStone Inc. by MSM Prai Berhad

### OTHERS

- Circular to shareholders in relation to the proposed renewal of shareholders' mandate for recurrent related party transactions of a revenue or trading nature for MSM Malaysia Holdings Berhad Group of Companies
- Disclosures in the following reports for inclusion in the 2016 Annual Report:
  - i) Chairman's Statements
  - ii) President/Group CEO's Review
  - iii) Statement on Corporate Governance and Governance Framework
  - iv) Statement on Risk Management and Internal Control
  - v) Statement on Sustainability
  - vi) Report on the Audit Committee
  - vii) Report on the Nomination and Remuneration Committee
- Latest developments of Bursa Malaysia Securities Bhd Main Market Listing Requirements
- Adoption of the new Malaysia Code on Corporate Governance 2017
- Matters related to the 6<sup>th</sup> Annual General Meeting of MSM Malaysia Holdings Berhad
- Engagement of an external legal firm for possible legal action against insurance broker
- Investigation into issuance of forged letter to MSM Prai Berhad's customer
- Revised MSM Malaysia Holdings Berhad Group Policy and Procedure Manual
- Schedule of Board of Directors' meetings for year 2018
- Resignation of Joint Company Secretary



## CORPORATE GOVERNANCE OVERVIEW STATEMENT - EFFECTIVENESS

### DIRECTOR INDUCTION AND DEVELOPMENT

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

Dato' Khairil Anuar Aziz, who was appointed as Director on 22 November 2017 has on 29 and 30 January 2018 attended and successfully completed the MAP.

Trainings, seminars and briefings attended by the Directors during the financial year ended 31 December 2017 are as follow:

No.	Director	List of Training & Organizer	Date
1.	Datuk Wira Azhar Abdul Hamid	<ul style="list-style-type: none"> <li>Construction Industry Transformation Programme Initiative on Safety</li> <li>2018 Budget: Implications to the Malaysian Economy and Capital Market</li> <li>Corporate Governance Breakfast Series entitled Integrating an Innovation Mindset with Effective Governance</li> <li>Case Study Workshop for Independent Directors</li> <li>MPOB International Palm Oil Congress and Exhibition ("PIPOC") 2017: Treasuring the Past Creating the Future</li> <li>Malaysian Institute Corporate Governance Seminar entitled "Governance or lack of it"</li> </ul>	5 October 2017 2 November 2017 7 November 2017 9 November 2017 14-16 November 2017 28 November 2017
2.	Dato' Zainal Haji Ismail	<ul style="list-style-type: none"> <li>Corporate Directors Onboarding Programme (CDOP) 2017, (Minda)</li> </ul>	31 March 2017
3.	Dato' Hajjah Rosni Haji Zahari	<ul style="list-style-type: none"> <li>Being Financially Literate: An Introduction to Understanding Financial Statement (Bursatra)</li> <li>Corporate Disclosure : What Every Director Needs to Know (Bursatra)</li> <li>Sugar Trading and Sugar Outlook (MSM)</li> </ul>	29 March 2017 31 March 2017 26 April 2017
4.	Dato' Rosini Abd Samad	<ul style="list-style-type: none"> <li>Corporate Disclosure : What Every Director Needs to Know (Bursatra)</li> <li>Audit Committee Conference 2017 (IIA)</li> <li>Governing Boards – Excellence in Governance, (Asia World Summit)</li> <li>Sugar Trading and Sugar Outlook Talk, (MSM)</li> <li>2017 IIA Malaysia National Conference (IIA)</li> <li>Corporate Board Symposium 2017, (IIA)</li> </ul>	31 March 2017 5 April 2017 10 & 11 April 2017 26 April 2017 9 & 10 October 2017 25 October 2017
5.	Datuk Lim Thean Shiang	<ul style="list-style-type: none"> <li>Sugar Trading and Sugar Outlook, (MSM)</li> <li>Technical Update on Companies Act 2016 in Accounting Standard (Deloitte)</li> </ul>	26 April 2017 29 November 2017
6.	Datuk Hanapi Suhada	<ul style="list-style-type: none"> <li>Being Financially Literate: An Introduction to Understanding Financial Statement, (Bursatra)</li> <li>Corporate Disclosure : What Every Director Needs to Know, (Bursatra)</li> <li>What Directors Need to Know on Reporting &amp; Disclosure Obligation</li> <li>Implementing the Companies Act 2016 &amp; the Malaysian Code Of Corporate Governance 2017 - What Every Director Needs To Know</li> </ul>	29 March 2017 31 March 2017 24 November 2017 5 December 2017
7.	Dato' Mohammad Fakhrudin Haji Mohd Ariff	<ul style="list-style-type: none"> <li>Being Financially Literate: An Introduction to Understanding Financial Statement, (Bursatra)</li> <li>Corporate Disclosure : What Every Director Needs to Know, (Bursatra)</li> <li>Sugar Trading and Sugar Outlook (MSM)</li> <li>Governing Boards – Excellence in Governance, (Asean World Summit)</li> </ul>	29 March 2017 31 March 2017 26 April 2017 10 & 11 October 2017

## CORPORATE GOVERNANCE OVERVIEW STATEMENT - EFFECTIVENESS

No.	Director	List of Training & Organizer	Date
8.	Dato' Zakaria Arshad	• 2017 Outlook: Price and Output Workshop - FGV	16 January 2017
		• Pakistan Edible Oil Conference ("2017 PEOC") – Pakistani Edible Oil Refiners Association	20-21 January 2017
		• The Dubai Sugar Conference – Al Khaleej Group	11-14 February 2017
		• Annual Palm and Lauric Oils Conference and Price Outlook 2017 – Bursa Malaysia Derivatives Berhad	5-8 March 2017
		• Malaysia Life Science Limited Partners Conference – Spruce Capital Partners & Seraya Capital	10-12 May 2017
9.	Dato' Khairil Anuar Aziz	• 2017 Outlook : Price and Output Workshop, Organized by FGV Trading Sdn Bhd	16 January 2017
		• Risk Workshop Doubletree by Hilton Hotel Organized by Group Risk FGV	11 May 2017
		• Workshop on Strategic Sustainability Implementing Best Practices in FGV Organized by Group HR FGV Pullman Hotel KL	11 July 2017
		• JP Morgan : Treasury Leadership Series Organized by JP Morgan Grand Hyatt Hotel	10 Oct 2017
		• Implementing The Companies Act 2016 & The Malaysian Code of Corporate Governance 2017 - What Every Director Needs to Know	5 December 2017

### BOARD PERFORMANCE EVALUATION

A formal performance evaluation of the Board and Board Committee, is completed annually to assess the Board's performance which include assessments of Independence. The evaluation is conducted by an appointed external consultant.

The evaluation process comprises a peer-to-peer and self-review assessment, where Directors assessed their own and also their fellow Directors' performance.

The evaluation covers:

- Review of the terms of reference of the Board as well as the Board Committee
- Review of the minutes of the Board and Board Committee meetings carried out throughout the period under review
- Review of the relevant documentation and information deemed necessary in facilitating the assessment
- Interview sessions and surveys via questionnaires with all Board Members and Board Committee Members

The Board Effectiveness Evaluation carried out in the 2017 covers a broad spectrum of governance attributes encompassing nine (9) elements, namely performance, strategy, governance, talent, integrity, compliance, reporting, operations and planning taking into account observations at MSM's 6<sup>th</sup> Annual General Meeting held on 15 May 2017 as well as the new principles and recommendations under the new MCGG 2017.

The results of the evaluation are presented to the NRC and the Board to action any next steps which are required.

### CONFLICT OF INTEREST

The Board has completed its annual review of the register relating to potential conflicts of interest with its Directors and confirms that no such conflicts exist.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT - ACCOUNTABILITY

### ACCOUNTABILITY

#### RISK MANAGEMENT AND INTERNAL CONTROLS

It is the Board's role to protect the business from operational and financial risks and it has established a system of internal control which safeguards the shareholders' investment and the Group's assets. Such a system provides reasonable but not absolute assurance against material misstatement or loss, as it is designed to manage rather than eliminate the risk of failure to achieve business objectives. The Board is responsible for reviewing the effectiveness of internal controls. The Audit Committee and the Board Governance and Risk Committee supports the Board in this function by reviewing the principal risks and the reports on page 091 and page 100 outlines further this function.

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

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

#### FINANCIAL REPORTING

The Board ensures that shareholders are presented with a clear, balanced and comprehensive view of the Group's financial performance and prospects through the audited financial statements, quarterly announcement of results, the Chairman's Statement and the MD&A on page 046, page 048, page 012 and page 016 in the Annual Report as well as corporate announcements on significant developments affecting the Company in accordance with the MMLR. The Directors considered the compliance with all applicable financial reporting standards, provision of the Companies Act, 2016 and relevant provision of laws and regulations in Malaysia.

The Audit Committee updates the Board on the matters deliberated in the Audit Committee Meetings. Details on the summary of work carried out during the year is set out in page 092 in the Audit Committee Report.

#### REMUNERATION

##### Directors' Remuneration

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

The Nomination and Remuneration Committee recommends to the Board the remuneration of all Non-Executive Directors, the framework of the remuneration policy of the Directors and Senior Management and the incentive compensation plans. The Directors are paid annual fees and an attendance allowance of RM2,000 for each Board meeting and Board Committee meeting that they attend.

##### Executive Director

The basic salary of the ED is fixed for the duration of his contract and formulated by taking into consideration the assessment of the performance against targets as well as benchmarking to market rate for benefit-in-kind, annual increment and bonus. Any revision to the basic salary shall be reviewed and recommended by the Nomination and Remuneration Committee and approved by the Board. Bonus payable to the ED is reviewed by the Nomination and Remuneration Committee and approved by the Board. The ED is not entitled to annual Directors' fees or any meeting allowance for the Board and Board Committee meetings.

##### Non-Executive Directors

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

ANNUAL FEES	NON-EXECUTIVE	
	CHAIRMAN	DIRECTORS
Board	RM315,000	RM120,000
Audit Committee	RM24,000	RM12,000
Other Board Committees:	RM10,000	RM8,000
- Nomination and Remuneration Committee		
- Investment Committee		
- Board Governance & Risk Management Committee		

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

Meeting Allowance	<ul style="list-style-type: none"> <li>Board and Board Committee meeting: RM2,000 per attendance</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>Company car (Chairman only): one (1) Company car of at least 2000cc</li> <li>Driver allowance: not more than RM2,500 per month</li> <li>Security services allowance: not more than RM2,500 per month</li> <li>Medical expenses, insurance coverage, travelling expenses and other claimable benefits</li> </ul>

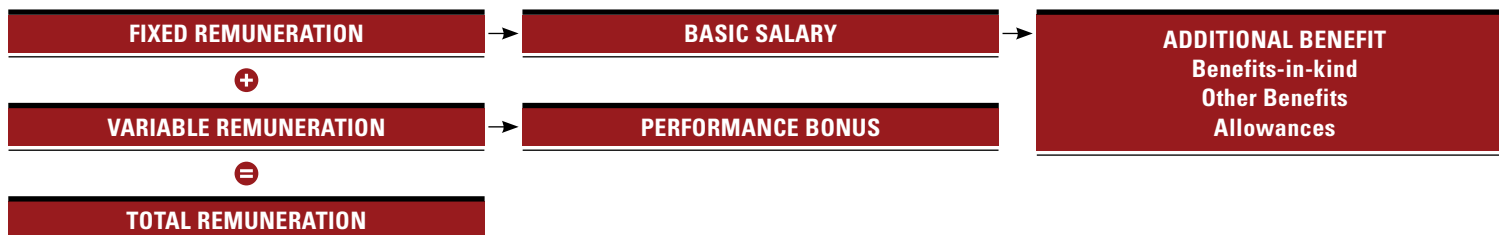
## CORPORATE GOVERNANCE OVERVIEW STATEMENT - ACCOUNTABILITY

## SUMMARY OF EXECUTIVE DIRECTOR'S REMUNERATION POLICY

The Executive Director receives a remuneration package which reviewed and recommended by the Nomination and Remuneration Committee and proved 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 & bonus.

The Executive Director is not entitled to annual fees nor any meeting allowances for the Board and Board Committee meetings. Employee Directors are also not entitled to any annual fees in MSM Group.

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



MSM Directors' remuneration for the FYE 2017 in aggregate with categorisation into components, distinguishing between Executive and Non-Executive Directors, are as follows:

	Salary & Bonus (RM)	NOTICE OF THE			Meeting Allowance (RM)	Benefits <sup>(1)</sup> (RM)	Total (RM)	Range of Remuneration <sup>(2)</sup> (RM*000)
		MSM Board (RM)	MSM Board Committee (RM)	MSM Subsidiaries (RM)				
Non- Independent Non-Executive Directors								
Datuk Wira Azhar Abdul Hamid <i>(appointed w.e.f 26 September 2017)</i>	Not Applicable	83,265	-	-	4,000	-	87,264	50-100
Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad <i>(resigned on 19 June 2017)</i>		154,932	-	-	8,000	-	162,932	150-200
Datuk Hanapi Suhada		120,000	8,000	-	22,000	-	150,000	100-150
Dato' Zakaria Arshad		120,000*	16,000*	-	27,500	-	163,500	150-200
Datuk Noor Ehsanuddin Mohd Harun Narrashid <i>(resigned on 26 September 2017)</i>		89,219	8,844	-	22,000	22,500	142,563	100-150
Independent Non-Executive Directors								
Dato' Zainal Haji Ismail	Not Applicable	120,000	18,000	-	50,000	34,355	222,355	200-250
Dato' Hajjah Rosni Haji Zahari		120,000	18,000	-	48,000	34,778	220,777	200-250
Datuk Lim Thean Shiang		120,000	22,000	-	44,000	30,000	216,000	200-250
Dato' Rosini Abd Samad		152,333 <sup>#</sup>	32,000	-	46,000	30,195	260,528	250-300
Dato' Mohammad Fakhruddin Haji Mohd Ariff		120,000	17,151	-	42,000	33,333 <sup>@</sup>	212,484	200-250
Executive Director (ED)								
Dato' Khairil Anuar Aziz <i>(appointed: 22 November 2017)</i> <i>(re-designed: 11 December 2017 to ED)</i>		3,123*	-	-	-	-	3,123	50 and below
Total		1,202,872	139,995	-	313,500	185,161	1,841,528	1,500 - 2,000

## Figures exclude GST

\* Director' Annual Fess will be paid to Felda Global Ventures Holdings Berhad

# Inclusive of Acting Allowance of RM32,333 during tenure as Acting Chairman from 19 June 2017 to 26 September 2017

@ Inclusive of 2016 driver's allowance of RM3,333 paid in 2017

<sup>(1)</sup> Benefits comprises of:

- (a) benefits-in-kind (i) driver's allowance (ii) security services allowance; and
- (b) other benefits i.e. medical coverage, travelling and other claimable benefits

<sup>(2)</sup> The following successive range of remuneration bands of RM50,000.00 is not applicable: RM300,001 - RM1,500,000



## CORPORATE GOVERNANCE OVERVIEW STATEMENT - RELATIONS WITH SHAREHOLDERS

### RELATIONS WITH SHAREHOLDERS

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

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

#### ANNUAL GENERAL MEETING

The Company's 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. With effect from 1 July 2016, poll voting has been made mandatory under the MMLR for every resolution set out in the notice of general meetings. 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 Independent Scrutineers to verify the results of the poll.

During the 6<sup>th</sup> AGM of the Company held on 15 May 2017, the P/GCEO presented the Company's operational and financial performance for the financial year under review. The presentation covered salient points on financial, operational performance, return on shareholders' fund, Company's strategic priorities and progress and awards and recognition received. Questions raised by the MSWG prior to AGM together with the feedback from Management were also shared with shareholders during the AGM. The Chairman provided fair opportunity and time to all shareholders in exercising their rights to raise questions.

The proceedings at the 6<sup>th</sup> AGM were recorded in the minutes of meeting of which the summarised minutes is disclosed to shareholders in the Company's corporate website.

A media conference was held immediately after the 6<sup>th</sup> AGM whereby one of the Board of Director, P/GCEO, Chief Financial Officer ("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 AGM were announced on the same day via Bursa LINK.

#### ANNUAL REPORT

This is MSM's 7<sup>th</sup> Annual Report produced since its listing on Bursa Securities on 28 June 2011. The report provides a comprehensive view on the Group's operational and financial performance.

The abridged annual report is published in printed form and delivered to all shareholders together with a CD ROM. An online version of the complete Annual Report is made available on MSM's corporate website for download. As to comply with Paragraph 9.26 of the MMLR, the complete printed version of the annual report is provided to shareholders upon request of which the request form is provided in the abridged version. Our share registrar will ensure that the printed copy reaches shareholders within four (4) days from the received of the request form.

#### CORPORATE WEBSITE

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT - RELATIONS WITH SHAREHOLDERS

### MEDIA RELEASES

Media releases are made to the media on all significant corporate developments and business initiatives. Media releases are subject to approval by the P/GCEO and whenever necessary, also released to Bursa Securities to increase the visibility of media releases.

During 2017, press conferences and analysts' briefing were held concurrently with the release of the quarterly results to Bursa Securities. This has provided opportunity for regular dialogues between the fund managers and research analysts with the P/GCEO, the CFO and other Senior Management officers of the Company. During the briefings, analysts were given the opportunity to ask and obtain further insights into the Group's results and operations for the period under review. These briefings facilitated the research analysts to produce their analysis and reports which made available to investors and the media in a timely manner.

### INVESTOR RELATIONS

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

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

### STATEMENT BY THE BOARD

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 22 March 2018.

On behalf of the Board

**DATUK WIRA AZHAR ABDUL HAMID**

Chairman

## CORPORATE GOVERNANCE

## AUDIT COMMITTEE REPORT

“THE AUDIT COMMITTEE’S PRINCIPAL ROLE IS TO ASSIST THE BOARD IN CARRYING OUT ITS OVERSIGHT RESPONSIBILITIES IN RELATION TO FINANCIAL REPORTING, EXTERNAL AUDIT AND INTERNAL AUDIT PROCESSES, CONFLICT OF INTEREST AND RELATED PARTY TRANSACTIONS. DURING THE YEAR, AUDIT COMMITTEE CONTINUED TO PLAY A KEY ROLE IN MONITORING THE INTEGRITY OF THE GROUP’S PUBLISHED FINANCIAL INFORMATION AND ASSESSING THE EFFECTIVENESS OF ITS INTERNAL RISK AND CONTROL ENVIRONMENT.

THE BOARD IS PLEASED TO PRESENT THE AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017.”



**DATO' ROSINI ABD SAMAD**

Chairman of the Audit Committee

### COMPOSITION AND MEETINGS

During the financial year, the Board assessed the membership composition of the Audit Committee which resulted in the appointment of Dato' Mohammad Fakhruddin Haji Mohd Ariff as additional member on 22 February 2017. In September 2017, the number of Audit Committee members changed from four (4) to three (3) due to the resignation of Datuk Noor Ehsanuddin Harun Narrashid as Director and Audit Committee member on 26 September 2017.

The current Audit Committee is composed of three (3), solely Independent Non-Executive Directors which in line with the Practice 8.4 (Step-up) of the Malaysian Code on Corporate Governance 2017 ("MCCG 2017").

The Board believes that the current membership provides the appropriate balance of skills, knowledge and experience to promote the interests of all shareholders and to meet the needs of the Group. The current Audit Committee membership composition satisfies Paragraph 15.09 of the MMLR.

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

During 2017, the Audit Committee held a total of 8 meetings including two (2) unscheduled meetings held on 25 January 2017 and 26 April 2017.

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

Members	Type of membership	No. of meetings attended during 2017
<b>Dato' Rosini Abd Samad</b>	Chairman/Independent Non-Executive Director	8/8
<b>Datuk Lim Thean Shiang</b>	Member/Independent Non-Executive Director	8/8
<b>Dato' Mohammad Fakhruddin Haji Mohd Ariff</b> <i>(appointed with effect from 22 February 2017)</i>	Member/Independent Non-Executive Director	6/6
<b>Datuk Noor Ehsanuddin Mohd Harun Narrashid</b> <i>(resigned on 26 September 2017)</i>	Member/Non-Independent Non-Executive Director	6/7

During the financial year, the P/GCEO, Chief Financial Officer ("CFO"), Felda Global Ventures Holdings Berhad ("FGV") Group CFO and Group Chief Internal Auditor and Management attended the meetings upon the invitation of the Audit Committee. The Audit Committee Chairman reported to the Board on principal matters deliberated at Audit Committee Meetings. Minutes of each meeting were circulated to the Board at the most practicable next Board Meeting.

## CORPORATE GOVERNANCE

### TERMS OF REFERENCE

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

The TOR is reviewed periodically between one to three years, as and when required especially when there are changes to the MMLR and Malaysia Code of Corporate Governance.

The latest TOR was reviewed and revised in November 2016. All amendments to the TOR were tabled to and approved by the Board.

The full details of the Audit Committee's TOR is published in the Company's corporate website at [www.msmsugar.com](http://www.msmsugar.com).

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

### SUMMARY OF WORK OF THE AUDIT COMMITTEE IN 2017

Through the eight (8) meetings held and various private sessions with the external auditors, and internal auditors, the Audit Committee undertook the following principal activities in the discharge of its responsibilities:

#### Assessing the Risks and Control Environment

- Evaluated the reports on the assessment of the risks and control environment based on the external auditor's quarterly financial statement review and statutory financial audits at each Audit Committee meeting.
- Reviewed quarterly reports from the Group Internal Audit, summarizing the key observation from its audits.
- Received assurances from the P/GCEO and CFO that the risk management and internal control system of the Group for the financial year 2016 were operating adequately and effectively, in all material respects.
- Provided relevant guidance for the improvement of the risks and control environment of the Group, in particular in the areas of raw and refined sugar trading in which is the key focus area of the Group during the financial year.

#### Overseeing Financial Reporting

- Reviewed reports of the external auditors from their quarterly financial statement review at each quarterly meeting. Amongst the main focus of the reports are the onerous contracts, inventory movement and financial management.
- Held two (2) private discussion session with the external auditor, Messrs. Pricewaterhousecoopers PLT ("PwC") without Management on the 13 February 2017 and 14 November 2017.

In these sessions, the matters discussed include the following:

- i) Onerous contracts and Net Realizable Value (NRV) for raw sugar inventory

- ii) Price adjustment for raw sugar purchased
- iii) Aged raw sugar inventory
- iv) Assessment of outstanding refined sugar forward sales contracts
- v) Trading of raw sugar futures and options contract
- vi) Transfer Pricing Implication on MSM Prai and MSM Perlis following MTID as a service provider
- vii) Review on the Status of Compliance with the Financial Covenants in relation to the General Facility Agreement dated 11 December 2015

- Reviewed the quarterly report on consolidated results for each quarter and was apprised on the analysis of the results in detail.
- Evaluated the Audited Financial Statements of the MSM Group for the financial year 2016 to ensure that the financial reports presented a true and fair view of the Company's financial performance and complied with regulatory requirements.
- Reviewed the quarterly report on recoverability of trade receivables, focusing on the trade receivables' compliance to credit limit and credit term for customers with long outstanding balances.
- Reviewed the assessment of the impact of the foreign currency trend on the raw sugar costs.
- Reviewed updates on financial covenants in relation to the General Facility Agreement dated 11 December 2015.
- Proposed initiatives to improve the financial results of MSM Group 2017.
- Reviewed for the Board's approval, payment of tax due from MSM Trading International DMCC to the Inland Revenue Board.
- Reviewed the proposal to revise MSM Trading International DMCC's function from a trader to service provider.

#### Reviewing the Internal Audit Process

- Reviewed and approved the annual Group Internal Audit Plan by assessing the priority ranking of the audit universe to provide sufficient audit coverage.



## CORPORATE GOVERNANCE

- Assessed the adequacy of resources of the internal audit function to execute the Annual Group Internal Audit Plan after taking into consideration the number of planned assignments and competencies required.
- Presented with and reviewed quarterly reports summarizing the following at every quarterly meeting during the financial year 2017:
  - The observations from the internal audit reports issued during the quarter. The Audit Committee gave direction to Management on key matters requiring the Management's special and immediate attention. The Audit Committee has reported to the Board on these key matters.
  - The progress of implementation of the recommendations from internal audit reports issued.
  - The progress of the implementation of the annual Group Internal Audit Plan.
- Evaluated the outcome of special reviews and investigations, including those arising from Management and Audit Committee requests, and discussed with the Management on the action taken on the matter.
- Appraised the performance of the Chief Internal Auditor and submitted the same to FGV.

### Reviewing the External Audit Process

- Evaluated the External Auditor Policy and provided its recommendation for approval by the Board.
- Reviewed and approved the external auditor's terms of engagement and audit plan for the financial year.

PwC presented the MSM 2017 Group Audit Plan at the Audit Committee meeting held on 10 August 2017. During their presentation, PwC confirmed their independence as auditor. As included in the 2017 Group Audit Plan, PwC also highlighted to the Audit Committee the following:

- a) MSM's 2017 focus areas:
  - i) Revenue recognition during the period
  - ii) Risk of management override of controls
  - iii) Recoverability of the carrying amounts of goodwill and other non-current assets other than goodwill
  - iv) Recoverability of inventories and adequacy of provision for onerous contracts
  - v) Application of hedge accounting on interest rate swap

- b) Recent developments in laws and regulations which covers the following:
  - i) Latest developments on the Financial Reporting Standards, Malaysian Financial Reporting Standards and new accounting standards;
  - ii) New Companies Act, 2016;
  - iii) Recent tax developments;
  - iv) New challenge of the Cybersecurity of Information Technology System.

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

- Analysed the external audit fees proposed in respect of the scope of work required for the financial year and recommended the same for approval by the Board.
- Reviewed the assessment of the external auditor for financial year 2016 for re-appointment based on input from Management and recommended the same for approval by the Board.

### Reviewing the Related Party Transactions

- Analysed the quarterly report on Recurrent Related Party Transactions for monitoring the transactions against the shareholders' mandate.
- Reviewed the Circular to the shareholders to seek mandate on new and existing Recurrent Related Party Transactions of the Group and recommend the same for approval of the Board.
- Reviewed the internal audit report on Recurrent Related Party Transactions.
- Assessed one (1) new transaction with related party during the year in regards to the construction of Johor Sugar Refinery at Lot No. PTD 4966, Mukim Sungai Tiram, Perindustrian Tanjung Langsat, Johor Bahru, Johor Darul Takzim.

The Audit Committee recommended this transaction to the Board for approval and announcement was made to Bursa Malaysia.

## CORPORATE GOVERNANCE

### Other responsibilities and duties

- Reviewed the following reports and recommended them for the Board's approval for inclusion in the Annual Report for financial year 2016:
  - the Report on the Audit Committee
  - the Statement of Risk Management and Internal Control
  - the Corporate Governance Statement

The Audit Committee reviewed the reports with focus on meeting the Main Market Listing Requirements 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 Audit Committee Meetings for year 2018.

### EXTERNAL AUDITOR POLICY

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

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

For the financial year ended 31 December 2017, the non-audit fees incurred for services rendered to the Company by its external auditors, Messrs PricewaterhouseCoopers, Deloitte and KPMG was RM77,104.

### KEEPING UPDATED ON RELEVANT INFORMATION

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

Throughout the financial year 2017, all Audit Committee members had attended various seminars, training programme and conferences to keep abreast of changes in the industry and business environment. Details are set out in the Corporate Governance Overview Statement under Director Induction and Development on page 085 of this Report.

### AUDIT COMMITTEE EVALUATION

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

### INTERNAL AUDIT

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

The FGV Group Chief Internal Auditor, Puan Zalily Mohd. Zaman Khan, is a fellow member of CPA Australia, Certified Internal Auditor of the Institute of Internal Auditors, USA and holds an accounting degree from University of South Australia. She has over 27 years of accumulated experience in various industries.

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

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

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

The above includes 2 internal auditors who are members of the Institute of Internal Auditors Malaysia. The total cost incurred for FGV GIA for the financial year ended 31 December 2017 was RM1,688,912 (2016: RM1,387,258).

### OBJECTIVITY AND INDEPENDENCE OF GIA

FGV GIA has undertaken a survey of the relationship of its internal auditors in November 2017 and noted that the internal auditors are free from any relationship or conflicts of interests which could impair their objectivity and independence. GIA undertakes a survey of the relationship of its auditors once every two (2) years and ensures that the rotation of internal auditors does not result in any compromise of objectivity and independence.

## CORPORATE GOVERNANCE

### SUMMARY OF WORK DONE BY GIA IN 2017

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

- a) Reviewed GIA's three (3) years audit plan and forms the basis to derive the Annual Group Internal Audit Plan. The three (3) years audit plan is developed based on governance requirement and risk exposure prioritisation. Once the key audit areas are developed, the 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 Audit Committee for approval.
- b) Carried out internal audits according to the Annual Group Internal Audit Plan approved by the Audit Committee and reported the findings, recommendations and management's corrective action directly to the Audit Committee with copies to the relevant management for their action. The scope of work was focused on the following key areas:
  - Governance Framework and Structure
  - Financial Management
  - Trading Processes
  - Supply Chain
  - Project Management
  - Procurement
  - Human Resource

In 2017, GIA has performed 10 internal audit assignments which consume 590 mandays in comparison to 7 planned assignments with 440 budgeted mandays due to additional 3 investigations performed during the year.

- c) Presented to the Audit Committee at its quarterly meetings, key findings from the external audit report issued.
- d) Prepared and presented to the Audit Committee a report on the progress of the findings, recommendations and management's corrective action implementation from internal audit reports issued.
- e) Undertook Recurrent Related Party Transactions review for the purpose of supporting the Audit Committee's statement in the Circular to the shareholders to seek mandate on new and existing Recurrent Related Party Transactions of the Group.

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

- a) Undertook investigative audits and reported the outcome of such investigations to the Audit Committee and Management.
- b) Provided feedback on the Statement on Risk Management and Internal Control 2016, the Report on the Audit Committee 2016 and the Statement on Corporate Governance 2016 before submission to the Audit Committee.

### STATEMENT BY THE BOARD

This Audit Committee Report is made in accordance with a resolution of the Board of Directors duly passed on 22 March 2018.

## CORPORATE GOVERNANCE

# NOMINATION AND REMUNERATION COMMITTEE REPORT

“THE BOARD IS PLEASED  
TO PRESENT THE REPORT  
ON NOMINATION AND  
REMUNERATION COMMITTEE  
FOR THE FINANCIAL YEAR  
ENDED 31 DECEMBER 2017.”



**DATO' ZAINAL HAJI ISMAIL**

Chairman of Nomination and  
Remuneration Committee

## COMPOSITION AND MEETINGS

The current Nomination and Remuneration Committee (“NRC”) comprises exclusively Non-Executive Directors with majority of Independent Directors.

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

During 2017, NRC held a total of 9 meetings. Out of the total, 4 meetings were unscheduled meetings held on 16 June 2017, 19 June 2017, 20 September 2017 and 6 December 2017.

NRC meeting is 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 3 times annually. Scheduled meetings are fixed in a calendar year and in addition to the scheduled meetings, Chairman shall call for meetings whenever required.

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

The membership and meeting attendance of the NRC members is as follows:

Members	Type of membership	No. of meetings attended during 2017
<b>Dato' Zainal Haji Ismail</b> (appointed with effect from 25 March 2011)	Chairman/Independent Non-Executive Director	9/9
<b>Dato' Hajjah Rosni Haji Zahari</b> (appointed with effect from 25 March 2011)	Member/Independent Non-Executive Director	9/9
<b>Dato' Zakaria Arshad *</b> (appointed with effect from 23 August 2016)	Member/Non- Independent Non-Executive Director	5/9

\* Dato' Zakaria Arshad was granted leave of absence and he was relieved from all his capacities as GP/CEO and/or Director to act for FGV Group including all its subsidiaries with effect from 6 June 2017 until 15 October 2017. During this period, there were 4 meetings convened.

## TERMS OF REFERENCE

NRC is governed by its own Terms of Reference (“TOR”) which is established pursuant to the MMLR and was approved by the Board. The summaries of NRC’s key areas of responsibilities are set out on page 098 of the Corporate Governance Overview Statement and are defined in detail in its TOR.

The TOR is reviewed periodically between one to three years, as and when required especially when there are changes to the MMLR and the Malaysia Code of Corporate Governance 2017 (“MCCG 2017”). The latest TOR was reviewed and revised in November 2016. All amendments to the TOR were tabled to and approved by the Board.

The full details of the NRC’s TOR are published in the Company’s corporate website at [www.msmsugar.com](http://www.msmsugar.com).



## CORPORATE GOVERNANCE

### BOARD APPOINTMENT PROCESS

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 financial year ended 2017, the following changes of Board members and Senior Management had taken place:

DIRECTOR	Changes	
	Type	Date
<b>Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad</b> • Chairman/Non-Independent Non-Executive Director	Resigned	19 June 2017
<b>Dato' Rosini Abd Samad</b> • Acting Chairman • Independent Non-Executive Director	Appointed Re-designated	19 June 2017 26 September 2017
<b>Datuk Wira Azhar Abdul Hamid</b> • Chairman/Non-Independent Non-Executive Director	Appointed	26 September 2017
<b>Datuk Noor Ehsanuddin Mohd Harun Narrashid</b> • Non-Independent Non-Executive Director	Resigned	26 September 2017
<b>Dato' Khairil Anuar Aziz</b> • Non-Independent Non-Executive Director • Non-Independent Executive Director	Appointed Re-designated	22 November 2017 11 December 2017

SENIOR MANAGEMENT	Changes	
	Type	Date
<b>Raja Faridah Raja Ahmad</b> Chief Financial Officer	Appointed	1 June 2017
<b>Aznur Kama Azmir</b> Chief Financial Officer	Secondment period ended	31 May 2017

Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad who was on the Board of MSM as Chairman/Non-Independent Non-Executive Director representing Felda Global Ventures Holdings Berhad (FGV), one of MSM's major shareholders, resigned on 19 June 2017. With his resignation, Dato' Rosini Abd Samad was appointed and re-designated as Acting Chairman of MSM with effect from 19 June 2017, as nominated by FGV and approved by MSM Board on 19 June 2017. With her experience and knowledge being a Director and Chairman of Audit Committee of MSM, Dato' Rosini Abd Samad has carried out her responsibilities as Acting Chairman of MSM successfully.

In September 2017, FGV nominated Datuk Wira Azhar Abdul Hamid, Chairman of FGV, as Director and Chairman of MSM, representing FGV as FGV Nominee Director, replacing Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad who resigned on 19 June 2017. This was tabled and duly evaluated by NRC on 20 September 2017. With the recommendation of NRC, the Board on 26 September 2017 approved the appointment of Datuk Wira Azhar Abdul Hamid, as Chairman/Non-Independent Non-Executive Director of MSM effective immediately.

On the same day, Dato' Rosini Abd Samad stepped down as Acting Chairman and the Board accepted the resignation of Datuk Noor Ehsanuddin Mohd Harun Narrashid.

On 31 October 2017, FGV has nominated Dato' Khairil Anuar Aziz, FGV Chief Operating Officer of Sugar Sector, as Non-Independent Non-Executive Director of MSM to replace Datuk Noor Ehsanuddin Mohd Harun Narrashid who has resigned on 26 September 2017. On 9 November 2017, the said nomination was duly tabled to the NRC for evaluation and assessment. With the NRC's recommendation, the Board on 22 November 2017 approved the appointment of Dato' Khairil Anuar Aziz as Non-Independent Non-Executive Director of MSM.

As for the Senior Management, the NRC has recommended to the Board for approval that Puan Raja Faridah Raja Ahmad, upon completion of her secondment period with FGV on 31 May 2017 be appointed as the Chief Financial Officer of MSM effective 1 June 2017 replacing Puan Aznur Kama Azmir, who returned to FGV due to the completion of her secondment period with MSM on 31 May 2017.

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

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

## CORPORATE GOVERNANCE

NRC carries out its responsibility on reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, the Board Committees and all directorship in the Group based on its TOR. On 15 March 2018, Board Governance and Risk Management Committee has recommended to the MSM Board for approval a formal Board Nomination and Election Policy and Procedures which formalizes the policies on Board Composition, Independence, Conflict of Interest and Board Assessment. The Policy on Board Composition provides the size of the Board, the selection criteria, the Director's skills sets and the Board diversity to be considered for new appointment of Directors. This policy was tabled and approved by the Board on 22 March 2018.

### RE-APPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Articles of Association 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 (1/3) 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 re-appointment 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 re-appointment or re-election of the Director concerned for shareholders' approval at the next AGM.

As evaluated by NRC and recommended by the Board, the following are to be re-elected at the forthcoming 7<sup>th</sup> AGM:

Director	Designation	Provision
a) Dato' Rosini Abd Samad	Independent Non-Executive Director	Re-election pursuant to Article 93
b) Datuk Hanapi Suhada	Non Independent Non-Executive Director	Re-election pursuant to Article 93
c) Datuk Wira Azhar Bin Abdul Hamid	Non Independent Non-Executive Director	Re-election pursuant to Article 99
d) Dato' Khairil Anuar Aziz	Non-Independent Executive Director	Re-election pursuant to Article 99

The election of each director will be conducted separately.

The Directors who are due to retire 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 is furnished in this Annual Report.

### BOARD PERFORMANCE EVALUATION

A formal performance evaluation of the Board including Board Committee members provides the opportunity to assess and evaluate the Board's performance including the independence of the Independent directors. In 2017, the Board appointed an external consultant to facilitate the Board evaluation process. The evaluation process involved a peer and self-review assessment, where Directors assessed their own and also their fellow Directors' performance.

#### Board evaluation process

#### 1) Evaluation Stage

- Step 1 : Enhancement of the current process and the established assessment criteria
- Step 2 : Circulate the improved assessment form to MSM Board
- Step 3 : Conduct review of the relevant documentation and conducting interviews covering the following:
  - Terms of Reference of the Board of Directors as well as the Board Committee
  - Minutes of meeting for the Board and Board Committees' meetings including board papers carried out throughout the review period
  - Relevant documentation/information deemed necessary in facilitating the review which will depend on the outcome of the review of the relevant documentation

#### 2) Reporting Stage

- Step 1 : Delivery of the enhanced assessment criteria to assess the Board's effectiveness together with underlying process supporting the overall assessment process
- Step 2 : Presentation of the Result of the Assessment to the Nomination and Remuneration Committee and the Board

The questionnaires was distributed to all Board members and covers topics that include, amongst others, the responsibilities of the Board in relation to strategic planning, performance management, financial reporting, audit and internal control processes, human capital management, corporate social responsibility, communication, corporate governance, and shareholders' interest and value.

Other areas assessed include the Board composition and size, the contribution of each and every member of the Board at meetings, the Board's decision-making and output, information and support rendered to the Board as well as meeting arrangement. The results of these questionnaires, were documented, and collectively reported to the Nomination and Remuneration Committee.

NRC Chairman presented the results of the evaluation during the Board Meeting for deliberation. The Board, upon assessing the results of the evaluation have identified recommendations and initiatives to enhance the effectiveness of the Board.

## CORPORATE GOVERNANCE

### STATEMENT OF SUMMARY OF NRC'S ACTIVITIES DURING 2017

During 2017, NRC performed a number of key activities summaries among others as below which were reviewed and recommended by NRC to the Board for approval:

#### Nomination and Election Process

- 1) Re-election of retiring directors at the 2017 Annual General Meeting
- 2) Changes on the Board Committees' membership composition
- 3) Annual assessment of the effectiveness of the Board, Board Committees and Individual Directors including assessment of the Independent Directors for year 2016
- 4) End of secondment term of MSM Malaysia Holdings Berhad Senior Management staff to Felda Global Ventures Holdings Berhad and appointment as Chief Financial Officer
- 5) Resignation of Chairman and Non-Independent Non-Executive Director
- 6) Appointment and re-designation as Acting Chairman of MSM Malaysia Holdings Berhad on interim basis
- 7) Appointment of Director and new Chairman of MSM Malaysia Holdings Berhad and re-designation of Acting Chairman
- 8) Resignation as Director of MSM Malaysia Holdings Berhad
- 9) Appointment of Nominee Director of Felda Global Ventures Holdings Berhad in MSM Malaysia Holdings Berhad as Non-Independent Non-Executive Director
- 10) Appointment of Executive Director in MSM Malaysia Holdings Berhad
- 11) Contract renewal for Senior Management staff of MSM Group of Companies
- 12) Appointment of Directors of MSM subsidiaries
- 13) Appointment of Acting Chief Executive Officer for MSM Prai Berhad

#### Remuneration Matters

- 1) Directors' Remuneration for the financial year ended 31 December 2016
- 2) Increment payment for the President/Group Chief Executive Officer of MSM Malaysia Holdings Berhad
- 3) Covering allowance, usage of Company car and Company driver for the Acting Chairman
- 4) 2016 bonus quantum and 2017 increment for MSM Group of Companies employees
- 5) Advance bonus to MSM Malaysia Holdings Berhad Group employees

#### Other matters

- 1) Report on NRC for inclusion in MSM Malaysia Holdings Berhad 2016 Annual Report
- 2) Engagement of an external legal firm for possible legal action against insurance broker
- 3) MSM's Human Resource cost optimisation
- 4) Schedule of Nomination and Remuneration Committee Meetings for year 2018
- 5) Resignation of Joint Company Secretary
- 6) Harmonisation Project : Outcome of job evaluation for key positions for MSM Group
- 7) Group Internal Audit Report from an investigation on MSM Trading International DMCC

### The Committee's Performance

On an annual basis, the Board shall evaluate the Committee's performance and extent to which the Committee has met the requirements of its Terms of Reference, 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 22 March 2018.

## CORPORATE GOVERNANCE

# BOARD GOVERNANCE & RISK MANAGEMENT COMMITTEE (BGRMC)

Members	Attendance
<b>Datuk Lim Thean Shiang</b> Chairman/INED 20 Aug 2014	5/5
<b>Dato' Rosini Abd Samad</b> Member/INED 23 August 2016	5/5
<b>Datuk Hanapi Suhada</b> Member/NINED 23 August 2016	3/5

## Key/Areas of Responsibilities

Direct and oversee the formulation of a structured mechanism to inculcate a strong governance, ethical, integrity and risk management culture which include the following areas:

- **Governance**
  - Direct and oversee the formulation of governance framework, programmes and policies
  - Review reports on status and availability of procedures
  - Monitor status and progress of formulation and implementation of the related governance framework, blueprints and policies
- **Ethics & Integrity**
  - Oversee and maintain the Code of Ethics & Conduct and Code of Business Practice (Board and Board Committees)
- **Risk Management**
  - Direct and oversee the formulation of the overall enterprise risk management framework and strategies
  - Report, advise and recommend to the Board the overall risk appetite, tolerance, and strategy on managing business risks and key business risks

## Meetings in 2017

BGRMC held five (5) meetings during 2017. Out of the 5 meetings, one (1) was an unscheduled meeting held to discuss (i) the establishment of new risk register for MSM Sugar Refinery (Johor) Sdn Bhd and MSM Trading International DMCC and (ii) the report on inspection of MSM domestic inquiry procedure.

These meetings were also attended by relevant Management teams who presented their proposals. Decisions/recommendations of these meetings were then tabled to the Board for further deliberation and final decision.

## Activities in 2017

During 2017, the key matters deliberated by BGRMC are as below:

- Disclosures in the following reports for inclusion in the 2016 Annual Report:
  - Statement on Corporate Governance and Governance Framework
  - Statement on Risk Management and Internal Control
  - Statement on Sustainability
- Quarterly Report on Group Risks Register
- Update on the Strategic Planning 2020 ("SP 20") of MSM Malaysia Holdings Berhad
- Revised MSM Malaysia Holdings Berhad Group Policies and Procedures Manual
- New Risk Register for MSM Sugar Refinery (Johor) Sdn Bhd and MSM Trading International DMCC
- Report on Inspection of MSM Domestic Inquiry Procedure
- Schedule of Board Governance & Risk Management Committee Meetings for the year 2018
- Corporate Governance Practices pursuant to the Malaysian Code on Corporate Governance 2017 ("MCCG 2017")
  - Latest developments and the adoption of the Practices under the MCCG 2017



## CORPORATE GOVERNANCE

# INVESTMENT COMMITTEE (IC)

Members	Attendance
<b>Dato' Hajjah Rosni Haji Zahari</b> Chairman/INED 23 August 2016	5/5
<b>Dato' Zainal Haji Ismail</b> Member/INED 20 Aug 2014	5/5
<b>Dato' Mohammad Fakhruddin Haji Mohd Ariff</b> Member/INED 22 February 2017	4/4
<b>Dato' Zakaria Arshad</b> Member/NINED 23 August 2016	3/5

## Key/Areas of Responsibilities

- Review 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 MSMH 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 the annual performance evaluation of the Group's investment activities
- Review the foreign exchange and raw sugar hedging policies and procedures

## Meetings in 2017

The IC held five (5) meetings during 2017. Out of the 5 meetings, one (1) is an unscheduled meeting to discuss on the award a contract for the main packing plant for the granulated refined sugar for the Johor sugar refinery project.

These meetings were also attended by relevant Management teams who presented their proposals. Decisions/recommendations of these meetings were then tabled to the Board for further deliberation and final decision.

## Activities in 2017

During 2017, the key matters deliberated by the IC are as below:

- Construction of the new sugar refinery project in Tanjung Langsat, Pasir Gudang, Johor
  - Progress update
  - Award of tenders
- Reviewed and recommended the award of contracts on the provision of the transportation, distribution and warehousing for refined and raw sugar
- Reviewed on the moving forward of MSM Trading International DMCC Operation
- Change of principal activity of MSM Trading International DMCC from a Trader to a Service Provider
- Fund-raising exercise

# 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 2017.
- 2. SHARE BUY-BACKS**  
During the financial year ended 31 December 2017, 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 2017.
- 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 2017.
- 5. MATERIAL SANCTIONS AND/OR PENALTIES**  
During the financial year ended 31 December 2017, 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**  
The amount of the non-audit fees incurred for services rendered to the Company by its external auditors, Messrs Deloitte, PwC and KPMG for the financial year ended 31 December 2017 amounted to RM77,104.
- 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 2017.
- 8. PROFIT GUARANTEE**  
No profit guarantee was given by the Company in respect of the financial year ended 31 December 2017.
- 9. MATERIAL CONTRACTS**  
Neither MSM Holdings nor any of its subsidiaries have entered into any other material contracts which are or may be material (not being contracts entered into in the ordinary course of business of MSM Holdings and/or any of its subsidiaries) within the 2 years immediately preceding the date of this Circular.
- 10. DISCLOSURE OF RECURRENT RELATED PARTY TRANSACTIONS OF REVENUE NATURE (RRPT)**

Transacting Parties	Nature of Relationship	Nature of Transaction	Transaction Value for the year ended 31 December	
			2017 (Estimate) (RM'000)	2017 (Actual) (RM'000)
MSM Malaysia Holdings Berhad Group (MSM) and FGV	Interested Major Shareholders: • FGV Sugar • KPF • FGV Interested Directors: • Datuk Wira Azhar • Dato' Zakaria Interested person connected: • Nil	Provision of management services • FELDA • FAHC • Dato' Khairil • Datuk Hanapi	9,000	3,711
MSM Malaysia Holdings Berhad Group (MSM) and Felda Prodata	Interested Major Shareholders: • FGV Sugar • KPF • FGV Interested Directors: • Datuk Wira Azhar • Dato' Zakaria • Dato' Khairil Interested person connected: • Nil	Provision of information technology (IT) services • FELDA • FAHC • Datuk Hanapi • Anuar Malek	1,000	46
MSM Malaysia Holdings Berhad Group (MSM) and Felda Security	Interested Major Shareholders: • FGV Sugar • KPF • FGV Interested Directors: • Datuk Wira Azhar • Dato' Zakaria • Dato' Khairil Interested person connected: • Nil	Provision of security services • FELDA • FAHC • Datuk Hanapi • Dato' Ramli Ismail • Mejar (B) Adnan Yaacop	1,500	1,159
MSM Malaysia Holdings Berhad Group (MSM) and FELDA	Interested Major Shareholders: • FGV Sugar • KPF • FGV Interested Directors: • Datuk Wira Azhar • Dato' Zakaria Interested person connected: • Nil	Office rental Address Level 44, Menara FELDA Platinum Park No.11, Persiaran KLCC 50088 Kuala Lumpur Malaysia Size 15,631 sq ft Duration 23 November 2016 to 23 November 2019 Rental payment Monthly • FELDA • FAHC • Dato' Khairil • Datuk Hanapi	2,000	1,445
MSM Malaysia Holdings Berhad Group (MSM) and Felda Engineering	Interested Major Shareholders: • FGV Sugar • KPF • FGV Interested Directors: • Datuk Wira Azhar • Dato' Zakaria Interested person connected: • Nil	Provision of project management and construction services • FELDA • FAHC • Dato' Khairil • Datuk Hanapi	5,000	-
MSM Malaysia Holdings Berhad Group (MSM) and Felda Trading	Interested Major Shareholders: • FGV Sugar • KPF • FGV Interested Directors: • Datuk Wira Azhar • Dato' Zakaria • Dato' Khairil • Datuk Hanapi Interested person connected: • Nil	Sale of refined sugar • FELDA • FAHC • Dato' Zainal Hassan • Mejar (B) Adnan Yacoop • Mohd Shahrin Mohd Ali	48,000	22,928

# CORPORATE INTEGRITY

## 1. ETHICS AND INTEGRITY

### Code of Ethics and Conduct for Employees

The MSM Group Code of Ethics and Conduct for Employees (the Code) supports the Company's vision and core values by internalising and upholding the value of uncompromising integrity in the behaviour and conduct of all Board Members, Management, employees and all stakeholders. The Code which is stated in the Group Employee Handbook was established on 1 September 2014. The Code was formulated to enhance the compliance and integrity, at the workplace and business conduct. It also includes the protection of the Group's assets, confidentiality and conflict of interests. All Management and employees are required to declare their assets and interest annually, to provide an update on the value of individually or jointly owned assets.

### Integrity Initiatives

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

### Whistleblowing Policy and Procedures

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

## 2. AUTHORITY AND RESPONSIBILITY

### Organisation Structure

The Group has a formal organisation structure with clearly defined lines of responsibility and authorities to facilitate quick response in the evolving business environment, effective supervision and monitoring of business conduct and accountability for the operation of individual business units and support services departments. The roles of Central Functions at Holdings Company have been strengthened to provide guidance related to specific core function strategies and governance related matters to the Lines of Business.

### Group Discretionary Authority Limits (DAL)

Pursuant to the effort of continually improving internal controls, the MSM DAL is constantly reviewed and updated to promote organisational efficiency whilst ensuring that it is aligned to the Group's business transactions and tolerance for risk while consistent with the spirit of continually enhancing the internal control. The MSM DAL establishes a sound framework of authority and accountability, including segregation of duties, which expedites timely, effectively and quality decision-making in addition to stricter financial controls.

The Board has approved the revised MSM DAL version 4.0 on 10 August 2016. MSM DAL was reviewed and updated to promote organisational efficiency while ensuring that it is aligned with the Board's risk management policies, tools and frameworks.

### Job/Position Description

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

## 3. 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 IS PLEASED TO PROVIDE THE STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL ("STATEMENT") AND IS COMMITTED TO MAINTAINING AN ADEQUATE AND EFFICIENT RISK MANAGEMENT SYSTEMS AND INTERNAL CONTROLS IN ORDER TO SAFEGUARD SHAREHOLDERS' INVESTMENTS AND MSM GROUP'S ASSETS.**

This Statement outlines the Group's risk management framework and internal controls embedded in all day to day business activities of the Group. It is intended to provide to our stakeholders and users of this Annual Report with meaningful, high-level information about the adequacy and state of the Group's risk management systems and internal controls for the financial year under review.

This Statement is made pursuant to Paragraph 15.26(b) of the Bursa Malaysia Berhad's Main Market Listing Requirements and in accordance with The Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("Guidelines").

## RESPONSIBILITY AND ACCOUNTABILITY

The Board acknowledges its overall responsibility in the establishment and overseeing the Group's risk management system and internal control systems. The Board is fully committed to ensure the existence of an effective risk management systems and internal control systems within the Group and continuously reviews and evaluates the adequacy of these systems. However, the Board recognises that such systems are designed to manage and reduce, rather than eliminate, the risks identified to an acceptable level of risk appetite. As such, the risk management systems and internal controls of the Group are designed to identify the risks and manage such risks within the tolerable level of risk appetite set and approved by the Board. The internal controls implemented can only provide reasonable, but not an absolute, assurance against the risk of failure to achieve the Group's business objectives and/or occurrence of material financial misstatement or loss.

There are three (3) committees at Board level that support the Board in its risk management and internal control responsibilities:

- (i) Board Governance and Risk Management Committee (BGRMC) which is tasked with overseeing risk management and governance aspects of the Group;
- (ii) Audit Committee (AC) which is tasked with assessing the risks and control environments and overseeing financial reporting, including the external and internal audit; and
- (iii) Investment Committee (IC) which is tasked with ensuring investments undertaken are aligned to the Group's vision and overall risk appetite.

These Committees are empowered by clearly established and approved terms of reference in the above mentioned responsibilities.

## RISK MANAGEMENT

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

- Reviewing, assessing, enhancing and monitoring the Group's Risk Management Framework including risk management policies and procedures;
- Maintaining the Risk Register for the Group;
- Providing guidance to all Group's operations in identifying and assessing the risks, developing relevant and effective mitigation strategies to manage risks;
- Preparing risk reports to BGRMC and Board;
- Undertaking analyses on specific risks and where necessary, reporting the same to BGRMC and the Board; and
- Overseeing the Group's Business Continuity Management.

## Risk Management Framework and Approach

The Risk Management, Governance and Compliance of the Group are under the purview of the Executive Director supported by the GRMC Team, Risk Champions and Risk Owners. The Risk Champions are supported by MSM's various Corporate Centres and Subsidiaries' CEOs, to coordinate with the Risk Owners in identifying, evaluating, managing and monitoring their respective key risks. They are also tasked with ensuring the implementation of the action plans to effectively mitigate the risks identified.

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

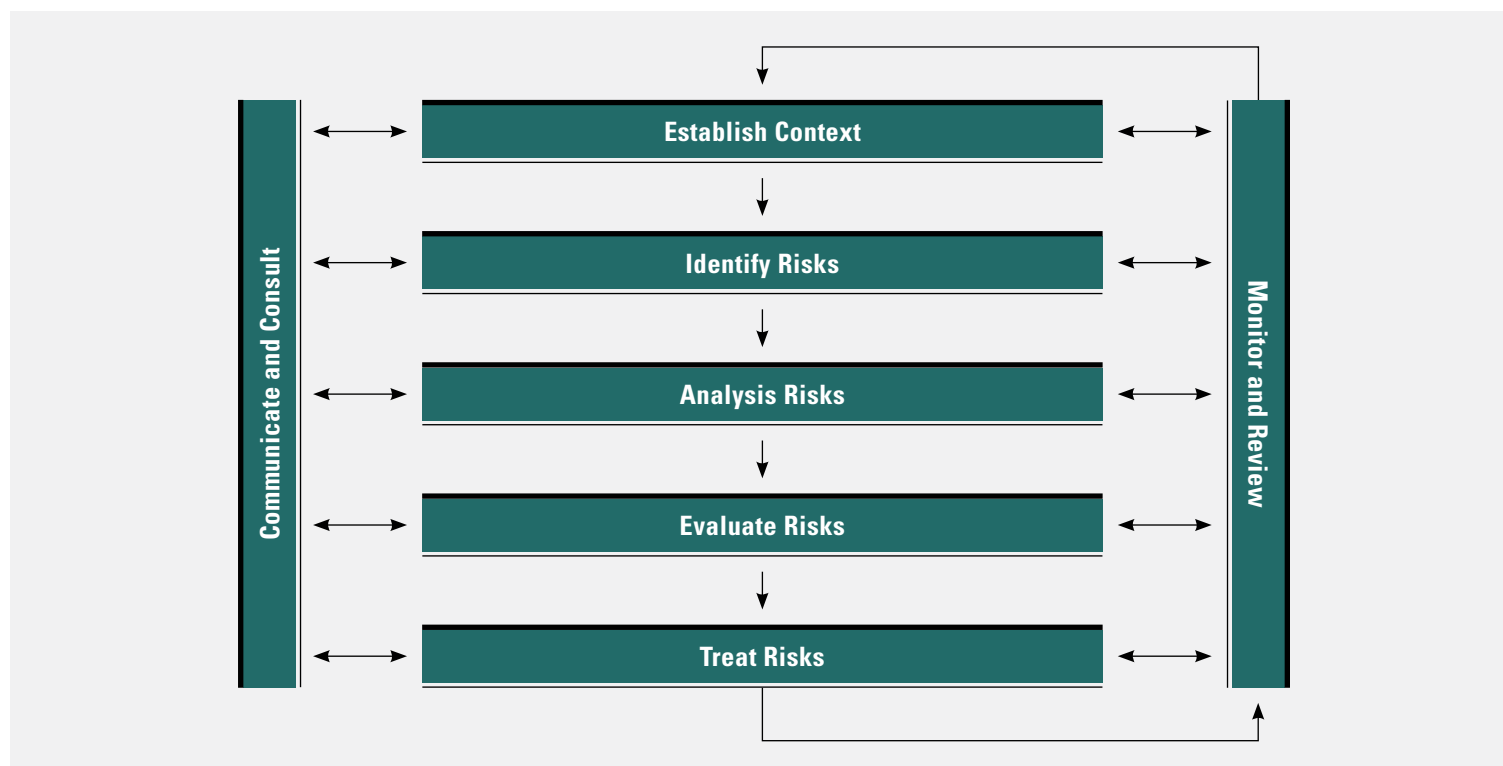




## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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:



### Key Risk Management Activities For 2017

Key risk management activities undertaken during the financial year under review are as follow:

#### Development of Enterprise Risk Management System

The Enterprise Risk Management System was successfully rolled out during the year and is currently being used by all relevant personnel.

#### Quarterly Reporting of Enterprise Risk

Reporting of key enterprises risks were conducted every quarter to BGRMC. All Subsidiaries and Divisions within the Group proactively updated the Risk Registers through the Enterprises Risk Management System (ERMS) and reported to BGRMC through CGRM.

#### Development of Risk Management Culture and Awareness

GRMC's activities are designed to instill the importance of a strong and effective risk management culture within the Group. Enterprise Risk Management and Business Continuity Management awareness and training sessions were conducted for targeted groups.

Additionally, review sessions were conducted at the end of the year to assess the level of acceptance and understanding of the risk management related activities conducted throughout the year.

#### Business Continuity Management (BCM)

BCM is prepared to support the Group to respond and recover from significant unexpected events. The BCM documentation including

Business Continuity Plans, Business Impact Analyses, and Risk Assessments were reviewed in order to always maintain robust plans for protecting the interests of the stakeholders. Additionally, BCM testing has been conducted at the relevant corporate centers and subsidiaries.

#### Review of Terms of Reference (TOR), Policies and Procedures

All TORs, policies and procedures are reviewed periodically, between one (1) to three (3) years as and when required, especially when there are changes to the Listing Requirements and MCCG 2017 and to cater for any changes in the Group.

### INTERNAL CONTROL FRAMEWORK

The Group has a risk management framework that is integrated into and where appropriate embedded into the day to day business activities and management decision making framework of the Group. The Group does not adopt any one risk management standard or guideline believing it is better to tailor the risk management framework to the specific circumstances of the Group. The Group practices are generally aligned with the principles of ISO 31000. It should be noted that these principles in themselves are broad and to be utilised only where considered appropriate. Supporting this broader risk management framework is an internal control system that facilitates internal control design and operating effectiveness to manage key risks. Key aspects of the Group's overall risk management and internal control framework are selectively outlined below, where they provide assurance the framework is adequate and effective for the purposes of this Statement.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MSM Group manages its risks by implementing various internal control mechanisms. The mechanisms apply to all subsidiaries within the Group. Key elements of the Group's internal control structure are as follow:

ETHICS & INTEGRITY	AUTHORITY & RESPONSIBILITY	COMPETENCY	POLICIES AND PROCEDURES	MONITORING
<p>Code of Business Conduct and Ethics for Employees</p> <hr/> <p>Asset Personal Interest Declaration (APID) Policy</p> <hr/> <p>Code of Business Practice (COBP)</p> <hr/> <p>Integrity Initiatives</p> <hr/> <p>Whistleblowing Policy</p>	<p>Organization Structure</p> <hr/> <p>Discretionary Authority Limits (DAL)</p> <hr/> <p>Job Description</p>	<p>Employees personal development</p> <hr/> <p>Employees professional development</p>	<p>Operational Policies and Procedures</p>	<p>Financial and Operational Review</p> <hr/> <p>Budgetary Process</p>

### 1. Ethics and Integrity

- Code of Business Conduct and Ethics for Employees  
The Group's Code of Business Conduct and Ethics for Employees (the Code) have been incorporated in the MSM's Group Employee Handbook since the 1st of September 2014. The Code sets out the principles to guide its employees in carrying out their duties and responsibilities to the highest standards of personal and corporate integrity. The Code covers areas such as compliance, integrity, and conduct in the workplace, business conduct, and protection of the Group's assets, confidentiality and conflict of interest.
- Asset Personal Interest Declaration (APID) Policy  
In seeking to adopt robust, effective disclosure measures, the MSM Group has adopted the Policy in 2016 which is to establish the objectives and guidelines with regards to Asset/ Personal Interest Declaration. The policy builds a culture of integrity by establishing standards of acceptable behaviour and by providing clear rules and guidance on ethical conduct at work.
- Code of Business Practice (COBP)  
The COBP which has been implemented by MSM Group, clearly sets out expected behaviours of Directors and employees, and business practices which promote and uphold the spirit of responsibility, accountability and compliance with applicable laws and regulations. It emphasises honesty, transparency, ethical business and fair trading environment across all Group business operations. It also emphasises accountability for business performance and the broader social and environmental impact of MSM Group's activities, in line with MSM Group's vision for sustainable development. An attestation programme is in place with the aim to confirm that each Director and employee has read the COBP.

- Integrity Initiatives  
MSM is one of the signatories to the Corporate Integrity Pledge with the Malaysian Anti-Corruption Commission (MACC). This commits the Group to enhance its disclosure practices and practice transparency, integrity and good governance in day to day business operations.
- Whistleblowing Policy  
MSM Group has put in place a Whistleblowing Policy that provides clarity of oversight and responsibilities of the whistleblowing process, the reporting process and protection to whistleblower and confidentiality afforded to the whistleblower. The primary aim of the Whistleblowing Policy and its supporting mechanism is to enable employees to raise their concerns in a secure and confidential manner without fear of retaliation. The Whistle Blowing Policy is stated in the MSM's Group Employee Handbook.

### 2. Authority and Responsibility

- Organisation Structure  
MSM Group organises its operations into six (6) Subsidiaries supported by corporate centres at holding company level. The organisation structure provides clear lines of reporting and functions which promotes ownership, accountability and forms the basis for delegation of authority and responsibility.
- Discretionary Authority Limits (DAL)  
Consistent with the spirit of continually enhancing the internal controls, the Group's DAL was reviewed and updated to promote organisational efficiency while ensuring that it is aligned to the Board's risk appetite. The Board approved the revised DAL Version 4.0 on the 24<sup>th</sup> of August 2016.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

### c) Job Description

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

### 3. Competency

As an organisation that views its employees as invaluable assets, MSM Group is committed to its employees personal and professional development at all levels. The Group has 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.

### 4. Policies and Procedures

#### Operational Policies and Procedures

The Group operates based on existing policies and procedures. The Operational Policies and Procedures ('the Policy') are reviewed periodically to remain effective and relevant to support the Group's business activities at all times as it continues to grow and transform locally and across borders. The Policy also facilitates compliance to regulations, listing and governance requirements.

### 5. Monitoring

MSM Group's performance against its business plan and annual budget is measured and monitored through the following mechanisms:

#### a) Financial and Operational Review

Financial and Operational Review is a mechanism adopted to measure the 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 Group.

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

### b) Budgetary Process

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 2020 (SP20) (V2). The SP20 (V2) covers a longer period and is an approved document that shall guide Management in the investment and capital allocation decision in the execution the Group's strategy.

## REVIEW OF STATEMENT BY EXTERNAL AUDITORS

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

## STATEMENT BY THE BOARD

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

This Statement is made in accordance to the resolution of the Board dated 22 March 2018.

# BUSINESS CONTINUITY MANAGEMENT

The BCM Program aims to reduce the impact of major operational disruptions and disaster by returning the organization to its "business as usual" following any crisis or disaster. In doing so, it safeguards the interest of key stakeholders, MSM's reputation, brand and value-creating activities.

The BCM policies and procedures were recommended and approved by our Board Governance and Risk Management respectively in August 2016 with the following objectives:

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

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

Additionally, there are several BCM activities conducted in 2017 with the MSM subsidiaries.

COMPANY	DATE CONDUCTED:	BCM PROGRAM:
<b>MSM Prai Berhad</b>	<ul style="list-style-type: none"> <li>• 21/11/2017</li> <li>• 22-23/11/2017</li> </ul>	<ul style="list-style-type: none"> <li>i. BCM Awareness</li> <li>ii. BCM Documentation</li> </ul>
<b>MSM Perlis Sdn Bhd</b>	<ul style="list-style-type: none"> <li>• 26/10/2017</li> <li>• 26/10/2017</li> <li>• 16/11/2017</li> </ul>	<ul style="list-style-type: none"> <li>i. BCM Awareness</li> <li>ii. BCM Documentation</li> <li>iii. BCM Testing : Simulation: <b>Lorry hit end product conveyor</b></li> </ul>
<b>MSM Sugar Refinery (Johor) Sdn Bhd</b>	<ul style="list-style-type: none"> <li>• 05/12/2017</li> </ul>	<ul style="list-style-type: none"> <li>i. BCM Awareness only</li> </ul>

MSM Group shall continue to ensure its BCM program is effectively embedded and implemented in all business functions focusing on high probability scenarios which may include a change management program. At the same time, MSM is working towards compliance with ISO 22301 international standards and Disaster Recovery Institute (DRI) USA standards requirements.



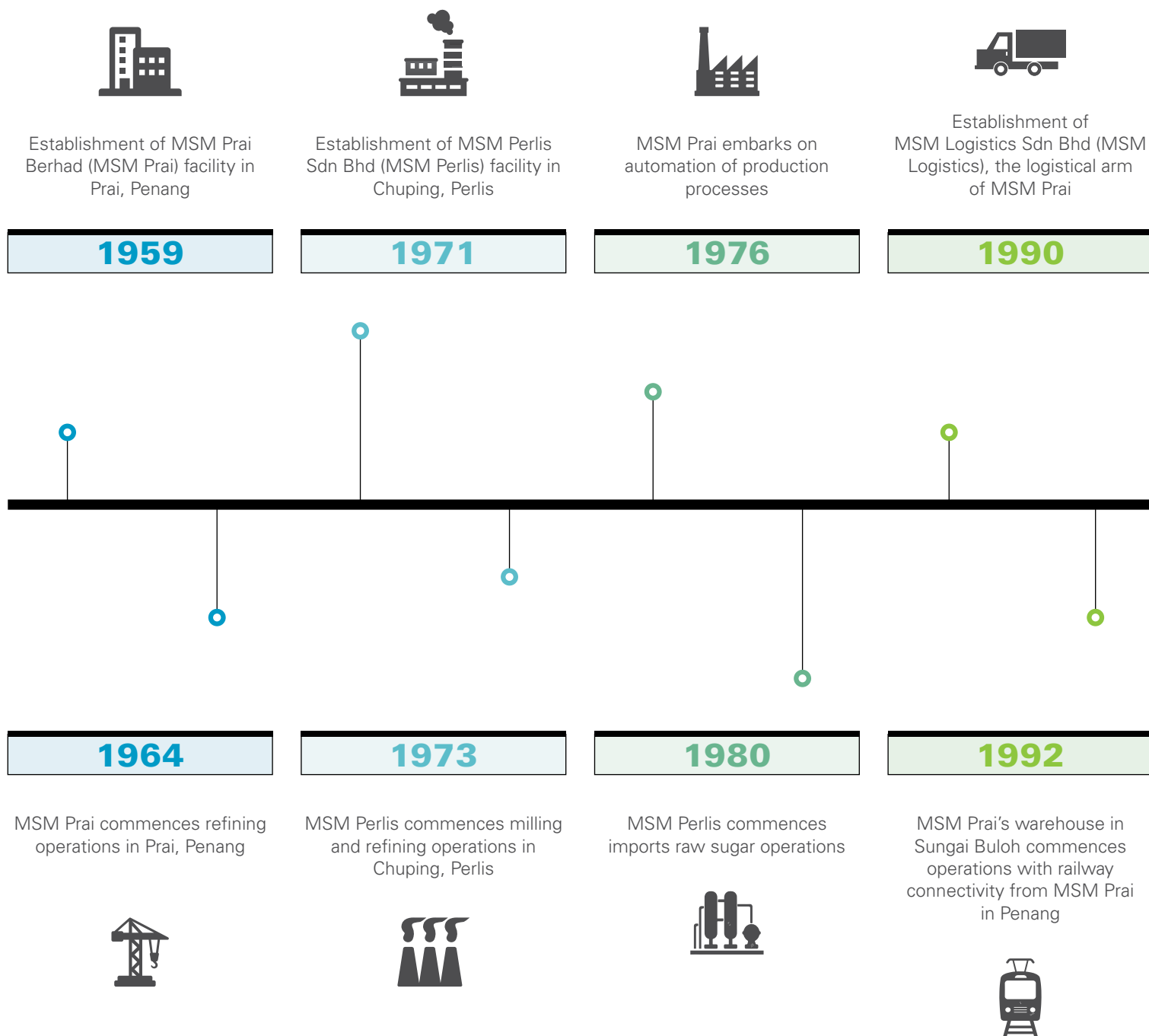
# MITIGATING OUR RISKS

**WITHIN MSM'S OPERATIONS, WE HAVE IDENTIFIED SEVERAL RISKS MOVING FORWARD. DEPENDING ON THE NATURE OF THE RISKS AND THE PARTICULAR BUSINESS OR FUNCTIONS AFFECTED, WE EMPLOY VARYING RISK MITIGATION STRATEGIES.**

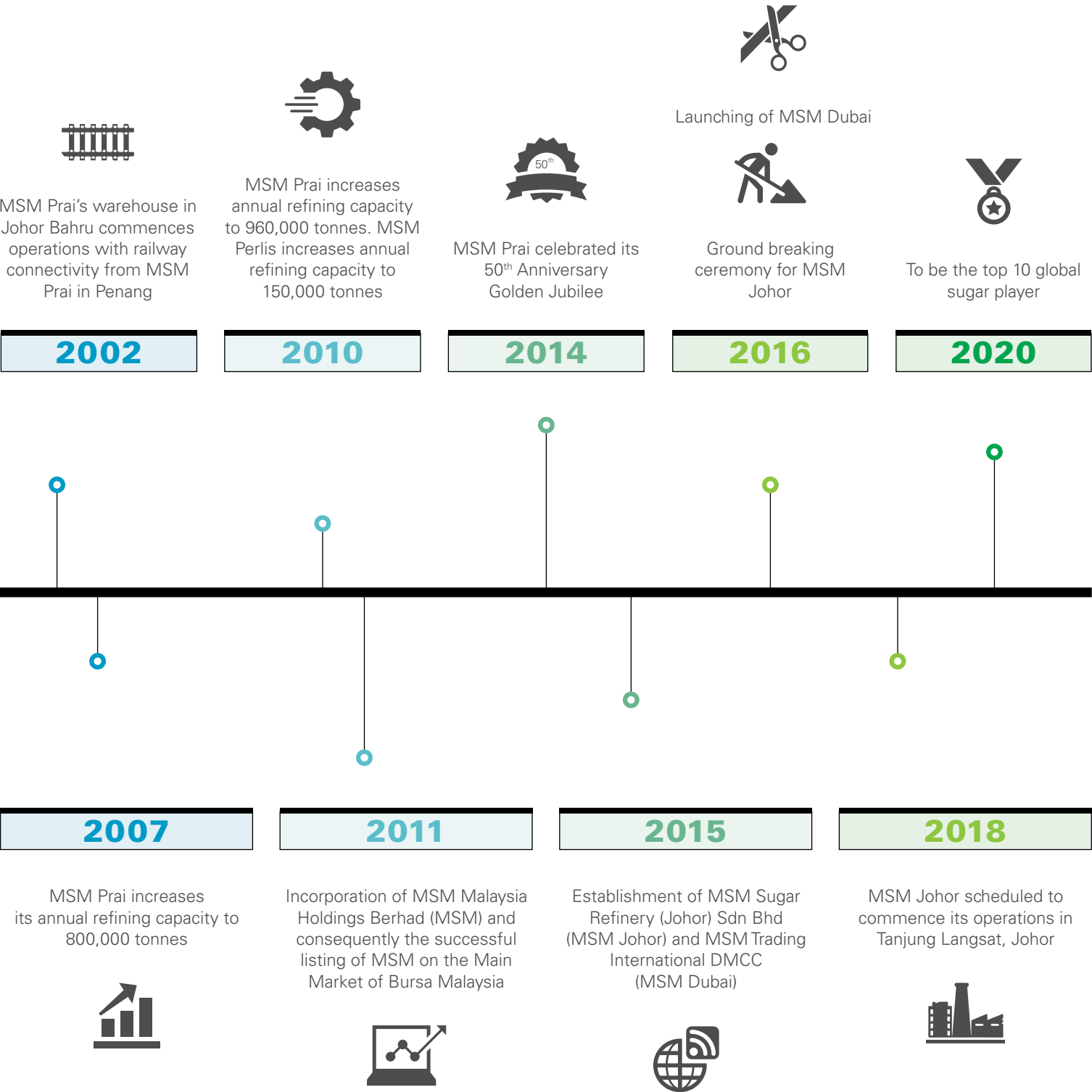
RISKS IDENTIFIED	HOW MSM IS AFFECTED	APPROACH	STRATEGIC THRUSTS
<b>Price Volatility of Raw Sugar</b>	High raw material cost resulting to thin margins or worse, a negative gross margin.	<ul style="list-style-type: none"> <li>All decisions pertaining to raw sugar procurement on the international commodities market would be made by a central committee with an independent analysis from MSM Dubai</li> <li>Constantly monitor global sugar price movements</li> <li>Maintain good rapport with the Government to maintain a sufficient national sugar stock</li> <li>Raw sugar priced on back-to-back basis upon sales of export or forward buying</li> </ul>	<ul style="list-style-type: none"> <li>Sustaining Continuous Growth</li> <li>Ensuring Operational Excellence</li> <li>Focus on the Value Chain</li> </ul>
<b>Weak RM/ USD Forex Rate</b>	MSM makes payments for raw sugar procurement in USD currency. The weak RM is exerting pressure on our margins.	<ul style="list-style-type: none"> <li>Constantly monitor forex movements on RM/USD</li> <li>Implement strategic hedging mechanisms</li> <li>In the long-term, we are actively conducting dialogues with the Government on national sugar policies, concerning pricing structure issuance, and sugar smuggling which heavily impacts our operations and profitability</li> </ul>	<ul style="list-style-type: none"> <li>Sustaining Continuous Growth</li> <li>Ensuring Operational Excellence</li> </ul>
<b>Operational and Service Reliability</b>	Present in our older refineries in the form of aging machinery, computer software and hardware malfunctions, and interruptions of utilities supplies, production disruption and loss. All these lead to higher operating cost, lower efficiency and loss of customer confidence.	<ul style="list-style-type: none"> <li>Planned and scheduled maintenance and service activities</li> <li>Implemented a comprehensive plant and machine upgrading and replacement programme</li> <li>Ensure skilled and trained operators and technicians for maintenance work</li> </ul>	<ul style="list-style-type: none"> <li>Ensuring Operational Excellence</li> <li>Focus on the Value Chain</li> </ul>
<b>Competitive Sales</b>	Competitive sales will lead to a reduction in market share and lower profit margins.	<ul style="list-style-type: none"> <li>Close monitoring of market demands and competitors' activities</li> <li>Ensure steady supply and reliable delivery of quality sugar</li> <li>Staying responsive to customers feedback and provide solutions to issues raised</li> </ul>	<ul style="list-style-type: none"> <li>Maintaining Market Leadership</li> </ul>

## KEY MILESTONES

### MSM'S SUGAR TRAIL



KEY MILESTONES



# AWARD AND CERTIFICATIONS



## BEST BRANDS AWARD

Corporate Branding – Manufacturing Sugar 2016/2017  
Awarded by : The BrandLaureate



### HACCP

Hazard Analysis and Critical Control Point (HACCP) Certification by the Ministry of Health, Malaysia.

### HALAL

Halal Certification by Department of Islamic Development (JAKIM) as confirmation of our compliance with stringent food processes for White Refined Sugar, Brown Sugar, Icing Sugar, Caster Sugar and Organic Sugar.

### KOSHER

Kosher Certifications by London Beth Din Certified Company.

### FOOD SAFETY

Food Safety System FSSC 22000 and ISO 22000:2005 Certifications by SGS Malaysia for Manufacturing and Packing of Refined Sugar.

Food Safety Management System FSSC 22000 and ISO 22000:2005 Certifications by SIRIM QAS and International Certification Network for Manufacturing of White Refined Sugar from; Receipt, Processing, Packaging and Loading of Raw Sugar.

### QUALITY MANAGEMENT

ISO 9001: 2008 Certification by SIRIM QAS and International Certification Network for complying with Quality Management Systems in Manufacture of Refined Sugar and Related Products, Receiving and Warehousing of Refined Sugar, Delivery of Refined Sugar to Customers.

### LICENSE

MS4 Certification by SIRIM QAS for license to use certification mark on White Refined Sugar.

### OCCUPATIONAL HEALTH & SAFETY

OHSAS 18001: 2007 Certifications by SIRIM QAS and International Certification Network for complying with Occupational Health and Safety Management System for the Manufacture of Refined Sugar and Related Products.

MS1722: 2011 Certifications by SIRIM QAS and International Certification Network for complying with Occupational Health and Safety Management System for the Manufacture of Refined Sugar and Related Products.



# CALENDAR OF EVENTS

## 30 MARCH

A session with Investment Communities at Menara Felda, Kuala Lumpur



## 15 MAY

6<sup>th</sup> Annual General Meeting at Menara Felda, Kuala Lumpur



## 29 AUGUST

Courtesy visit from PINTAR Foundation to MSM Head Office at Menara Felda, Kuala Lumpur



## 29 SEPTEMBER

Courtesy visit to Lembaga Tabung Haji, Menara Tabung Haji, Kuala Lumpur



## 02 - 05 APRIL

Value Alignment Programme at Iconic Hotel, Penang

## 22 MAY

The Brandlaureate Corporate and Product Branding Awards 2016/2017 at Majestic Hotel, Kuala Lumpur



## 10 APRIL

Distribution of school assistance in conjunction with "Back to School Program" to students from six schools around Seberang Prai, Penang

## 01 SEPTEMBER

Qurban Activities at MSM Perlis Housing Quarters and Masjid Batu Bertangkup, Perlis

## 24 OCTOBER

Handover of rugby jersey to SK Juara rugby team, Penang

## 08 - 10 SEPTEMBER

Program Gerak Gempur PT3 and SPM SMK Prai at Complex Rakan Muda Jawi, Penang

## 29 - 30 OCTOBER

Site visit by President/GCEO MSM to MSM Prai, Penang and MSM Perlis, Perlis

## 01 MAY

8<sup>th</sup> Gula Perlis Open Chess Challenge 2017 at Putra Regency Hotel, Perlis

## 08 JUNE

Program Tautan Kasih Ramadhan FGV at Menara Felda, Kuala Lumpur

## 13 SEPTEMBER

Investment representative's visit from Permodalan Nasional Berhad to MSM Prai, Penang

## 11 - 12 NOVEMBER

MSM Group flood relief mission, Penang

## 04 MAY

Distribution of school assistance in conjunction with "Back to School Program" to students from 10 schools, Perlis

## 14 JUNE

Breaking fast with under privileged and old folks at Masjid Batu Bertangkup, Perlis

## 15 SEPTEMBER

Visit and introductory session with the new Chairman of MSM Group at MSM Head Office, Menara Felda, Kuala Lumpur

## 16 NOVEMBER

Fire drill, building evacuation and Business Continuity Management exercise at MSM Perlis, Perlis

## 05 MAY

Cycling programme with the Crown Prince of Perlis, Tuanku Syed Faizuddin Putra Jamalullail at Chuping, Perlis

## 15 JUNE

Bubur Lambuk Cooking Programme at MSM Perlis, Perlis



## 17 NOVEMBER

Distribution of school assistance in conjunction with "Back to School Program" to students of SK Guar Perahu, Penang

## 26 AUGUST

Program Target Jaya UPSR 2017 at Matriculation College Lecture Hall, Arau, Perlis

## 19 - 20 SEPTEMBER

Values Alignment Programme at Corus Hotel, Kuala Lumpur

## 30 NOVEMBER

Fire drill and building evacuation exercise at MSM Prai, Penang



## 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 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 125 to 192 of this Annual Report, are the financial statements of the Company and the Group for the financial year ended 31 December 2017. 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 2017 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 2017.

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

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

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

# DIRECTORS' REPORT

The Directors 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 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 19 to the financial statements.

There have 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)/profit for the financial year	(32,574)	20,736

## DIVIDENDS

Dividends on ordinary shares paid or declared by the Company since 31 December 2016 were as follows:

	RM'000
In respect of the financial year 31 December 2016:	
Final single tier dividend of 4 sen per share, paid on 13 June 2017	28,119

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2017.

## RESERVES AND PROVISIONS

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

## SHARE CAPITAL

The Companies Act 2016 ("2016 Act") which came into effect on 31 January 2017 has repealed the Companies Act 1965. The 2016 Act has abolished the concept of par or nominal value of shares and hence, the share premium, capital redemption reserve and authorised capital are abolished. In accordance with Section 618(2) of the 2016 Act, amount standing to the credit of the Company's share premium account of RM366,765,000 becomes part of the Company's share capital upon commencement of the 2016 Act.

## DIRECTORS' REPORT

### DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Datuk Wira Azhar Abdul Hamid	(Appointed on 26 September 2017)
Dato' Zainal Haji Ismail	
Dato' Hajjah Rosni Haji Zahari	
Datuk Lim Thean Shiang	
Dato' Rosini Abd Samad	
Datuk Hanapi Suhada	
Dato' Zakaria Arshad	
Dato' Mohammad Fakhruddin Haji Ariff	
Dato' Khairil Anuar Aziz	(Appointed on 22 November 2017)
Tan Sri Haji Mohd Isa Dato' Haji Abdul Samad	(Resigned on 19 June 2017)
Datuk Noor Ehsanuddin Mohd Harun Narrashid	(Resigned on 26 September 2017)

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

### DIRECTORS' BENEFITS

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

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

### DIRECTORS' INTEREST IN SHARES AND DEBENTURES

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

#### Shareholdings in MSM Malaysia Holdings Berhad

	Number of ordinary shares		
	At 1.1.2017	Acquired (Disposed)	At 31.12.2017
Dato' Zainal Haji Ismail	20,000	-	20,000
Dato' Hajjah Rosni Haji Zahari	20,000	-	20,000



## DIRECTORS' REPORT

### DIRECTORS' INTEREST IN SHARES AND DEBENTURES (CONTINUED)

#### Shareholdings in Felda Global Ventures Holdings Berhad, the ultimate holding company

	Date of appointment/ at 1.1.2017	Number of ordinary shares			At 31.12.2017
		Acquired	Granted	(Disposed)	
Datuk Wira Azhar Abdul Hamid	100,000	94,500	-	-	194,500
Dato' Zakaria Arshad*	165,000	-	85,600	-	250,600
Dato' Khairil Anuar Aziz <sup>#</sup>	-	-	42,500	-	42,500
Dato' Zainal Haji Ismail	40,000	-	-	-	40,000

\* Out of 85,600 shares granted during the year 5,000 shares are held through nominees

<sup>#</sup> Deemed interest by virtue of Section 59(11)(c) of the Companies Act 2016, of which out of 42,500 shares granted during the year, 10,800 shares are held through the spouse of Dato' Khairil Anuar Aziz

The shares granted to Directors pursuant to Felda Global Ventures Holdings Berhad's Long Term Incentive Plan is set out below:

	Grant Date	Type Grant	Number of ordinary shares granted under LTIP			At 31.12.2017
			Date of appointment/ at 1.1.2017	Granted	(Vested)	
Dato' Zakaria Arshad	01.07.2016	RS	147,100	-	(44,100)	103,000
Dato' Zakaria Arshad	30.11.2017	RS	-	41,500	(41,500)	-
Dato' Khairil Anuar Aziz	01.07.2016	RS	36,200	-	(10,800)	25,400
Dato' Khairil Anuar Aziz	12.07.2017	RS	-	31,700	(31,700)	-

\* RS – restricted shares

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

### AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 10 to the financial statements.

### DIRECTORS' REMUNERATION

Details of Directors' remuneration are set out in Note 11 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 issuance premium paid by the Company during the financial year amounted to RM50,000.

## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) 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
  - (ii) 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.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) 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
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
  - (iii) 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.
- (c) At the date of this report, there does not exist:
- (i) 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
  - (ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.
- (d) No contingent or other liability in the Group has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability the Company and its subsidiaries to meet their obligations when they fall due.
- (e) 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 of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (f) In the opinion of the Directors,
- (i) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in the notes to the financial statements; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual in nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

## DIRECTORS' REPORT

### ULTIMATE HOLDING COMPANY

The Directors regard Felda Global Ventures Holdings Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the ultimate holding company.

### AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401 - LCA & AF 1146), have expressed their willingness to continue in office.

PricewaterhouseCoopers PLT (LLP0014401 - LCA & AF 1146) was registered on 2 January 2018, and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 22 March 2018. Signed on behalf of the Board of Directors:



**DATUK WIRA AZHAR ABDUL HAMID**  
CHAIRMAN



**DATO' KHAIRIL ANUAR AZIZ**  
DIRECTOR

Kuala Lumpur

# STATEMENT BY DIRECTORS

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

We, Datuk Wira Azhar Abdul Hamid and Dato' Khairil Anuar Aziz, two of the Directors of MSM Malaysia Holdings Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 125 to 192 are drawn up so as to give a true and fair view of the financial position of the Group and Company as at 31 December 2017 and of the financial performance and cash flows of the Group and the Company for the financial year ended in accordance with the Financial Reporting Standards in Malaysia and the requirements of the Companies Act 2016.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 March 2018.



**DATUK WIRA AZHAR ABDUL HAMID**  
CHAIRMAN



**DATO' KHAIRIL ANUAR AZIZ**  
DIRECTOR

Kuala Lumpur

# STATUTORY DECLARATION

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

I, Raja Faridah Raja Ahmad, the Officer primarily responsible for the financial management of MSM Malaysia Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 125 to 192 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



**RAJA FARIDAH RAJA AHMAD**

Subscribed and solemnly declared by the above named Raja Faridah Raja Ahmad at Kuala Lumpur in Malaysia on 22 March 2018, before me.

COMMISSIONER FOR OATHS



Lot 1.08, Tingkat 1.,  
Bangunan KWSP, Jln Raja Laut  
50350 Kuala Lumpur.  
Tel: 019-6680745



# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD  
(INCORPORATED IN MALAYSIA)  
(COMPANY NO. 935722-K)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the financial statements of MSM Malaysia Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with 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 2017 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 125 to 192.

### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the Directors made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD**  
**(INCORPORATED IN MALAYSIA)**  
**(COMPANY NO. 935722-K)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

Key audit matters	How our audit addressed the key audit matters
<p><b>Goodwill impairment assessment</b>  As at 31 December 2017, the Group has goodwill of RM576.2 million.</p> <p>We focused on this area as the recoverable amount of the cash generating unit ("CGU") is based on value-in-use ("VIU") calculations, which require management's judgment on the assumptions used in the calculations, in particular selling price, raw sugar price, sales volume and terminal value growth rate.</p> <p>Refer to Note 3(d) in the significant accounting policies, Note 5 in the critical accounting estimates and judgement and Note 18 to the financial statements.</p>	<p>We assessed the reasonableness of the discounted future cash flow projections prepared by management and our procedures included:</p> <ul style="list-style-type: none"> <li>• We evaluated the key assumptions used by management in the VIU calculations, in particular selling price, raw sugar price, sales volume, and terminal value growth rate by comparing with business plans, historical results and market trends;</li> <li>• We assessed the reliability of management's forecast through the review of past trends of actual financial performance against previous forecasted results;</li> <li>• We performed sensitivity analysis on selling price, raw sugar price, sales volume, terminal value growth rate and discount rate to evaluate the impact on the impairment assessment; and</li> <li>• We assessed the adequacy of the disclosures in the financial statements.</li> </ul> <p>Based on the procedures, we noted no significant exceptions.</p>

We have determined that there are no key audit matters for the Company to communicate in our report.

**Information other than the financial statements and auditors' report thereon**

The Directors of the Company are responsible for the other information. The other information comprises the Corporate Information, Chairman's Statement, Management Discussion and Analysis (including CEO's Review and Strategic Business Model), CFO's Review, Corporate Governance (including Board Governance & Risk Management Committee Report, Investment Committee Report and Nomination & Remuneration Committee Report) and Statement on Risk Management & Internal Control which we obtained prior to the date of this auditors' report, and Quarterly Financial Performance, Statement of Value Added and 5-year financial summary, which is expected to be made available to us after that date. The other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 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)**  
**(COMPANY NO. 935722-K)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**INDEPENDENT AUDITORS' REPORT**  
**TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD**  
**(INCORPORATED IN MALAYSIA)**  
**(COMPANY NO. 935722-K)**

**REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, as disclosed in Note 19 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



**AZIZAN ZAKARIA**  
2930/05/18 (J)  
Chartered Accountant

Kuala Lumpur  
22 March 2018



# STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	6	<b>2,656,053</b>	2,658,446	<b>68,610</b>	208,240
Cost of sales		<b>(2,510,256)</b>	(2,327,896)	-	-
Gross profit		<b>145,797</b>	330,550	<b>68,610</b>	208,240
Other operating income	7	<b>8,685</b>	6,500	-	-
Selling and distribution expenses		<b>(83,732)</b>	(98,406)	-	-
Administrative expenses		<b>(61,122)</b>	(80,081)	<b>(23,259)</b>	(27,007)
Other operating expenses		<b>(7,005)</b>	(5,570)	-	-
Other (losses)/gains – net	8	<b>(1,223)</b>	3,428	-	-
Profit from operations		<b>1,400</b>	156,421	<b>45,351</b>	181,233
Finance income	9	<b>5,293</b>	5,511	-	-
Finance costs	9	<b>(22,500)</b>	(13,417)	<b>(25,100)</b>	(2,648)
(Loss)/profit before zakat and taxation	10	<b>(15,807)</b>	148,515	<b>20,251</b>	178,585
Zakat	12	-	(2,000)	-	(500)
Taxation	13	<b>(16,767)</b>	(25,793)	<b>485</b>	(1,872)
(Loss)/profit for the financial year		<b>(32,574)</b>	120,722	<b>20,736</b>	176,213
<u>Items that may be subsequently reclassified to profit or loss</u>					
Currency translation difference		<b>3,292</b>	(2,213)	-	-
Cash flow hedges		<b>717</b>	-	<b>717</b>	-
Other comprehensive income/(loss) for the financial year		<b>4,009</b>	(2,213)	<b>717</b>	-
Total comprehensive (loss)/income for the financial year attributable to owners of the Company		<b>(28,565)</b>	118,509	<b>21,453</b>	176,213
Basic and diluted (loss)/earnings per share attributable to equity holders of the Company (sen)	14	<b>(4.63)</b>	17.17		

# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>ASSETS</b>					
<u>Non-current assets</u>					
Property, plant and equipment	16	<b>1,457,282</b>	950,408	<b>88,922</b>	91,214
Prepaid lease payments	17	<b>521</b>	601	-	-
Intangible assets	18	<b>644,572</b>	646,704	<b>4,965</b>	2,056
Investments in subsidiaries	19	-	-	<b>2,057,406</b>	2,057,406
Loans to subsidiaries	20	-	-	<b>589,579</b>	213,903
Receivables	21	<b>5,054</b>	4,640	-	-
Derivative financial instruments	26	<b>717</b>	-	<b>717</b>	-
Amount due from a related company	24	<b>4,245</b>	-	-	-
		<b>2,112,391</b>	1,602,353	<b>2,741,589</b>	2,364,579
<u>Current assets</u>					
Inventories	22	<b>718,045</b>	888,949	-	-
Receivables	21	<b>336,317</b>	350,392	<b>3,814</b>	1,078
Tax recoverable		<b>36,032</b>	29,520	<b>7,105</b>	4,580
Amounts due from subsidiaries	23	-	-	<b>57,297</b>	64,459
Amounts due from other related companies	24	<b>31,485</b>	14,326	<b>2,202</b>	-
Amount due from ultimate holding company	25	<b>605</b>	-	-	-
Loans to subsidiaries	20	-	-	<b>150,296</b>	100,000
Derivative financial instruments	26	<b>3,147</b>	1,970	-	-
Deposits, cash and bank balances	27	<b>170,527</b>	337,911	<b>41,617</b>	121,502
		<b>1,296,158</b>	1,623,068	<b>262,331</b>	291,619
Assets held for sale	28	-	7	-	-
Total assets		<b>3,408,549</b>	3,225,428	<b>3,003,920</b>	2,656,198

**STATEMENTS OF FINANCIAL POSITION**

AS AT 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>EQUITY AND LIABILITIES</b>					
<u>Capital and reserves</u>					
Share capital	29	<b>718,255</b>	351,490	<b>718,255</b>	351,490
Share premium	30	-	366,765	-	366,765
Reorganisation deficit	30	<b>(1,039,632)</b>	(1,039,632)	-	-
Merger relief reserve	30	<b>1,733,939</b>	1,733,939	<b>1,733,939</b>	1,733,939
Foreign exchange reserve	30	<b>1,079</b>	(2,213)	-	-
Cash flow hedge reserve	30	<b>717</b>	-	<b>717</b>	-
Retained earnings		<b>515,768</b>	576,461	<b>5,649</b>	13,032
Equity attributable to owners of the Company		<b>1,930,126</b>	1,986,810	<b>2,458,560</b>	2,465,226
<u>Non-current liabilities</u>					
Deferred tax liabilities	31	<b>78,675</b>	73,744	<b>403</b>	-
Borrowings	33	<b>370,339</b>	178,903	<b>370,339</b>	178,903
Payables	32	<b>32</b>	-	<b>32</b>	-
		<b>449,046</b>	252,647	<b>370,774</b>	178,903
<u>Current liabilities</u>					
Payables	32	<b>197,256</b>	465,856	<b>6,747</b>	8,139
Amounts due to subsidiaries	23	-	-	<b>1,651</b>	-
Loan due to a related company	24	<b>108,826</b>	156,452	-	-
Loan due to a subsidiary	23	-	-	<b>128,480</b>	-
Amounts due to other related companies	24	<b>467</b>	400	<b>11</b>	156
Amount due to FELDA	24	<b>561</b>	-	<b>511</b>	-
Amount due to ultimate holding company	25	<b>505</b>	6,963	<b>2,783</b>	3,774
Borrowings	33	<b>721,762</b>	356,300	<b>34,403</b>	-
		<b>1,029,377</b>	985,971	<b>174,586</b>	12,069
Total liabilities		<b>1,478,423</b>	1,238,618	<b>545,360</b>	190,972
Total equity and liabilities		<b>3,408,549</b>	3,225,428	<b>3,003,920</b>	2,656,198

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Group	Note	Share capital (Note 29) RM'000	Share premium (Note 30) RM'000	Reorgani- sation deficit (Note 30) RM'000	Merger relief reserve (Note 30) RM'000	Foreign exchange reserve (Note 30) RM'000	Cash flow hedge reserve (Note 30) RM'000	Retained earnings RM'000	Total RM'000
At 1.1.2017		351,490	366,765	(1,039,632)	1,733,939	(2,213)	-	576,461	1,986,810
Transition to no par value regime on 31 January 2017 under the Companies Act 2016		366,765	(366,765)	-	-	-	-	-	-
Loss for the financial year		-	-	-	-	-	-	(32,574)	(32,574)
Other comprehensive income:									
<u>Item that will be subsequently reclassified to profit or loss</u>									
- currency translation differences		-	-	-	-	3,292	-	-	3,292
- cash flow hedges		-	-	-	-	-	717	-	717
Total comprehensive income/(loss) for the financial year		-	-	-	-	3,292	717	(32,574)	(28,565)
<u>Transactions with owners:</u>									
Dividends	15	-	-	-	-	-	-	(28,119)	(28,119)
At 31.12.2017		718,255	-	(1,039,632)	1,733,939	1,079	717	515,768	1,930,126
At 1.1.2016		351,490	366,765	(1,039,632)	1,733,939	-	-	624,454	2,037,016
Profit for the financial year		-	-	-	-	-	-	120,722	120,722
Other comprehensive loss:									
<u>Item that will be subsequently reclassified to profit or loss</u>									
- currency translation differences		-	-	-	-	(2,213)	-	-	(2,213)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(2,213)	-	120,722	118,509
<u>Transactions with owners:</u>									
Dividends	15	-	-	-	-	-	-	(168,715)	(168,715)
At 31.12.2016		351,490	366,765	(1,039,632)	1,733,939	(2,213)	-	576,461	1,986,810

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Company	Note	Non-distributable			Distributable		Total RM'000
		Share capital (Note 29) RM'000	Share premium (Note 30) RM'000	Merger relief reserve (Note 30) RM'000	Cash flow hedge reserve (Note 30) RM'000	Retained earnings RM'000	
At 1.1.2017		351,490	366,765	1,733,939	-	13,032	2,465,226
Transition to nil par value regime on 31 January 2017 under the Companies Act 2016		366,765	(366,765)	-	-	-	-
Profit for the financial year		-	-	-	-	20,736	20,736
Other comprehensive income:							
<u>Item that will be subsequently reclassified to profit or loss</u>							
- cash flow hedges		-	-	-	717	-	717
Total comprehensive income for the financial year		-	-	-	717	20,736	21,453
<u>Transactions with owners:</u>							
Dividends	15	-	-	-	-	(28,119)	(28,119)
At 31.12.2017		718,255	-	1,733,939	717	5,649	2,458,560
At 1.1.2016		351,490	366,765	1,733,939	-	5,534	2,457,728
Profit and total comprehensive income for the financial year		-	-	-	-	176,213	176,213
<u>Transactions with owners:</u>							
Dividends	15	-	-	-	-	(168,715)	(168,715)
At 31.12.2016		351,490	366,765	1,733,939	-	13,032	2,465,226



# STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Loss)/profit for the financial year	<b>(32,574)</b>	120,722	<b>20,736</b>	176,213
Adjustments for:				
Taxation	<b>16,767</b>	25,793	<b>(485)</b>	1,872
Depreciation of property, plant and equipment	<b>47,925</b>	46,126	<b>2,234</b>	2,118
Gain on disposal of property, plant and equipment	<b>(210)</b>	(9)	-	-
Asset held for sale written off	<b>7</b>	-	-	-
Intangible assets written off	<b>500</b>	-	-	-
Property, plant and equipment written off	<b>8,188</b>	1,598	<b>500</b>	-
Amortisation of prepaid lease payments	<b>80</b>	86	-	-
Amortisation of intangible assets	<b>5,401</b>	5,794	<b>860</b>	216
Amortisation of advance payment	<b>928</b>	928	-	-
Unrealised loss/(gain) on derivatives	<b>3,147</b>	(1,970)	-	-
Dividend income	-	-	<b>(28,119)</b>	(180,715)
Interest income	<b>(5,293)</b>	(5,511)	<b>(29,300)</b>	(11,890)
Interest expense	<b>22,500</b>	13,417	<b>25,100</b>	2,648
Inventories written down	<b>3,518</b>	13,294	-	-
(Reversal of)/provision for onerous contracts	<b>(16,637)</b>	16,637	-	-
Unrealised gains on foreign currency exchange translation	<b>(3,329)</b>	(4,049)	-	-
Zakat	-	2,000	-	500
	<b>50,918</b>	234,856	<b>(8,474)</b>	(9,038)
Changes in working capital:				
Inventories	<b>167,386</b>	(172,333)	-	-
Receivables	<b>11,738</b>	75,587	<b>(2,735)</b>	5,040
Payables	<b>(230,150)</b>	246,874	<b>(3,669)</b>	(19,482)
Intercompany	<b>(27,839)</b>	(19,256)	<b>5,985</b>	86,428
Cash (used in)/generated from operations	<b>(27,947)</b>	365,728	<b>(8,893)</b>	62,948
Zakat paid	-	(2,000)	-	(500)
Tax paid	<b>(18,413)</b>	(58,652)	<b>(1,702)</b>	(6,493)
Tax refunded	<b>65</b>	-	<b>65</b>	-
Net cash (used in)/generated from operating activities	<b>(46,295)</b>	305,076	<b>(10,530)</b>	55,955

**STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	35	(548,662)	(206,057)	(451)	(2,269)
Purchase of intangible assets		(3,769)	(4,024)	(3,769)	(1,344)
Proceeds from disposal of property, plant and equipment		342	207	-	-
Interest received		5,293	5,511	26,202	11,890
Dividend received		-	-	28,119	180,715
Loans to subsidiaries		-	-	(422,873)	(278,903)
Repayment of loan by subsidiaries		-	-	-	143,201
Capital injection in subsidiaries		-	-	-	(30,000)
Net cash (used in)/generated from investing activities		(546,796)	(204,363)	(372,772)	23,290
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of loan due to a related company		78,495	520,946	-	-
Repayment of loan due to a related company		(126,121)	(424,494)	-	-
Drawdown of loan due to a subsidiary		-	-	162,023	-
Repayment of loan due to a subsidiary		-	-	(33,543)	-
Drawdown of borrowings		3,309,639	1,201,496	424,654	178,903
Repayment of borrowings		(2,757,487)	(1,025,830)	(203,561)	-
Dividends paid		(28,119)	(168,715)	(28,119)	(168,715)
Interest paid		(42,205)	(7,148)	(18,572)	(2,648)
Net cash generated from financing activities		434,202	96,255	302,882	7,540
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT					
		(158,889)	196,968	(80,420)	86,785
Effect of foreign exchange rate changes		(9,030)	1,836	-	-
CASH AND CASH EQUIVALENT AT THE BEGINNING OF THE FINANCIAL YEAR					
		322,706	123,902	106,297	19,512
CASH AND CASH EQUIVALENT AT THE END OF THE FINANCIAL YEAR					
	27	154,787	322,706	25,877	106,297

**STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Cash flows and non-cash changes arising from financing activities are as follows:-

**Group****2017**

	At 1 January RM'000	Cash drawdown RM'000	Cash repayment RM'000	Non-cash Accretion of interest RM'000	Dividend RM'000	At 31 December RM'000
Islamic term loan	178,903	424,654	(203,561)	4,746	-	404,742
Banker acceptance	356,300	2,864,985	(2,553,926)	-	-	667,359
Revolving credit	-	20,000	-	-	-	20,000
	535,203	3,309,639	(2,757,487)	4,746	-	1,092,101
Loan due to a related company	156,452	78,495	(126,121)	-	-	108,826
Interest payable	-	-	(42,250)	43,987	-	1,782
	691,655	3,388,134	(2,925,813)	48,733	-	1,202,709

**Company****2017**

	At 1 January RM'000	Cash drawdown RM'000	Cash repayment RM'000	Non-cash Accretion of interest RM'000	Dividend RM'000	At 31 December RM'000
Islamic term loan	178,903	424,654	(203,561)	4,746	-	404,742
Loan due to a subsidiary	-	162,023	(33,543)	-	-	128,480
Interest payable	-	-	(18,572)	20,354	-	1,782
	178,903	586,677	(255,676)	25,100	-	535,004

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 1 GENERAL INFORMATION

The Company is 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 45, Menara Felda, Platinum Park, No.11, Persiaran KLCC, 50088 Kuala Lumpur. The principal place of business of the Company is located at Level 44, Menara Felda, Platinum Park, No.11, Persiaran KLCC, 50088 Kuala Lumpur.

The principal activity of the Company is of investment holding. The principal activities of the subsidiaries are set out in Note 19 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 Felda Global Ventures Holdings Berhad ("FGVH"), a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

## 2 BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the Financial Reporting Standards ("FRS") and the requirements of the Companies Act 2016 in Malaysia.

The Group includes transitioning entities and has elected to continue to apply FRS during the financial year. The Group has adopted the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS") for annual period beginning on 1 January 2018. In adopting the new framework, the Group applies MFRS 1 "First-time adoption of MFRS".

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 FRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial period.

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

### (i) Accounting pronouncements that are effective and have been adopted by the Group and Company as at 1 January 2017:

- Amendments to FRS 107 "Statement of Cash Flows" - Disclosure Initiative
- Amendments to FRS 112 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to FRS 12 "Disclosures of Interests in Other Entities"

The adoption of the Amendments to FRS 107 has resulted in additional disclosure on changes in liabilities arising from financing activities. Other than such disclosure, the above amendments to existing standards did not have any significant impact on the financial statements of the Group and Company.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 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 2018 with earlier application permitted

New standards that are currently being assessed by the Directors and are expected to result in significant impact on the financial statements of the Group and Company:

- MFRS 9 “Financial Instruments” will replace MFRS 139 “Financial Instruments: Recognition and Measurement”.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income (“OCI”). The basis of classification depends on the entity’s business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). Gains or losses on the sale of financial assets at fair value through OCI will no longer be recycled to profit or loss on sale, but instead be reclassified from the fair value through OCI reserve to retained earnings.

A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than in profit or loss, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model (“ECL”) is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group and the Company has reviewed its financial assets and liabilities and is expecting the following impact of adoption of the new standard on 1 January 2018:

- The new impairment model requiring recognition of impairment provisions to be based on ECL rather than only retrospective provisioning of credit losses as in this case under MFRS 139. It applies to financial assets classified at amortised cost. Based on the assessments taken to date, the Group and the Company expects an insignificant impact on the loss allowance for trade receivables.
- When a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss. Based on the assessments taken to date, the Group and the Company does not expect any impact on its financial liabilities measured at amortised cost as they have not been previously modified.
- The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature of the Group’s and Company’s disclosures about its financial instruments particularly in the year of adoption of the new standard. Comparatives for financial year ended 31 December 2017 will not be restated.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

## 2 BASIS OF PREPARATION (CONTINUED)

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

Effective for annual periods beginning on or after 1 January 2018 with earlier application permitted (continued)

New standards that are currently being assessed by the Directors and are expected to result in significant impact on the financial statements of the Group and Company: (continued)

- MFRS 15 “Revenue from Contracts with Customers” replaces MFRS 118 “Revenue” and MFRS 111 “Construction Contracts” and related interpretations.

The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

The Group and the Company has assessed the effects of applying the new standard on the Group and the Company’s financial statements and has identified the followings area:

- Accounting for multiple element arrangements in contracts with customers – Where a contractual arrangement consists of two or more separate deliverables that have value to the customer on a stand-alone basis, revenue is recognised for each element as if it was an individual contract. Total contract consideration is allocated between separate deliverables based on their fair value. Identification of separate deliverables in relation to contracts with customers will affect the timing of the recognition of revenue moving forward. Judgement is applied in both identifying separate deliverables and allocating the consideration between them. The impact is not expected to be material to the opening retained earnings of the Group and Company as at 1 January 2018 as majority of existing contracts have already incorporated these separation of deliverables into value attached to each deliverable.
- The Group does not expect any material impact to the basis of recognition for its sale of goods and services rendered other than changes arising from the classification of rebates. The Company does not expect any material impact to the basis of recognition for its revenue from rendering of services.
- The Group intends to adopt the standard using full retrospective approach (with optional practical expedients) which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2017 and that comparatives will be restated.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 2 BASIS OF PREPARATION (CONTINUED)

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

Effective for annual periods beginning on or after 1 January 2018 with earlier application permitted (continued)

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:

- MFRS 141 "Agriculture" (effective 1 January 2012, but adopted by the Group after 1 January 2018 upon MFRS adoption)
- Amendments to MFRS 141 "Agriculture" and MFRS 116 "Property, Plant and Equipment" (effective 1 January 2017, but adopted by the Group after 1 January 2018 upon MFRS adoption)
- Annual Improvements to MFRS 1 "First-time Adoption of Malaysian Financial Reporting Standards"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

Effective for annual periods beginning on or after 1 January 2019 with earlier application permitted

New accounting standard, amendments to existing standards and accounting pronouncements that are currently being assessed by the Directors:

- MFRS 16 "Leases"
- IC Interpretation 23 "Uncertainty over Income Tax Treatments"
- Amendments to MFRS 9 "Financial Instruments" - Prepayment Features with Negative Compensation
- Annual Improvements to MFRS 3 "Business Combinations"
- Annual Improvements to MFRS 112 "Income Taxes"
- Annual Improvements to MFRS 123 "Borrowing Costs"

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 3(d)).

##### Predecessor accounting

Acquisitions of subsidiaries and businesses under common control that meet the conditions of a merger are accounted for using the predecessor basis of accounting.

Under the predecessor basis of accounting, the results of subsidiaries and businesses under common control are presented as if the business combination had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit or debit difference is classified as reorganisation reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

Non-controlling interests is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences or other reserves that relate to the subsidiary and is recognised in profit or loss.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the non-controlling interests.

In the Company's financial statements, investments in subsidiaries are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (Note 3(g)).

##### (b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (c) Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

##### (d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated statement of financial position as intangible assets. Negative goodwill represents the total of consideration transferred, non-controlling interest recognised and previously held interest measured being less than where the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

##### (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 is amortised when ready for use.

Intangible assets are amortised using the straight line basis over their estimated useful lives as follows:

Brand	25 years
Software	3 - 5 years

Amortisation on intangible assets under development commences when the assets are ready for their intended use.

The nature of the intangible assets are as follows:

- (i) Brand is related to a sugar brand 'Prai' acquired as part of the acquisition of the sugar business.
- (ii) Software relates to information technology ("IT") used within the Group.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

#### (f) Financial assets

##### Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### (ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables are as disclosed in Note 38.

##### Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

##### Subsequent measurement - gains and losses

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in profit or loss in the period in which the changes arise.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

##### Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

##### Offsetting

Financial assets and liabilities are offset and the net amount reported 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.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (g) Impairment of financial assets

###### Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty; granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties;
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) Adverse changes in the payment status of borrowers in the portfolio; and
  - (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

##### (h) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives in a loss position, if any, which are measured at fair value.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

#### (h) Financial liabilities (continued)

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. Any gains or losses arising from changes in fair value of derivatives are recognised in profit or loss. 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.

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 different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

#### (i) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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.

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:

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (i) Property, plant and equipment (continued)

Principal annual rates used are summarised as follows:

<u>Property, plant and equipment</u>	<u>Estimated useful lives (years)</u>
Leasehold land	66 - 99 years
Buildings	3 - 20 years
Plant and machinery	3 - 20 years
Furniture, fittings, equipment and motor vehicles	3 - 11 years
Bearer plants	
- Oil palms	22 years, or the lease term if shorter
- Rubber trees	20 years, or the lease term if shorter
- Mango trees	25 years, or the lease term if shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other operating income in profit or loss.

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(k) on impairment of non-financial assets.

##### (j) Inventories

Inventories which consist of raw materials, work-in-progress, finished goods, molasses and consumables are stated at lower of cost and net realisable value.

Cost is determined on the weighted average cost basis. Raw material cost comprises the landed cost of goods purchased and in the case of work-in-progress and finished goods, includes materials, direct labour, other direct charges and an appropriate proportion of factory overheads. Consumables comprise the actual purchase costs.

Net realisable value is the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (k) Impairment of non-financial assets

Assets that have an indefinite useful life for example goodwill or intangible asset not ready to use, are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current non-financial assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The impairment loss is charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets, except goodwill, are reviewed for possible reversal of impairment at each reporting date and is recognised in profit or loss.

The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

##### (l) Current and deferred income taxes

Tax expenses for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current and deferred tax is measured using the tax rates that have been enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries operate generate taxable income.

Deferred tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Tax benefits arising from reinvestment allowance are recognised when the tax credit is utilised.

##### (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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (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 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (o) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's and Company's activities. Revenue is presented net of goods and services tax, returns, rebates and discounts and after eliminating sales within the Group.

##### (i) Revenue from sale of goods

Revenue from sale of goods is recognised upon the delivery of goods, when significant risks and rewards of ownership of the goods are transferred to the buyer.

Bill and hold sales are sales contracts which, at customers' request, transfer legal title of inventories to customers before the inventories leave the warehouses. Bill and hold sales are recognised as revenue when legal title is transferred, on condition that it is probable that delivery will be made, the inventories are ready for delivery, are physically segregated from unsold inventories, the customer has specifically acknowledged deferred delivery instructions and usual payment terms apply.

##### (ii) Revenue from rendering of services

Revenue from rendering of services including management fees and transportation services are recognised when the services are performed by reference to completion of the specific services.

##### (iii) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

##### (iv) Dividend income

Dividend income is recognised when the shareholders' right to receive is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

##### (v) Rental income

Rental income related to rental of properties and plants are recognised over the period of tenancy or usage, as appropriate.

##### (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 statement of financial position date.

##### (q) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (r) Leases

###### Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

###### Operating leases – the Group as lessee

Operating leases payment are recognised as an expense on a straight-line basis over the period of the relevant lease period. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expenses over the lease term on a straight-line basis.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in profit or loss when incurred.

Payment for rights to use land and buildings over a predetermined period, is classified as prepaid lease payments and is stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid lease payments are amortised on a straight-line basis over lease periods ranging from 15 to 60 years.

###### Finance lease – the Group as lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of finance on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The finance element of the finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease expense.

##### (s) Employee benefits

###### (i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (s) Employee benefits (continued)

###### (ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred.

###### (iii) Termination benefits

The Group pays termination benefits in cases of termination of employment within the framework of the restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

##### (t) Equity instruments

Ordinary shares are classified as equity.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

##### (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 President and 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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: (continued)

##### (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.

##### (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. They are stated at the lower of their carrying amounts and fair value less costs 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).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

##### 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)'.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 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.

A 5% (2016: 5%) strengthening/weakening of the USD against Malaysia Ringgit ("RM") at the date of statement of financial position would have a higher/lower impact to Group's loss after tax (2016: lower/higher impact to Group's profit after tax) of approximately RM5,234,500 (2016: RM16,224,000).

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 RM315,000 (2016: profit after tax and equity would decrease or increase by RM194,000).



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial risk management policies (continued)**Market risk (continued)

## (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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Financial assets</u>				
<u>At fixed rate</u>				
Fixed deposits	88,201	245,593	39,992	120,472
Loans to subsidiaries	-	-	135,187	135,000
	88,201	245,593	175,179	255,472
<u>At floating rate (exposed to cash flow finance rate risk)</u>				
Loans to subsidiaries	-	-	604,688	178,903
	88,201	245,593	779,867	434,375

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	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Financial liabilities</u>				
<u>At fixed rate</u>				
Loan due to a related company	108,826	156,452	-	-
Borrowings	687,359	356,300	-	-
	796,185	512,752	-	-
<u>At floating rate (exposed to cash flow finance rate risk)</u>				
Borrowings	404,742	178,903	404,742	178,903
Loan due to a subsidiary	-	-	128,480	-
	404,742	178,903	533,222	178,903
	1,200,927	691,655	533,222	178,903

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 increase/decrease by RM404,742 (2016: profit after tax of the Group will decrease/increase by RM178,903).

Other financial assets and financial liabilities are non-finance bearing, and therefore are not affected by changes in finance rates.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (a) Financial risk management policies (continued)

###### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group adopts the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including bank guarantees and advance payment, to mitigate credit risk. The maximum exposures approximate the carrying amount of the financial assets.

###### Trade receivables

In addition, the trade receivable exposure is continuously closely monitored and followed up by finance and marketing department. The Group's ten major customers comprise 46% (2016: 36%) of trade receivables as at 31 December 2017.

###### 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.

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 RM88,201,000 (2016: RM245,593,000) and other liquid assets of RM82,326,000 (2016: RM92,318,000) that are expected to readily generate cash inflows for managing liquidity risk. At the reporting date, the Company held cash investments of RM39,992,000 (2016: RM120,472,000) and other liquid assets of RM1,625,000 (2016: RM1,030,000) that are expected to readily generate cash inflows for managing liquidity risk.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**4 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial risk management policies (continued)**Liquidity risk (continued)

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.

<b>Group</b>	<b>Less than 1 year RM'000</b>	<b>Between 1 and 2 years RM'000</b>	<b>Between 2 and 5 years RM'000</b>	<b>Over 5 years RM'000</b>	<b>Total RM'000</b>
<u>At 31 December 2017</u>					
Payables	197,256	32	-	-	197,288
Loan due to a related company	109,856	-	-	-	109,856
Amounts due to other related companies	467	-	-	-	467
Amount due to FELDA	561	-	-	-	561
Amount due to ultimate holding company	505	-	-	-	505
Borrowings	746,684	86,407	239,432	100,326	1,172,849
Total undiscounted financial liabilities	1,055,329	86,439	239,432	100,326	1,481,526
<u>At 31 December 2016</u>					
Payables	465,856	-	-	-	465,856
Loan due to a related company	163,492	-	-	-	163,492
Amounts due to other related companies	400	-	-	-	400
Amount due to ultimate holding company	6,963	-	-	-	6,963
Borrowings	363,868	7,568	183,522	-	554,958
Total undiscounted financial liabilities	1,000,579	7,568	183,522	-	1,191,669

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 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
<u>At 31 December 2017</u>					
Payables	6,747	32	-	-	6,779
Amounts due to subsidiaries	1,651	-	-	-	1,651
Amounts due to other related companies	11	-	-	-	11
Amount due to FELDA	511	-	-	-	511
Amount due to ultimate holding company	2,783	-	-	-	2,783
Loan due to a subsidiary	131,197	-	-	-	131,197
Borrowings	52,513	86,407	239,432	100,326	478,678
Total undiscounted financial liabilities	195,413	86,439	239,432	100,326	621,610
<u>At 31 December 2016</u>					
Payables	8,139	-	-	-	8,139
Amounts due to other related companies	156	-	-	-	156
Amount due to ultimate holding company	3,774	-	-	-	3,774
Borrowings	7,568	7,568	183,522	-	198,658
Total undiscounted financial liabilities	19,637	7,568	183,522	-	210,727

##### (b) Capital risk management policies

The Group's and Company's primary objectives on capital management policies are to safeguard the Group's and Company's ability to maintain healthy capital ratios to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and Company manage its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2017 and 31 December 2016.

The Group considers its debts and equity attributable to owners of the Company as capital and monitor capital using gearing ratio. This ratio is calculated as net debt divided by total capital of the Group and Company. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position) and loan due to a related company. At Company level, net debt also includes loan due to a subsidiary. Total capital is calculated as 'equity attributable to owners of the Company as shown in the consolidated statement of financial position plus the net debt of the Group and Company.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (b) Capital risk management policies (continued)

The gearing ratio analysis for the Group and the Company are as disclosed below:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Net debt	<b>1,200,927</b>	691,655	<b>533,222</b>	178,903
Equity attributable to owners of the Company	<b>1,930,126</b>	1,986,810	<b>2,458,560</b>	2,465,226
Total capital	<b>3,131,053</b>	2,678,465	<b>2,991,782</b>	2,644,129
Gearing ratio	<b>38%</b>	26%	<b>18%</b>	7%

The increase in the Group's and the Company's gearing ratio in 2017 resulted primarily from higher external loans obtained during the financial year for the purposes of construction of a new refinery in Johor by a subsidiary of the Group. See Note 33 to the financial statements on compliance to external financial covenants.

##### (c) Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2017 and 31 December 2016:

Group	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>Assets</b>				
<u>As at 31 December 2017</u>				
Derivatives used for hedging:				
- Islamic profit rate swap	<b>717</b>	-	<b>717</b>	-
Financial assets at fair value through profit or loss:				
Derivatives				
- Commodities futures contracts	<b>3,147</b>	<b>3,147</b>	-	-
	<b>3,864</b>	<b>3,147</b>	<b>717</b>	-
<u>As at 31 December 2016</u>				
Derivatives used for hedging:				
- Islamic profit rate swap	-	-	-	-
Financial assets at fair value through profit or loss:				
Derivatives				
- Foreign exchange forward contracts	29	-	29	-
- Commodities futures contracts	1,941	1,941	-	-
	1,970	1,941	29	-



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 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 2017 and 31 December 2016: (continued)

Company	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
<b>Assets</b>				
<u>As at 31 December 2017</u>				
Derivatives used for hedging:				
- Islamic profit rate swap	717	-	717	-
<u>As at 31 December 2016</u>				
Derivatives used for hedging:				
- Islamic profit rate swap	-	-	-	-

There were no transfers between levels 1 and 2 during the financial year.

##### (i) Financial instruments in Level 1

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

##### (ii) Financial instruments in Level 2

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

There are no offsetting financial assets and financial liabilities during the financial year.

#### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units ('CGU') to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

##### Goodwill (continued)

The recoverable amounts of CGUs were determined based on the higher of fair value less cost to sell or value-in-use ("VIU") calculations. The VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected future cash flows are estimates made based on historical, industry trends, general market and economic condition and other available information. Projected future cash flows are based on Group's judgment in terms of assessing future uncertain parameters such as selling price, raw sugar price, sales volume and terminal value growth rate. These judgments are based on the historical track record and expectations of future events that are believed to be reasonable under current circumstances.

As a result of these impairments assessments, the Group did not recognise any impairment. A forecast period of 3 years together with a terminal value growth rate was used to derive the recoverable amount.

The key assumptions and the sensitivity analysis are as disclosed in Note 18 to the financial statements.

#### 6 REVENUE

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue from sale of goods	<b>2,656,053</b>	2,658,446	-	-
Dividends from subsidiaries	-	-	<b>28,119</b>	180,715
Management fees	-	-	<b>9,989</b>	14,621
Interest income	-	-	<b>29,300</b>	11,890
Others	-	-	<b>1,202</b>	1,014
	<b>2,656,053</b>	2,658,446	<b>68,610</b>	208,240

#### 7 OTHER OPERATING INCOME

	Group	
	2017 RM'000	2016 RM'000
Rental income	<b>351</b>	143
Income from sale of scrap	<b>672</b>	1,451
Gain on disposal of property, plant and equipment	<b>210</b>	9
Unrealised gains on foreign currency exchange translation	<b>3,329</b>	4,049
Realised gains on foreign currency exchange translation	<b>3,180</b>	848
Others	<b>943</b>	-
	<b>8,685</b>	6,500

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 8 OTHER (LOSSES)/GAINS – NET

	Group	
	2017 RM'000	2016 RM'000
Unrealised fair value (losses)/gains – net		
- Sugar futures contracts	-	1,941
- Foreign currency exchange forward contracts	(3,147)	29
	(3,147)	1,970
Realised fair value gains – net		
- Foreign currency exchange forward contracts	1,924	1,458
	(1,223)	3,428

#### 9 FINANCE INCOME AND COSTS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Finance income:				
Interest income	5,293	5,511	-	-
Finance costs:				
Interest on:				
- bankers' acceptances	(21,200)	(11,840)	-	-
- Islamic term loan	(18,991)	(2,648)	(18,991)	(2,648)
- loan due to a related company	(3,796)	(3,624)	-	-
- loan due to a subsidiary	-	-	(1,363)	-
- unwinding of interest of Islamic term loan	(4,746)	-	(4,746)	-
	(48,733)	(18,112)	(25,100)	(2,648)
Amount capitalised on qualifying assets				
- property, plant and equipment (Note 16)	26,233	4,695	-	-
	(22,500)	(13,417)	(25,100)	(2,648)

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 10 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cost of raw sugar consumed	2,159,760	1,811,208	-	-
Changes in inventories of work in progress, refined sugar and molasses	(49,984)	4,615	-	-
Distribution and transport expenses	81,796	92,102	-	-
Natural gas and fuel consumed	67,479	68,122	-	-
Property, plant and equipment				
- Depreciation	47,925	46,126	2,234	2,118
- Write-offs	8,188	1,598	500	-
- Gain on disposal of property, plant and equipment	(210)	(9)	-	-
Assets held for sale written off	7	-	-	-
Intangible assets written off	500	-	-	-
Amortisation of prepaid lease payments	80	86	-	-
Amortisation of intangible assets	5,401	5,794	860	216
Amortisation of advance payment	928	928	-	-
Principal auditors' remuneration				
- Audit fee	450	378	159	150
- Other assurance services	270	259	270	259
Member firm of principal auditors' remuneration – Audit fee	231	178	-	-
Other auditors' remuneration				
- Non-audit	77	33	77	33
Inventories written down	3,518	13,294	-	-
Operating lease rental on land and buildings	287	307	-	-
Repair and maintenance	33,160	37,169	987	428
Tyre expenses	523	444	-	-
Diesel and fuel	1,989	1,648	-	-
Staff costs*	69,193	72,973	10,099	11,100
Rental income	(351)	(143)	(1,055)	(703)
Rental expenses	7,213	20,343	523	996
(Reversal of)/provision for onerous contracts	(16,637)	16,637	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 10 (LOSS)/PROFIT BEFORE ZAKAT AND TAXATION (CONTINUED)

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

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages, salaries and bonuses	53,378	53,808	7,684	7,844
Defined contribution plan	8,081	7,794	1,473	1,091
Other employee benefits	7,734	11,371	942	2,165
	69,193	72,973	10,099	11,100

#### 11 DIRECTORS' REMUNERATION

2017	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	739	-	739
- Non-Independent Non-Executive	600	-	600
- Executive Director	3	-	3
	1,342	-	1,342
Meeting allowances:			
- Independent Non-Executive	230	-	230
- Non-Independent Non-Executive	82	2	84
	312	2	314
Salaries, bonuses and allowances:			
- Executive Director	-	-	-
Defined contribution plan:			
- Executive Director	-	-	-
Benefit in kind:			
- Independent Non-Executive	119	-	119
- Non-Independent Non-Executive	23	-	23
	142	-	142
End of service gratuity			
- Executive Director	-	-	-
Other benefits:			
- Independent Non-Executive	44	-	44
	44	-	44
	1,840	2	1,842



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 11 DIRECTORS' REMUNERATION (CONTINUED)

2016	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	595	-	595
- Non-Independent Non-Executive	693	10	703
- Executive Director	-	24	24
	1,288	34	1,322
Meeting allowances:			
- Independent Non-Executive	174	-	174
- Non-Independent Non-Executive	68	-	68
	242	-	242
Salaries, bonuses and allowances:			
- Executive Director	1,451	-	1,451
Defined contribution plan:			
- Executive Director	221	-	221
Benefit in kind:			
- Independent Non-Executive	90	-	90
- Non-Independent Non-Executive	30	-	30
	120	-	120
End of service gratuity			
- Executive Director	200	-	200
Other benefits:			
- Independent Non-Executive	38	-	38
- Executive Director	141	-	141
	179	-	179
	3,701	34	3,735

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 12 ZAKAT

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Movement in zakat liability:				
At beginning of financial year	-	-	-	-
Current financial year's zakat expense	-	2,000	-	500
Zakat paid	-	(2,000)	-	(500)
At the end of financial year	-	-	-	-

#### 13 TAXATION

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Current tax	8,062	28,119	176	1,872
Under/(over) accrual in prior financial year	3,774	(692)	(1,064)	-
	11,836	27,427	(888)	1,872
Deferred tax (Note 31)	4,931	(1,634)	403	-
	16,767	25,793	(485)	1,872

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(Loss)/profit before taxation after zakat	(15,807)	146,515	20,251	178,585
Tax at Malaysian tax rate of 24% (2016: 24%)	(3,794)	35,163	4,860	42,860
Tax arising from:				
- expenses not deductible for tax purposes	6,032	2,133	2,468	2,384
- income not subject to tax	(937)	(3,327)	(6,749)	(43,372)
- different tax rate in other country	(1,585)	(7,484)	-	-
- under/(over) accrual in prior financial year	3,774	(692)	(1,064)	-
- impact of transfer pricing adjustments	10,826	-	-	-
- temporary differences previously not recognised as deferred tax	2,451	-	-	-
	16,767	25,793	(485)	1,872

During the financial year, additional tax liabilities of RM10,826,000 and RM4,842,000 had been recognised by the Group, which arose from transfer pricing adjustments in respect of certain intercompany transactions in 2017 and 2016 respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 14 (LOSS)/EARNINGS PER SHARE

	Group	
	2017 RM'000	2016 RM'000
(Loss)/profit for the financial year attributable to owners of the Company	(32,574)	120,722
Weighted average number of ordinary shares in issue ('000)	702,980	702,980
Basic and diluted (loss)/earnings per share (sen)	(4.63)	17.17

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

#### 15 DIVIDENDS

Dividends declared and paid in respect of the financial year are as follows:

	Group and Company			
	2017		2016	
	Gross dividend per share Sen	Amount of dividend RM'000	Gross dividend per share Sen	Amount of dividend RM'000
Final single tier dividend for the year ended 31 December 2015 - paid on 10 June 2016	-	-	14	98,417
Interim single tier dividend for the year ended 31 December 2016 - paid on 30 December 2016	-	-	10	70,298
Final single tier dividend for the year ended 31 December 2016 - paid on 13 June 2017	4	28,119	-	-
	4	28,119	24	168,715

The Board of Directors do not recommend the payment of any dividend in respect of the financial year ended 31 December 2017.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

**16 PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Assets under construction RM'000	Bearer plant – Oil Palm, Rubber and Mango RM'000	Total RM'000
<u>2017</u>								
<u>Cost</u>								
At 1.1.2017	15,950	212,303	93,639	444,592	50,394	315,056	48,423	1,180,357
Additions	-	-	481	41,784	1,792	504,639	14,868	563,564
Disposals	-	-	(11)	(1,047)	(65)	-	-	(1,123)
Write-offs	-	-	(3,785)	(8,101)	(1,017)	-	-	(12,903)
Reclassifications	-	-	544	25,678	33	(26,255)	-	-
Exchange rate differences	-	-	(351)	-	(25)	(69)	-	(445)
At 31.12.2017	15,950	212,303	90,517	502,906	51,112	793,371	63,291	1,729,450
<u>Accumulated depreciation</u>								
At 1.1.2017	-	16,169	29,035	169,099	15,541	-	2	229,846
Charge for the financial year	-	3,850	5,472	33,198	5,133	-	272	47,925
Disposals	-	-	(5)	(947)	(39)	-	-	(991)
Write-offs	-	-	(129)	(3,599)	(987)	-	-	(4,715)
At 31.12.2017	-	20,019	34,373	197,751	19,648	-	274	272,065
<u>Accumulated impairment</u>								
At 1.1.2017/ 31.12.2017	-	-	-	43	60	-	-	103
<u>Net book value</u>								
At 31.12.2017	15,950	192,284	56,144	305,112	31,404	793,371	63,017	1,457,282

# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Assets under construction RM'000	Bearer plant – Oil Palm, Rubber and Mango RM'000	Total RM'000
<u>2016</u>								
<u>Cost</u>								
At 1.1.2016	15,950	212,303	86,133	398,729	42,960	94,683	41,393	892,151
Additions	-	-	8,998	21,904	5,672	252,719	7,030	296,323
Disposals	-	-	(2,458)	(816)	(562)	-	-	(3,836)
Write-offs	-	-	(466)	(2,900)	(915)	-	-	(4,281)
Reclassifications	-	-	1,432	27,675	3,239	(32,346)	-	-
At 31.12.2016	15,950	212,303	93,639	444,592	50,394	315,056	48,423	1,180,357
<u>Accumulated depreciation</u>								
At 1.1.2016	-	12,660	26,188	139,875	11,317	-	1	190,041
Charge for the financial year	-	3,509	5,582	31,651	5,383	-	1	46,126
Disposals	-	-	(2,430)	(561)	(647)	-	-	(3,638)
Write-offs	-	-	(305)	(1,866)	(512)	-	-	(2,683)
At 31.12.2016	-	16,169	29,035	169,099	15,541	-	2	229,846
<u>Accumulated impairment</u>								
At 1.1.2016/ 31.12.2016	-	-	-	43	60	-	-	103
<u>Net book value</u>								
At 31.12.2016	15,950	196,134	64,604	275,450	34,793	315,056	48,421	950,408

Net book value of the assets pledged as security to borrowings for the Group and Company is RM84,875,000 (2016: RM86,358,000).

Included in the Group's assets under construction during the financial year are finance costs capitalised amounting to RM26,233,000 (2016: RM4,695,000) (Note 9).



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 16 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.

Group	Mature				Immature				Total bearer plant RM'000
	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	
<u>2017</u>									
<u>Cost</u>									
At 1 January 2017	-	24	-	24	1,608	46,140	651	48,399	48,423
Additions	-	-	-	-	-	14,755	113	14,868	14,868
Reclassification from/(to):									
- mature	1,608	853	397	2,858	(1,608)	(853)	(397)	(2,858)	-
At 31 December 2017	1,608	877	397	2,882	-	60,042	367	60,409	63,291
<u>Accumulated depreciation</u>									
At 1 January 2017	-	2	-	2	-	-	-	-	2
Charge for the financial year	219	37	16	272	-	-	-	-	272
At 31 December 2017	219	39	16	274	-	-	-	-	274
Net book value	1,389	838	381	2,608	-	60,042	367	60,409	63,017
<u>2016</u>									
<u>Cost</u>									
At 1 January 2016	-	24	-	24	1,608	39,287	474	41,369	41,393
Additions	-	-	-	-	-	6,853	177	7,030	7,030
Reclassification from/(to):									
- mature	-	-	-	-	-	-	-	-	-
At 31 December 2016	-	24	-	24	1,608	46,140	651	48,399	48,423
<u>Accumulated depreciation</u>									
At 1 January 2016	-	1	-	1	-	-	-	-	1
Charge for the financial year	-	1	-	1	-	-	-	-	1
At 31 December 2016	-	2	-	2	-	-	-	-	2
Net book value	-	22	-	22	1,608	46,140	651	48,399	48,421

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Total RM'000
<u>2017</u>			
At 1.1.2017	88,952	5,842	94,794
Additions	-	442	442
Write-offs	-	(500)	(500)
At 31.12.2017	88,952	5,784	94,736
<u>Accumulated depreciation</u>			
At 1.1.2017	2,594	986	3,580
Charge for the financial year	1,483	751	2,234
At 31.12.2017	4,077	1,737	5,814
<u>Net book value</u>			
At 31.12.2017	84,875	4,047	88,922
<u>2016</u>			
At 1.1.2016	88,952	3,573	92,525
Additions	-	2,269	2,269
At 31.12.2016	88,952	5,842	94,794
<u>Accumulated depreciation</u>			
At 1.1.2016	1,112	350	1,462
Charge for the financial year	1,482	636	2,118
At 31.12.2016	2,594	986	3,580
<u>Net book value</u>			
At 31.12.2016	86,358	4,856	91,214

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 17 PREPAID LEASE PAYMENTS

	Group	
	2017 RM'000	2016 RM'000
<u>Short-term leasehold land</u>		
<u>Cost</u>		
At 1 January/ 31 December	<b>1,684</b>	1,684
<u>Accumulated amortisation</u>		
At 1 January	<b>1,083</b>	997
Amortisation for the financial year	<b>80</b>	86
At 31 December	<b>1,163</b>	1,083
<u>Net book value</u>		
At 31 December	<b>521</b>	601

#### 18 INTANGIBLE ASSETS

	Group				Company
	Goodwill RM'000	Brand RM'000	Software RM'000	Total RM'000	Software RM'000
<u>Net book value</u>					
As at 1.1.2017	<b>576,240</b>	<b>62,395</b>	<b>8,069</b>	<b>646,704</b>	<b>2,056</b>
Additions	-	-	<b>3,769</b>	<b>3,769</b>	<b>3,769</b>
Write-offs	-	-	<b>(500)</b>	<b>(500)</b>	-
Amortisation charge for the financial year	-	<b>(3,226)</b>	<b>(2,175)</b>	<b>(5,401)</b>	<b>(860)</b>
As at 31.12.2017	<b>576,240</b>	<b>59,169</b>	<b>9,163</b>	<b>644,572</b>	<b>4,965</b>
<u>Net book value</u>					
As at 1.1.2016	576,240	66,677	5,557	648,474	928
Additions	-	-	4,024	4,024	1,344
Amortisation charge for the financial year	-	(4,282)	(1,512)	(5,794)	(216)
As at 31.12.2016	576,240	62,395	8,069	646,704	2,056

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 18 INTANGIBLE ASSETS (CONTINUED)

	Group			Company
	Goodwill RM'000	Brand RM'000	Software RM'000	Software RM'000
<u>2017</u>				
Cost	576,240	86,033	13,167	6,121
Accumulated amortisation	-	(26,864)	(4,004)	(1,156)
	576,240	59,169	9,163	4,965
<u>2016</u>				
Cost	576,240	86,033	9,905	2,352
Accumulated amortisation	-	(23,638)	(1,836)	(296)
	576,240	62,395	8,069	2,056

#### Goodwill

The goodwill relates to the acquisition of the sugar business and is allocated to the sugar segment. This represents the lowest level at which goodwill is monitored for internal management purposes.

The recoverable amount of the Cash Generating Unit ("CGU") is determined based on value-in-use ("VIU") calculations using cash flows projections based on financial budgets approved by the Directors covering a three-year period and applying a terminal value multiple using a long term sustainable growth rate.

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

Key assumptions	2017	2016
Selling price, RM/MT		
- Domestic	2,790	2,800
- Industry	2,291 - 2,414	2,711 - 2,991
- Export	1,971	2,206 - 2,480
Raw sugar price, US cents/lbs	16.0	17.3 - 20.3
Sales volume, MT'000	1,403.3 - 1,463.4	1,082.0 - 1,629.5
Terminal value growth rate %	2%	2%
Discount rate %	10% - 11%	10% - 11%

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 18 INTANGIBLE ASSETS (CONTINUED)

##### Goodwill (continued)

##### (i) Selling price

Selling price is assumed based on ceiling price set by Government for domestic on 1 March 2017. 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 industry and 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. A higher discount rate of 11% was applied on MSM Johor due to uncertainties in the projected sales volume.

Other than as disclosed below, there is no reasonably possible change in any of the above key assumptions, which would cause the carrying value of the CGU to exceed its recoverable amount.

##### 2017

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM50/MT	668,000
Raw sugar price	Increase in raw sugar prices by 1 cent/lbs	636,000
Sales volume	Reduce by 5%	628,000
Discount rate	Increase by 1%	320,000

The recoverable amount calculated based on VIU exceeded the carrying value by RM473 million. A reduction in selling price of RM7.50/MT, increase in raw sugar price by 0.2 cents/lbs, reduction in sales volume by 2% and increase in discount rate by 0.25% 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 2017

#### 18 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

2016

Key assumptions	Sensitivity	VIU lower by RM'000
Selling price	Reduce by RM100/MT	1,400,000
Raw sugar price	Increase in raw sugar prices by 1 cent/lbs	923,000
Sales volume	Reduce by 10%	1,002,000
Discount rate	Increase by 1%	553,000

The recoverable amount calculated based on VIU exceeded the carrying value by RM524 million. A reduction in selling price of RM37/MT, increase in raw sugar price by 0.6 cents/lbs, reduction in sales volume by 5% and increase in discount rate by 0.95% would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

The above sensitivity analysis is based on the assumptions while holding all other assumptions constant.

#### 19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
Unquoted investments, at cost		
At 1 January	2,057,406	2,027,406
Capital injection in a subsidiary	-	30,000
At 31 December	2,057,406	2,057,406

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 19 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	
			2017 %	2016 %	2017 %	2016 %
<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 and oil palm	100	100	100	100
MSM Trading & Distribution Sdn Bhd	Malaysia	Conduct commodity trading and related business activities	100	100	100	100
MSM Sugar Refinery (Johor) Sdn Bhd	Malaysia	Carry on business in sugar products and by-products	100	100	100	100
MSM Trading International DMCC*	United Arab Emirates	Raw and refined sugar trading	100	100	100	100
<u>Indirect subsidiaries</u>						
MSM Logistics Sdn Bhd	Malaysia	Provision of transportation services	-	-	100	100

\* Audited by an affiliate of PricewaterhouseCoopers Malaysia

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 20 LOANS TO SUBSIDIARIES

	Company	
	2017 RM'000	2016 RM'000
<u>Non-current assets:</u>		
Term loan - MSM Perlis Sdn Bhd	35,187	35,000
Islamic term loan - MSM Sugar Refinery (Johor) Sdn Bhd	554,392	178,903
	589,579	213,903
<u>Current assets:</u>		
Islamic term loan - MSM Sugar Refinery (Johor) Sdn Bhd	50,296	-
Revolving credit - MSM Perlis Sdn Bhd	100,000	100,000
	150,296	100,000
Total loans to subsidiaries	739,785	313,903

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

	2017 % per annum	2016 % per annum
Term loan	5.80	5.80
Islamic term loan	4.13 - 4.73	3.09 - 4.23
Revolving credit loans	4.11 - 4.24	4.11 - 4.58

- (a) Revolving credit loans to subsidiaries are unsecured, with interest charged at a rate which is at the prevailing rate based on a licensed bank's revolving credit facility rate on the day of the drawing. Subject to the provisions of the agreements, the amount of the facility shall be repaid at the end of every six (6) months from the date of the first drawing.
- (b) Term loan is unsecured, with interest charged at a rate which is at the prevailing rate based on a licensed bank's term loan facility rate on the day of the drawing. Subject to the provisions of the agreements, the amount of the facility shall be repaid commencing from the seventh (7) year from the date of the first drawing and shall be repaid fully at the tenth (10) year.

As at 31 December 2017 and 31 December 2016, the loans to subsidiaries are neither past due nor impaired.

The fair value of the non-current term loans to subsidiary, MSM Perlis Sdn Bhd, as at 31 December 2017 and 31 December 2016 are RM37,138,000 and RM33,435,000 respectively.

The fair value of the non-current Islamic term loan to a subsidiary, MSM Sugar Refinery (Johor) Sdn Bhd, as at 31 December 2017 and 31 December 2016 is approximate its carrying amount.

The fair value of the non-current loans to subsidiaries (term loan) and Islamic term loan are estimated based on the discounted cash flows using prevailing market interest rates for lending with similar risk profile and is within level 3 fair value hierarchy.

The fair value of the current loans to subsidiaries and Islamic term loan approximate their carrying amounts, as the impact of discounting is not significant.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 21 RECEIVABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Non-current asset:</u>				
Advance payment				
- supply and delivery of gas (Note (a))	3,712	4,640	-	-
- purchase of property, plant and equipment (Note (b))	1,342	-	-	-
	5,054	4,640	-	-
<u>Current assets:</u>				
Trade receivables	257,714	262,443	-	-
Other receivables	3,208	18,528	36	492
Deposits (Note (c))	37,450	48,461	11	11
Prepayments (Note (d))	7,168	7,086	1,430	575
Accrued income	-	-	2,337	-
Advance payment – supply and delivery of gas (Note (a))	928	928	-	-
GST receivables	29,849	12,946	-	-
	336,317	350,392	3,814	1,078
Total receivables	341,371	355,032	3,814	1,078

The receivables are denominated as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	297,149	301,792	3,814	1,078
US Dollar	44,222	53,240	-	-
	341,371	355,032	3,814	1,078

Credit term of trade receivables is between 30 to 60 days (2016: 30 to 60 days).

- On 28 February 2014, MSM Perlis Sdn Bhd signed the Gas Supply Agreement ('GSA') for the supply and delivery of gas to MSM Perlis Sdn Bhd. The GSA is effective from March 2014 and will expire on 31 December 2022. The advance payment is amortised over 106 months on a straight line basis starting from March 2014 based on the tenure of the GSA and the total amortisation expenses incurred during the financial year ended 31 December 2017 amounted to RM928,075 (2016: RM928,075).
- Included in non-current advance payment is an amount of RM1,342,000 (2016: Nil) which is related to down payment paid for purchase of property, plant and equipment.
- Included in deposits are deposits for sugar futures trading facilities of RM33,069,000 (2016: RM40,103,000).
- Included in prepayments as at 31 December 2017 is an amount of RM42,000 (2016: RM2,921,923) relating to insurance paid for the construction of the sugar refinery in Johor.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 21 RECEIVABLES (CONTINUED)

##### Group

##### Past due but not impaired

As at 31 December 2017, RM55,258,000 (2016: RM54,583,000) of receivables were past due but not impaired. These relate to a number of external parties where there is no expectation of default and there were receipts from these customers amounting to RM44,272,000 (2016: RM37,165,000) subsequent to period end. The ageing analysis of these receivables is as follows:

	No history of default RM'000	History of default RM'000	New customers RM'000	Total RM'000
<u>Group</u>				
<u>2017</u>				
Less than 30 days past due	45,319	-	766	46,085
Between 30 and 60 days past due	3,434	-	227	3,661
Between 61 and 90 days past due	1,556	-	62	1,618
Between 91 days and more than 1 year past due	3,894	-	-	3,894
At 31 December 2017	54,203	-	1,055	55,258
<u>2016</u>				
Less than 30 days past due	34,060	-	4	34,064
Between 30 and 60 days past due	10,254	-	-	10,254
Between 61 and 90 days past due	9,782	-	-	9,782
Between 91 days and more than 1 year past due	483	-	-	483
At 31 December 2016	54,579	-	4	54,583

##### Neither past due but not impaired

Trade and other receivables of RM205,664,000 (2016: RM226,388,000), which are neither past due nor impaired are not significantly impacted by credit and default risks.

##### Past due and impaired

There are no amounts that are past due and impaired.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 21 RECEIVABLES (CONTINUED)

The credit quality of trade receivables that are neither past due nor impaired can be assessed to historical information about counter party default rates:

	Group	
	2017 RM'000	2016 RM'000
Group 1	39,992	4
Group 2	165,672	226,384
Total unimpaired receivables	205,664	226,388

Group 1 – new customers (less than 6 months).

Group 2 – existing customers (more than 6 months) with no defaults in the past.

The fair value of the receivables, excluding prepayments and GST receivables, approximates their carrying value, as the impact of discounting is not significant.

#### Company

There are no amounts that are past due and impaired.

#### 22 INVENTORIES

	Group	
	2017 RM'000	2016 RM'000
Raw materials	363,209	475,918
Work-in-progress	32,360	20,087
Finished goods	77,439	39,850
Consumable stores	33,747	28,451
Molasses	581	459
Raw sugar in transit	210,709	324,184
	718,045	888,949

#### 23 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND LOAN DUE TO A SUBSIDIARY

Loan due to a subsidiary relates to a short term funding facility from a subsidiary. The loan is unsecured denominated in Ringgit Malaysia and the average interest rate of the loan is 4.23% per annum and repayable in 6 months from the drawdown date.

Amounts due from/(to) subsidiaries are unsecured, interest free, denominated in Ringgit Malaysia and have credit terms of 30 to 60 days (2016: 30 to 60 days).

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 23 AMOUNTS DUE FROM/(TO) SUBSIDIARIES AND LOAN DUE TO A SUBSIDIARY (CONTINUED)

##### Past due but not impaired

As at 31 December 2017, RM55,889,000 (2016: RM56,577,000) of the amounts due from subsidiaries were past due but not impaired. These relate to interest income and expenses paid on behalf of subsidiaries where there is no expectation of default. The ageing analysis of these balances is as follows:

	Company	
	2017 RM'000	2016 RM'000
Less than 30 days past due	7,235	64
Between 30 and 90 days past due	7,490	8,736
Between 91 days and 1 year past due	41,164	47,777
	<b>55,889</b>	56,577

##### Impaired and provided for

As at 31 December 2017 and 31 December 2016, none of the amounts due from subsidiaries were impaired and provided for.

The credit quality of subsidiaries that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Company	
	2017 RM'000	2016 RM'000
Group 2	1,408	7,882
Total unimpaired	<b>1,408</b>	7,882

Group 2 – existing subsidiaries (more than 6 months) with no defaults in the past

The fair value of the amounts due from/(to) subsidiaries approximates their carrying value, as the impact of discounting is not significant.

#### 24 AMOUNTS DUE FROM/(TO) OTHER RELATED COMPANIES, LOAN DUE TO A RELATED COMPANY AND AMOUNT DUE TO FELDA

Amounts due from/(to) other related companies are unsecured, interest free, have credit terms ranging from 30 to 60 days (2016: 30 to 60 days) and denominated in Ringgit Malaysia.

The credit quality of amounts due from other related companies that are neither past due nor impaired can be assessed to historical information about counterparty default rates:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Group 2	35,730	14,326	2,202	-
Total unimpaired	<b>35,730</b>	14,326	<b>2,202</b>	-

Group 2 – existing other related companies (more than 6 months) with no defaults in the past.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

### 24 AMOUNTS DUE FROM/(TO) OTHER RELATED COMPANIES, LOAN DUE TO A RELATED COMPANY AND AMOUNT DUE TO FELDA (CONTINUED)

Loan due to a related company relates to a short term funding facility from a subsidiary of the ultimate holding company. The average interest rate of the loan is 3.26% (2016: 4.58%) per annum.

Amount due to FELDA relates to office rental charges which is denominated in Ringgit Malaysia, unsecured and interest-free and repayable within 60 days.

The fair value of amounts due from/(to) other related companies, loan due to a related company and amount due to FELDA approximates their carrying value, as the impact of discounting is not significant.

### 25 AMOUNT DUE FROM/(TO) ULTIMATE HOLDING COMPANY

As at 31 December 2017 and 31 December 2016, 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 (2016: 90 days) and is denominated in Ringgit Malaysia, unsecured and interest free.

The fair value of amount due from/(to) ultimate holding company approximates its carrying value, as the impact of discounting is not significant.

### 26 DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2017		2016	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Non-current:</u>				
Islamic profit rate swap	717	-	-	-
<u>Current:</u>				
Foreign currency forward contracts	-	-	29	-
Sugar futures contracts	3,147	-	1,941	-
	<b>3,864</b>	<b>-</b>	<b>1,970</b>	<b>-</b>

	2017		2016	
	Notional amount RM'000	Derivative assets RM'000	Notional amount RM'000	Derivative assets RM'000
Foreign currency forward contracts	-	-	15,696	29
Sugar futures contracts	48,129	3,147	110,235	1,941
Islamic profit rate swap	317,380	717	-	-
	<b>365,509</b>	<b>3,864</b>	<b>125,931</b>	<b>1,970</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 26 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

##### Company

	2017		2016	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Non-current:				
Islamic profit rate swap	717	-	-	-

	2017		2016	
	Notional amount RM'000	Derivative assets RM'000	Notional amount RM'000	Derivative assets RM'000
Islamic profit rate swap	317,380	717	-	-

The Group and Company classifies derivative financial instruments as financial assets at fair value through profit or loss except for Islamic profit rate swap which is used for cash flow hedge.

#### 27 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the followings:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fixed deposits with				
- licensed investment bank in Malaysia	88,201	124,242	39,992	120,472
- licensed banks	-	121,351	-	-
	88,201	245,593	39,992	120,472
Cash and bank balances	82,326	92,318	1,625	1,030
Deposits, cash and bank balances	170,527	337,911	41,617	121,502
Less: Restricted cash	(15,740)	(15,205)	(15,740)	(15,205)
Cash and cash equivalents	154,787	322,706	25,877	106,297

The effective interest rates of the fixed deposits range from 2.38% - 3.76% (2016: 2.90% to 3.84%) per annum for the Group and range from 3.14% - 3.75% (2016: 3.08% to 3.76%) per annum for the Company respectively. All fixed deposits have original maturity terms of 3 months or less (2016: 3 months or less).

Bank balances are deposits held at call with banks and earn no interest.

Restricted cash relates to bank balance pledged in order to obtain certain bank facilities.

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Ringgit Malaysia	111,415	291,605	41,617	121,502
US Dollar	58,571	45,194	-	-
AE Dirham	541	1,112	-	-
	170,527	337,911	41,617	121,502

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 27 CASH AND CASH EQUIVALENTS (CONTINUED)

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

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
AAA	20,669	112,867	15,740	37,902
A2	30,781	-	24,252	-
AA1	-	-	-	82,570
AA2	30,827	131,847	-	-
AA3	5,924	879	-	-
	88,201	245,593	39,992	120,472

AAA - A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term financial institution rated assigned by RAM Ratings.

AA - A financial institution rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.

A - A financial institution rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.

For long-term ratings, RAM Ratings applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscripts 1 indicates that the financial institution ranks at the higher end of its generic rating category; the 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.

#### 28 ASSETS HELD FOR SALE

The details are as follows:

	Plant and machinery RM'000	Furniture and fittings, equipment and motor vehicles RM'000	Total RM'000
<u>Group</u>			
<u>2017</u>			
Property, plant and equipment at net book value			
At 1.1.2017	3	4	7
Write-offs	(3)	(4)	(7)
At 31.12.2017	-	-	-
<u>2016</u>			
Property, plant and equipment at net book value			
At 1.1.2016/31.12.2016	3	4	7



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 29 SHARE CAPITAL

	Group and Company			
	2017 Number of shares	2016 Number of shares	2017 RM'000	2016 RM'000
Authorised share capital:	-	1,000,000,000	-	500,000
Issued and fully paid up:				
<u>Ordinary shares</u>				
At 1 January	702,980,000	702,980,000	351,490	351,490
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016 (Note 30)	-	-	366,765	-
At 31 December	702,980,000	702,980,000	718,255	351,490

The Companies Act 2016 ("2016 Act") which came into effect on 31 January 2017 has repealed the Companies Act 1965. The 2016 Act has abolished the concept of par or nominal value of shares and hence, the share premium, capital redemption reserve and authorised capital are abolished. In accordance with section 618(2) of the 2016 Act, amount standing to the credit of the Company's share premium account of RM366,765,000 becomes part of the Company's share capital upon commencement of the 2016 Act.

#### 30 RESERVES

- (i) Share premium (non-distributable)

	Group and Company	
	2017 RM'000	2016 RM'000
At 1 January	366,765	366,765
Transition to no-par value regime on 31 January 2017 under the Companies Act 2016 (Note 29)	(366,765)	-
At 31 December	-	366,765

- (ii) Reorganisation deficit (non-distributable)

Reorganisation deficit comprises the difference between the fair value of 577,979,800 new ordinary shares issued at RM3.50 per share on 20 May 2011 and the carrying amounts of the sugar business as at January 2010. It is recognised as reorganisation deficit in accordance with the predecessor method of accounting.

- (iii) Merger relief reserve (non-distributable)

Merger relief reserve comprises the 577,979,800 new ordinary shares with a par value of RM0.50 each issued at a fair value of RM3.50 per share for the acquisition of entire equity interests in MSM Prai Berhad and MSM Perlis Sdn Bhd on 20 May 2011. The difference between par value and fair value is recognised as merger relief reserve in accordance with section 60(4) of the Companies Act 1965.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 30 RESERVES (CONTINUED)

##### (iv) Foreign exchange reserve

The foreign exchange reserve is used to record exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

##### (v) Cash flow hedge reserve

The Group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps which are designated in cash flow hedge relationships.

To the extent this hedge is effective, the change in fair value of the hedge instrument is recognised in the cash flow hedge reserve. The gain or loss relating to the effective portion of the interest rate swaps is reclassified to profit or loss and recognised within 'finance cost'.

#### 31 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Subject to income tax				
- Deferred tax liabilities	<b>78,675</b>	73,744	<b>403</b>	-

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	<b>4,325</b>	28,754	-	-
- Deferred tax liabilities to be recovered within 12 months	<b>74,350</b>	44,990	<b>403</b>	-
Deferred tax liabilities (net)	<b>78,675</b>	73,744	<b>403</b>	-
At 1 January	<b>73,744</b>	75,378	-	-
Charged/(credited) to profit or loss (Note 13):				
- property, plant and equipment	<b>9,557</b>	(2,042)	-	-
- payables and accruals	<b>(2,152)</b>	-	<b>(850)</b>	-
- intangible assets	<b>(906)</b>	(624)	<b>1,120</b>	-
- receivables	-	1,032	<b>133</b>	-
- unused tax losses	<b>(1,568)</b>	-	-	-
	<b>4,931</b>	(1,634)	<b>403</b>	-
At 31 December	<b>78,675</b>	73,744	<b>403</b>	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 31 DEFERRED TAX LIABILITIES (CONTINUED)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	69,130	59,573	-	-
- intangible assets	14,332	15,238	1,120	-
- receivables	-	-	133	-
	83,462	74,811	1,253	-
Offsetting	(4,787)	(1,067)	(850)	-
Deferred tax liabilities (after offsetting)	78,675	73,744	403	-
Deferred tax assets (before offsetting)				
- payables and accruals	3,219	1,067	850	-
- unused tax losses	1,568	-	-	-
	4,787	1,067	850	-
Offsetting	(4,787)	(1,067)	(850)	-
Deferred tax assets (after offsetting)	-	-	-	-

#### 32 PAYABLES

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Non-current liabilities:</u>				
Other payables	32	-	32	-
<u>Current liabilities:</u>				
Trade payables	91,775	240,661	-	-
Other payables	78,745	71,329	3,117	4,928
Provision for onerous contracts	-	16,637	-	-
Accruals	17,204	116,534	3,462	2,832
Unpaid balance for acquisition of property, plant and equipment (Note 35)	9,364	20,695	-	9
GST payables	168	-	168	370
	197,256	465,856	6,747	8,139
Total payables	197,288	465,856	6,779	8,139

Trade payables carry credit periods of between 30 days to 60 days (2016: 30 days to 60 days).

The fair value of the payables, excluding GST payables, approximate their carrying value, as the impact of discounting is not significant.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 32 PAYABLES (CONTINUED)

The payables are denominated as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
- Ringgit Malaysia	85,544	88,039	6,779	8,139
- United States Dollar	111,744	377,724	-	-
- Euro	-	22	-	-
- Thai Baht	-	3	-	-
- Japan Yen	-	68	-	-
	197,288	465,856	6,779	8,139

#### 33 BORROWINGS

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>Non-current liabilities:</u>				
Islamic term loans				
- Secured	370,339	178,903	370,339	178,903
<u>Current liabilities:</u>				
Islamic term loans				
- Secured	34,403	-	34,403	-
Bankers' acceptances				
- Unsecured	667,359	356,300	-	-
Revolving credit				
- Unsecured	20,000	-	-	-
	721,762	356,300	34,403	-
	1,092,101	535,203	404,742	178,903

All borrowings are denominated in Ringgit Malaysia.

#### Bankers' acceptances

The average interest rates of the borrowings range approximately 3.30% to 4.73% (2016: 3.09% to 4.23%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 33 BORROWINGS (CONTINUED)

##### Islamic term loans

The average interest rates of the borrowings range approximately 4.13% to 4.73% (2016: 3.09% to 4.23%) per annum.

As at 31 December 2017, the Islamic term loans which have a tenure of 8 years are secured against a leasehold land, debenture and certain bank balances of the Group.

The Group and the Company is required to comply with certain financial covenants i.e. consolidated net debt and financing to equity ratio, consolidated net debt and financing to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio and consolidated finance payment cover ratio.

During the financial year, the Group and the Company was not in compliance with certain financial covenants above. However, the Company had received 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 and that the financial covenants will be required to be met for the 12 month period ending 31 December 2019 and all times thereafter but subject to the following conditions:

- (a) No dividend declaration and/or payment by the Company without prior written consent from the financier until the financial covenants are complied with;
- (b) Letter of undertaking ("LOU") from FGVH to complete the construction of the new sugar refinery in Johor by second quarter of 2018.
- (c) The Company's ability to perform all obligations under and comply with all terms and conditions governing the facilities.

As at 31 December 2017, the Company met all the conditions stipulated in the letter of indulgence and the deferral of financial covenants continue to be effective. Therefore, except for the RM34.4 million due for repayment in 2018, loan balance of RM370.3 million due after 2018 has been classified as non-current liability as at 31 December 2017.

##### Revolving credit

The effective interest rate of the revolving credit ranges from 3.43% to 4.29% (2016: 3.09% to 4.23%) per annum. The unsecured revolving credit will be maturing in June 2018 (2016: Nil).

The fair value of borrowings approximate their carrying amount, as the impact of discounting is not significant.

#### 34 RELATED PARTY TRANSACTIONS

Federal Land Development Authority ("FELDA"), a significant shareholder of the Group's ultimate holding company, Felda Global Ventures Holdings Berhad ("FGVH"), owns 33.67% (2016: 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 FRS 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.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

Related parties and their relationship with the Group are as follows:

Related parties	Relationship
Federal Land Development Authority ("FELDA")	Significant shareholder of FGVH
Felda D'Saji Sdn Bhd ("D'Saji")	Subsidiary of FELDA
Felda Trading Sdn Bhd ("FTSB")	Subsidiary of FELDA
Felda Global Ventures Holdings Berhad ("FGVH")	Ultimate holding company
Felda Prodata Systems Sdn Bhd ("FPSB")	Subsidiary of FGVH
Felda Security Services Sdn Bhd ("FSS")	Subsidiary of FGVH
FGV Capital Sdn Bhd ("FGVC")	Subsidiary of FGVH
Felda Engineering Services Sdn Bhd ("FESSB")	Subsidiary of FGVH
FPM Sdn Bhd ("FPM")	Subsidiary of FGVH
MSM Sugar Refinery (Johor) Sdn Bhd ("MSM Johor")	Subsidiary company
MSM Logistics Sdn Bhd ("MSM Logistics")	Subsidiary company
MSM Prai Berhad ("MSM Prai")	Subsidiary company
MSM Perlis Sdn Bhd ("MSM Perlis")	Subsidiary company
MSM Trading & Distribution Sdn Bhd ("MSM Trading")	Subsidiary company
MSM Trading International DMCC ("MSM Trading International")	Subsidiary company

(a) Significant transactions with related parties

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
(i) Transactions with FGVH Group:				
- Management fees:				
- Current year	6,013	5,558	1,126	1,272
- Overcharged in prior year	(762)	-	(762)	-
	5,251	5,558	364	1,272
(ii) Transactions with FHB and subsidiaries of FHB:				
- FSS (security services)	1,159	919	45	33
- FPM (provision of plantation material)	582	-	-	-
- Other related parties	454	828	438	321
(iii) Transactions with FTSB:				
- Sales of refined sugar	21,253	25,803	-	-
(iv) Transaction with D'Saji				
- Provision of refreshment	70	73	70	-
(v) Transaction with FELDA				
- Rental	1,538	1,131	523	996
(vi) Transaction with FESSB				
- Installation and construction of utilities building	11,573	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (continued)

	Company	
	2017 RM'000	2016 RM'000
(vii) Transactions with subsidiaries:		
Dividends received from:		
- MSM Prai	28,119	106,423
- MSM Perlis	-	20,883
- MSM Trading International	-	53,409
Interest received/receivable from:		
- MSM Prai	97	538
- MSM Perlis	6,250	5,996
- MSM Johor	18,991	2,647
Management fees from:		
- MSM Prai	6,880	8,364
- MSM Perlis	2,967	5,888
- MSM Logistics	142	369

These transactions were undertaken on agreed terms between the related parties.

(b) Significant financial year end balances are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amount due to ultimate holding company, FGVH	(505)	(6,963)	(2,783)	(3,774)
Amount due from ultimate holding company, FGVH	605	-	-	-
Amounts due from/(to) other related companies				
<u>Due from</u>				
- FTSB	17,042	14,325	-	-
- Other related companies	18,688	1	2,202	-
	35,730	14,326	2,202	-
<u>Due to</u>				
- FELDA	(561)	-	(511)	-
- Other related companies	(467)	(400)	(11)	(156)
	(1,028)	(400)	(522)	(156)
Loan due to a related company, FGVC	(108,826)	(156,452)	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 34 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant financial year end balances are as follows: (continued)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Amounts due from subsidiaries:				
- MSM Perlis	-	-	17,599	19,561
- MSM Prai	-	-	4,027	5,793
- MSM Logistics	-	-	254	408
- MSM Johor	-	-	35,384	37,680
- MSM Trading	-	-	5	3
- MSM Trading International	-	-	28	1,014
	-	-	57,297	64,459
Amounts due to subsidiaries:				
- MSM Perlis	-	-	(6)	-
- MSM Prai	-	-	(1,363)	-
- MSM Johor	-	-	(282)	-
	-	-	(1,651)	-
Loans to subsidiaries, net of repayments:				
- MSM Perlis	-	-	135,187	135,000
- MSM Johor	-	-	604,688	178,903
	-	-	739,875	313,903
Loans due to a subsidiary, net of repayments:				
- MSM Prai	-	-	128,480	-

(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 11 to the financial statements.

The aggregate amount of emoluments received/receivable by key management personnel of the Group and Company during the year is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Fees	-	1,479	-	1,288
Salary, allowances and bonuses	8,652	5,032	3,785	3,286
Defined contribution plan	1,135	896	632	585
Other employee benefits	452	77	198	22
Total	10,239	7,484	4,615	5,181

Benefits-in-kind provided to key management personnel of the Group and of the Company amounted to RM42,000 (2016: RM19,457) and RM42,000 (2016: RM19,457) respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 35 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Aggregate cost of property, plant and equipment	563,564	296,323	442	2,269
Capitalisation of borrowing cost	(26,233)	(4,695)	-	-
Unpaid balances included in other payables and accruals (Note 32)	(9,364)	(20,695)	-	(9)
Cash paid in respect of previous financial years acquisition	20,695	9,755	9	9
Utilisation of deposit paid in previous financial year	-	(74,631)	-	-
	548,662	206,057	451	2,269

#### 36 OPERATING LEASE COMMITMENTS

The Group leases premises from various parties under operating lease arrangements. These leases are non-cancellable and typically run for a period.

None of the leases includes contingent rentals. There are no restrictions placed upon the Group by entering into these leases.

The future aggregated minimum lease payments under non-cancellable operating lease are as follows:

	Group	
	2017 RM'000	2016 RM'000
No later than 1 year	3,310	5,629
Later than 1 year and no later than 5 years	3,280	1,934
Later than 5 years	348	631
	6,938	8,194

#### 37 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment:				
- contracted and not provided for	299,953	494,293	-	-
- authorised and not contracted for	162,484	378,125	-	-
	462,437	872,418	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 38 FINANCIAL INSTRUMENTS

The analysis of classification of financial instruments are as follows:

Group	Loans and receivables		Financial assets at fair value through profit and loss	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>As at 31 December</u>				
<u>Financial assets</u>				
<u>Non-current assets</u>				
Derivative financial assets	-	-	717	-
Amount due from a related company	4,245	-	-	-
	4,245	-	717	-
<u>Current assets</u>				
Receivables (excluding prepayments, GST receivables and advance payments)	298,372	329,432	-	-
Amount due from ultimate holding company	605	-	-	-
Amounts due from other related companies	31,485	14,326	-	-
Derivative financial assets	-	-	3,147	1,970
Cash and cash equivalents	170,527	337,911	-	-
	500,989	681,669	3,147	1,970
Total financial assets	505,234	681,669	3,864	1,970

Group	Liabilities at amortised cost	
	2017 RM'000	2016 RM'000
<u>Financial liabilities</u>		
<u>Non-current liabilities</u>		
Borrowings	370,339	178,903
Payables	32	-
	370,371	178,903
<u>Current liabilities</u>		
Payables (excluding GST payables)	197,088	465,856
Amount due to ultimate holding company	505	6,963
Amounts due to other related companies	467	400
Amount due to FELDA	561	-
Loan due to a related company	108,826	156,452
Borrowings	721,762	356,300
	1,029,209	985,971
Total financial liabilities	1,399,580	1,164,874



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 38 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

Company	Loans and receivables		Financial assets at fair value through profit and loss	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<u>As at 31 December</u>				
<u>Financial assets</u>				
<u>Non-current asset</u>				
Loans to subsidiaries	589,579	213,903	-	-
Derivative financial assets	-	-	717	-
	589,579	213,903	717	-
<u>Current assets</u>				
Receivables (excluding prepayments and accrued income)	47	503	-	-
Amounts due from subsidiaries	57,297	64,459	-	-
Amount due from related company	2,202	-	-	-
Loans to subsidiaries	150,296	100,000	-	-
Deposits, cash and bank balances	41,617	121,502	-	-
	251,459	286,464	-	-
Total financial assets	841,038	500,367	717	-

Company	Liabilities at amortised cost	
	2017 RM'000	2016 RM'000
<u>As at 31 December</u>		
<u>Financial liabilities</u>		
<u>Non-current liabilities</u>		
Borrowings	370,339	178,903
Payable	32	-
	370,371	178,903
<u>Current liabilities</u>		
Payables (excluding GST payables)	6,579	7,769
Amount due to ultimate holding company	2,783	3,774
Amounts due to other related companies	11	156
Amount due to FELDA	511	-
Amounts due to subsidiaries	1,651	-
Loan due to a subsidiary	128,480	-
Borrowings	34,403	-
	174,418	11,699
Total financial liabilities	544,789	190,602

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 39 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the President and Group Chief Executive Officer. The President and Group Chief Executive Officer considers the business primarily a product perspective.

The reportable operating segments have been identified as follows:

- (i) Sugar - sugar refining 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 President and 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.

The segment information provided to the President and Group Chief Executive Officer for the reportable segments for the financial year is as follows:

	Sugar RM'000	Palm oil, rubber and mango RM'000	Reconciliation RM'000	Total RM'000
<u>31 December 2017</u>				
Total segment revenue	2,654,858	1,195	-	2,656,053
Finance income	5,293	-	-	5,293
Finance costs	(22,489)	(11)	-	(22,500)
Depreciation and amortisation	(49,480)	(2,315)	(1,611)	(53,406)
Loss before zakat and taxation	(6,619)	(5,630)	(3,558)	(15,807)
Taxation	(14,815)	-	(1,952)	(16,767)
Loss for the financial year				(32,574)
Total assets	3,111,305	153,270	143,974	3,408,549
Total liabilities	1,234,896	104,503	139,024	1,478,423
Additions to property, plant and equipment	548,254	14,868	442	563,564
Additions to intangible assets	-	-	3,769	3,769

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

#### 39 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the President/Chief Executive Officer for the reportable segments for the financial year is as follows: (continued)

	Sugar RM'000	Palm oil, rubber and and mango RM'000	Reconciliation RM'000	Total RM'000
<u>31 December 2016</u>				
Total segment revenue	2,657,934	512	-	2,658,446
Finance income	2,804	-	2,707	5,511
Finance costs	(10,767)	(2)	(2,648)	(13,417)
Depreciation and amortisation	(52,005)	(1)	-	(52,006)
Profit/(loss) before zakat and taxation	138,553	(6,369)	16,331	148,515
Zakat	(1,500)	-	(500)	(2,000)
Taxation	(23,920)	-	(1,873)	(25,793)
Profit for the financial year				120,722
Total assets	2,952,895	147,129	125,404	3,225,428
Total liabilities	(1,134,107)	(91,081)	(13,430)	(1,238,618)
Additions to property, plant and equipment	286,720	7,333	2,270	296,323
Additions to intangible assets	3,607	-	417	4,024

#### Analysis of revenue

The analysis of revenue by geographical locations is as follows:

	Group	
	2017 RM'000	2016 RM'000
Malaysia	<b>2,372,790</b>	2,422,106
Asia	<b>211,393</b>	118,282
Australia	<b>18,971</b>	20,393
Europe	<b>35,118</b>	36,273
Others	<b>17,781</b>	61,392
	<b>2,656,053</b>	2,658,446

All non-current assets other than financial instruments are located in Malaysia.

#### 40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 22 March 2018.

# ANALYSIS OF SHAREHOLDINGS

AS AT 22 MARCH 2018

Issued and Paid Up Share Capital : 702,980,000  
 Class of Shares : Ordinary share  
 Voting Right : One (1) vote per ordinary share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issues Shares
Less than 100	443	12.77	2,601	0.00
100 to 1,000	1,553	44.78	964,687	0.14
1,001 to 10,000	1,260	36.33	4,832,681	0.69
10,001 to 100,000	178	5.13	4,456,740	0.63
100,001 to less than 5% of issued shares	29	0.84	126,617,300	18.01
5% and above of issued shares	5	0.15	566,105,991	80.53
<b>Total</b>	<b>3,468</b>	<b>100.00</b>	<b>702,980,000</b>	<b>100.00</b>

## INFORMATION ON DIRECTORS SHAREHOLDINGS

No.	Name of Directors	Direct Interest	
		No. of Shares Held	% of Issued Shares
1.	Datuk Wira Azhar Abdul Hamid	-	-
2.	Dato' Zainal Haji Ismail	20,000	0.00
3.	Dato' Hajjah Rosni Haji Zahari	20,000	0.00
4.	Dato' Rosini Abd Samad	-	-
5.	Datuk Lim Thean Shiang	-	-
6.	Dato' Mohammad Fakhruddin Haji Mohd Ariff	-	-
7.	Datuk Hanapi Suhada	-	-
8.	Dato' Zakaria Arshad	-	-
9.	Dato' Khairil Anuar Aziz	-	-

### Notes:

The Directors' interest in shares of the Company and its related corporations are set out in the Directors' Report of the Financial Statements for the financial year ended 31 December 2017 on pages 116 to 117 of this Annual Report.

## 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.	Felda Global Ventures Sugar Sdn Bhd	281,369,800	40.03	-	-
2.	Koperasi Permodalan Felda Malaysia Berhad	107,393,952	15.28	-	-
3.	Felda Global Ventures Holdings Berhad	77,150,248	10.97	281,369,800*	40.03
4.	AmanahRaya Trustees Berhad	52,654,500	7.49	-	-
5.	Employees Provident Fund Board	47,537,491	6.76	-	-

\* Deemed interested by virtue of its interests in Felda Global Ventures Sugar Sdn Bhd, its wholly owned subsidiary.

**ANALYSIS OF SHAREHOLDINGS**

AS AT 22 MARCH 2018

**LIST OF TOP 30 SHAREHOLDERS**

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	FELDA GLOBAL VENTURES SUGAR SDN BHD	281,369,800	40.03
2.	FELDA GLOBAL VENTURES HOLDINGS BERHAD	77,150,248	10.97
3.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	66,305,852	9.43
4.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	52,654,500	7.49
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	47,559,791	6.77
6.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	41,088,100	5.84
7.	LEMBAGA TABUNG HAJI	35,000,000	4.98
8.	VALUECAP SDN BHD	16,779,100	2.39
9.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM WAWASAN 2020	15,563,400	2.21
10.	AMANAHRAYA TRUSTEES BERHAD AS 1MALAYSIA	12,768,700	1.82
11.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	10,698,100	1.52
12.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	8,260,200	1.18
13.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	7,220,000	1.03
14.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC EQUITY FUND	4,411,000	0.63
15.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD YAYASAN HASANAH (AUR-VCAM)	4,265,200	0.61
16.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM DIDIK	4,257,200	0.61
17.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT TREASURES FUND	4,099,900	0.58
18.	CARTABAN NOMINEES (ASING) SDN BHD GIC PRIVATE LIMITED FOR GOVERNMENT OF SINGAPORE (C)	582,500	0.08
19.	MAYBANK NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR MAYBANK ASSET MANAGEMENT SDN BHD (RESIDENT)	368,200	0.05
20.	BANK SIMPANAN NASIONAL	231,000	0.03
21.	BANK SIMPANAN NASIONAL	207,300	0.03
22.	CARTABAN NOMINEES (TEMPATAN) SDN BHD AIG MALAYSIA INSURANCE BERHAD	200,000	0.03
23.	KOH YONG KIANG	192,300	0.03
24.	BANK SIMPANAN NASIONAL	171,000	0.02
25.	BANK SIMPANAN NASIONAL	163,800	0.02
26.	BANK SIMPANAN NASIONAL	150,000	0.02
27.	PAK NGA PROPERTY SDN BHD	150,000	0.02
28.	SHAHRI BIN SHAMSUDDIN	150,000	0.02
29.	UNIVERSAL TRUSTEE (MALAYSIA) BERHAD KAF TACTICAL FUND	150,000	0.02
30.	CITIGROUP NOMINEES (ASING) SDN BHD SBL EXEMPT AN FOR UBS AG	111,000	0.02

# SUMMARY OF PROPERTIES OWNED BY MSM GROUP

AS AT 31 DECEMBER 2017

## PROPERTIES OWNED BY OUR GROUP

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 31/12/2017 (RM'000)
<b>MSM MALAYSIA HOLDINGS BERHAD</b>						
1.	PLO 46, Port Area, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, District of Johor Bharu, Johor	Leasehold	Factory land	50.630 acres	58	84,876
<b>MSM PRAI BERHAD</b>						
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		



## SUMMARY OF PROPERTIES OWNED BY MSM GROUP

AS AT 31 DECEMBER 2017

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 31/12/2017 (RM'000)
<b>MSM PRAI BERHAD (continued)</b>						
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	587
	5, Jalan Bakti, Kawasan Perindustrian Larkin, 80350 Johor Bahru, Johor.		Building	3,891 sq metres		
8.	H.S.(D) 119796, PT121676, Mukim Kelang, Daerah Klang, Selangor	Leasehold	Vacant land	10,670 sq metres	0	4,862
9.	H.S.(D) 119797, PT121677, Mukim Kelang, Daerah Klang, Selangor	Leasehold	Vacant land	9,697 sq metres	0	4,378
<b>MSM PERLIS SDN. BHD. (FACTORY)</b>						
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		6
			Factory Buildings	42,855 sq metres		8
2.	Pajakan Negeri, No. Hakmilik 58, Lot 3142, Mukim Chuping, Daerah Perlis, Negeri Perlis.	MSM Perlis Sdn Bhd (Factory)/ Leasehold	Tubewell area	28.715		47
			Building	236 sq metres		
<b>MSM PERLIS SDN. BHD. (PLANTATION)</b>						
1.	PN 37, Lot No: 2040, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	523.940		9,901
2.	PN 39, Lot No: 2035, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45years	Rubber & other crops plantation	1,268.108		23,962
3.	PN 40, Lot No: 2038, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	288.877		5,459
			Building	8,149.55 sq metres		
4.	PN 41, Lot No: 2041, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	92.202		1,743
5.	PN 43, Lot No: 2037, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold-45 years	Rubber & other crops plantation	277.178		5,237

## SUMMARY OF PROPERTIES OWNED BY MSM GROUP

### AS AT 31 DECEMBER 2017

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 31/12/2017 (RM'000)
<b>MSM PERLIS SDN. BHD. (PLANTATION) (continued)</b>						
6.	PN1755, Lot 18794, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold- 45 years	Rubber & other crops plantation	952.800		18,022
			Building	8,735.39 sq metres		
7.	PN1754, Lot 18795, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold- 46 years	Rubber & other crops plantation	10.150		189
8.	HS (D) 145, PT, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold- 46 years	Rubber & other crops plantation	1,027.862		19,488
9.	HS (D) 2587, PT349, Mukim Chuping, Perlis	MSM Perlis Sdn Bhd (Plantation)/ Leasehold- 56 years	Rubber & other crops plantation	12.841		250
			Building	713.68 sq metres		

# SUMMARY OF PROPERTIES LEASED BY MSM GROUP

AS AT 31 DECEMBER 2017

No.	Name of Lessor/Lessee or Landlord/ Tenant or Grantor/Grantee Lot. No./Postal address	Description of property/ Existing use	Built-up area/ Land area (square metre unless otherwise stated)	Tenure/ date of expiry	Rental per annum (Unless otherwise stated) (RM unless otherwise stated)
1.	H.S. (D) 28162, Lot 286, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang – Plot A & B.  798, Main Road, 13600 Prai, Penang	Property erected with molasses tanks, refined sugar warehouse, raw sugar warehouse, container parking area, railway lines and packaging materials warehouse	3,471.5/97,494 square feet	A lease for 30 years/ Expiring on 30 November 2024 with option to renew for another 30 years	26,323.00
2.	H.S. (D) 28162, Lot 286, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang – Plot D  798, Main Road, 13600 Prai, Penang	Property erected with raw warehouse and miscellaneous materials warehouse	5,374.7/ 96,140 square feet	A lease for 14 years/ Expiring on 31 May 2018 with option to renew for another 10 years	30,764.00
3.	H.S. (D) 28162, Lot 286, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang – Plot C  798, Main Road, 13600 Prai, Penang	Property erected with raw warehouse and miscellaneous materials warehouse	4,119.7/ 60,575 square feet	A lease for 30 years/ Expiring on 30 November 2024 with option to renew for another 30 years	16,355.00
4.	H.S. (D) 28137, Lot 287, Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang  798, Main Road, 13600 Prai, Penang	Property erected with raw warehouse and miscellaneous materials warehouse	72,451.4/ 605,484 square feet	A lease for 30 years/ Expiring on 30 November 2024 with option to renew for another 30 years	163,480
5.	Penang Port Commission (as lessor)/ Kilang Gula Felde Perlis Sdn Bhd (as lessee)  Bulk Cargo Terminal, 13600 Prai, Penang	Storage godown/ Currently used as a storage facility for refined sugar and raw sugar	7,580.12/ Not Applicable	A lease for 22 years/ Expiring on 31 January 2025	RM0.84 per square metre per month
6.	Level 44, Menara Felde, Platinum Park, 11 Persiaran KLCC 50088 Kuala Lumpur	Office space/ currently used at MSM's administrative office in KL	15,631 square feet	A lease for 3 years/ Expiring on 22 November 2019	120,358.70 per month
7.	PLO 46, Land at Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, Johor Bharu	Facility for Sugar Refinery	2,205,442.80 square feet	A lease for 60 years	RM40.00 psf

# LIST OF TOP 10 PROPERTIES OWNED BY MSM GROUP

AS AT 31 DECEMBER 2017

## PROPERTIES OWNED BY OUR GROUP

No.	Name of Registered owner/ Beneficial owner Lot. No./Leasehold period	Acquisition Date	Ownership	Land Area (hectares unless otherwise stated)	Approximate age of Plant & Building (years)	Age of Plant & Building (years)	NBV as at 31/12/2017 (RM'000)
1.	PLO 46, Port Area, Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, District of Johor Bharu, Johor	16.03.2015	Leasehold- 58 years	Factory Land	50.63 acres	-	84,876
2.	PN 39, Lot No : 2035, Mukim Chuping, Perlis	21.05.2011	Leasehold- 45 years	Rubber & other crops plantation	1,268.108	-	23,962
3.	HS (D) 145, PT, Mukim Chuping, Perlis	21.05.2011	Leasehold- 45 years	Rubber & other crops plantation	1,027.862	-	19,488
4.	PN1755, Lot 18794, Mukim Chuping, Perlis	21.05.2011	Leasehold- 45 years	Rubber & other crops plantation	952.800	-	18,022
				Building	8735.39 sq metres		
5.	PN 37, Lot No : 2040, Mukim Chuping, Perlis	21.05.2011	Leasehold- 45 years	Rubber & other crops plantation	523.940	-	9,901
6.	PN 40, Lot No : 2038, Mukim Chuping, Perlis	21.05.2011	Leasehold- 45 years	Rubber & other crops plantation	288.877	-	5,459
				Building	8,149.55 sq metres		
7.	PN 43, Lot No : 2037, Mukim Chuping, Perlis	21.05.2011	Leasehold- 45 years	Rubber & other crops plantation	277.178	-	5,237
8.	H.S.(D) 119796, PT121676, Mukim Kelang, Daerah Klang, Selangor	24.4.2013	Leasehold	Vacant land	10,670 sq metres	-	4,862
9.	H.S.(D) 119797, PT121677, Mukim Kelang, Daerah Klang, Selangor	24.4.2013	Leasehold	Vacant land	9,697 sq metres	-	4,378
10.	H.S.(D) 31964, PT 34446, Mukim Batu, Daerah Gombak, Negeri Selangor	15.9.1993	Freehold	Facility for sugar distribution and storage	1.214	24	2,228
				Building	903 sq metres		

# GROUP CORPORATE DIRECTORY

## HEAD OFFICES

1. **MSM Malaysia Holdings Berhad** (935722-K)  
Level 44, Menara Felda, Platinum Park,  
No.11, Persiaran KLCC,  
50088 Kuala Lumpur, Malaysia

Tel : +603 2181 5018  
Fax : +603 2181 5015

2. **MSM Prai Berhad** (3573-D)  
Level 44, Menara Felda, Platinum Park,  
No.11, Persiaran KLCC,  
50088 Kuala Lumpur, Malaysia

Tel : +603 2181 4818  
Fax : +603 2181 4825 (Accounts)  
: +603 2181 4812 / 4827 (Marketing)

3. **MSM Logistics Sdn Bhd** (208409-P)  
Level 44, Menara Felda, Platinum Park,  
No.11, Persiaran KLCC,  
50088 Kuala Lumpur, Malaysia

Tel : +603 2181 5018  
Fax : +603 2181 5015

## FACTORIES

4. **MSM Prai Berhad** (3573-D)  
798, Main Road, 13600 Prai, Seberang Prai,  
Pulau Pinang, Malaysia

Tel : +604 388 8888  
Fax : +604 390 8122 / 399 9140

5. **MSM Perlis Sdn Bhd** (10776-K)  
Postal Address : P.O Box 42, 01700 Kangar, Perlis, Malaysia  
Factory Address : Mukim Chuping, 02500, Chuping, Perlis,  
Malaysia

Tel : +604 944 1301 / 1302 / 1303  
Fax : +604 944 1027 / 1311

6. **MSM Sugar Refinery (Johor) Sdn Bhd** (1139464-W)  
Lot No. PTD 4966, Jalan Ipil 3,  
Tanjung Langsat Industrial Complex,  
81700 Pasir Gudang, Johor, Malaysia

Tel : +607 257 2888

## WAREHOUSES

7. **MSM Prai Berhad** (3573-D)  
Lot No.61, Jalan BRP 8/1V,  
Kawasan Perusahaan Bukit Rahman Putra,  
47000 Sungai Buloh, Selangor, Malaysia

Tel : +603 6157 6358  
Fax : +603 6157 5358

8. **MSM Prai Berhad** (3573-D)  
No.5, Jalan Bakti,  
Kawasan Perindustrian Larkin,  
80350 Johor Bharu, Johor, Malaysia

Tel : +607 238 3687  
Fax : +607 238 3766

## PLANTATION

9. **MSM Perlis Sdn Bhd** (10776-K)  
Postal Address : P.O Box 42, 01700 Kangar, Perlis, Malaysia  
Office Address : KM23, Jalan Kilang Gula Chuping,  
02400 Beseri, Perlis, Malaysia

Tel : +604 944 1002  
Fax : +604 944 1211

## TRADING

10. **MSM Trading International DMCC** (DMCC28344)  
No. Unit 404 & 405,  
Jumeirah Bay X3 Cluster X,  
Jumeirah Lakes Tower (JLT),  
Dubai, United Arab Emirates

Tel : +9714 557 4635  
Fax : +9714 552 9125

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN THAT** the Seventh (7<sup>th</sup>) Annual General Meeting of MSM Malaysia Holdings Berhad (“MSM” or “the Company”) will be held at the Banquet Hall 1, Level B2, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur, Malaysia on Tuesday, 26 June 2018, at 11:00 a.m., or any adjournment thereof, for the transaction of the following business:

## AGENDA

### As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.  
***Please refer to Explanatory Note 1***
2. To approve the payment of Directors’ fees amounting to RM1,342,867.00 in respect of the financial year ended 31 December 2017.  
***Please refer to Explanatory Note 2*** ***(Resolution 1)***
3. To approve the payment of a portion of Directors’ fees payable to the Non-Executive Directors up to an amount of RM840,000.00 from 27 June 2018 until the next Annual General Meeting of the Company to be held in 2019.  
***Please refer to Explanatory Note 3*** ***(Resolution 2)***
4. To approve the payment of benefits payable to the Non-Executive Directors based on the remuneration structure as disclosed in Explanatory Note 4 for the period from 27 June 2018 until the next Annual General Meeting of the Company to be held in 2019.  
***Please refer to Explanatory Note 4*** ***(Resolution 3)***
5. To re-elect the following Directors who retire by rotation in accordance with Article 93 of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:
  - i) Dato’ Rosini Abd Samad
  - ii) Datuk Hanapi Suhada***Please refer to Explanatory Note 5*** ***(Resolution 4)***  
***(Resolution 5)***
6. To re-elect the following Directors who retire by rotation in accordance with Article 99 of the Company’s Articles of Association and who, being eligible, offer themselves for re-election:
  - i) Datuk Wira Azhar Abdul Hamid
  - ii) Dato’ Khairil Anuar Aziz***Please refer to Explanatory Note 6*** ***(Resolution 6)***  
***(Resolution 7)***
7. To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2018 and to authorise the Board of Directors to determine their remuneration.  
***Please refer to Explanatory Note 7*** ***(Resolution 8)***



## NOTICE OF ANNUAL GENERAL MEETING

### As Special Business

To consider and if thought fit, to pass the following as Special Resolution:

#### 8. PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY

**(Resolution 9)**

**"THAT** approval be and is hereby given to revoke the existing Memorandum and Articles of Association (now known as the Constitution pursuant to the Companies Act, 2016) of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix II of the Circular to the Shareholders dated 23 April 2018 ("Constitution Circular") be hereby approved for adoption as the Constitution of the Company in substitution for and to the exclusion of all the existing Memorandum and Articles of Association thereof.

**AND THAT** the Board be and is hereby authorised to do all such acts, deeds and things and take all such steps as may be considered necessary and to assent to any modification, variation and/or amendment as may be required by the relevant authorities, to give full effect to the foregoing."

**Please refer to Explanatory Note 8 on Special Business**

To consider and if thought fit, to pass the following as Ordinary Resolutions:

#### 9. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR MSM HOLDINGS AND ITS GROUP OF COMPANIES ("MSM HOLDINGS GROUP") AND PROPOSED SHAREHOLDERS' MANDATE FOR THE NEW RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR THE MSM HOLDINGS GROUP

**(Resolution 10)**

**"THAT**, subject always to the Companies Act, 2016 ("Act"), the Memorandum and Articles of Association (now known as the Constitution pursuant to the Act) of MSM Holdings, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), other applicable laws, guidelines, rules and regulations, and the approval of the relevant governmental/regulatory authorities (where applicable), approval be and is hereby given to the Company and its subsidiaries to enter into all arrangements and/or transactions involving the interests of the related parties as specified in Appendix I of the Circular to the Shareholders dated 23 April 2018 ("RRPT Circular"), provided that such arrangements and/or transactions are:

- (i) recurrent transactions of a revenue or trading nature;
- (ii) necessary for the day-to-day operations;
- (iii) carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public; and
- (iv) not detrimental to the minority shareholders of the Company;

("Proposed Mandates");

**AND THAT** the Proposed Mandates shall commence immediately upon passing of this ordinary resolution and continue to be in force until:

- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM, at which time the Proposed Mandates will lapse, unless the Proposed Mandates are renewed by a resolution passed at the next AGM of the Company; or
- (b) the expiration of the period within which the next AGM is required by law to be held; or
- (c) the Proposed Mandates are revoked or varied by a resolution passed by the Shareholders of the Company in a general meeting of the Company,

whichever is the earlier;

## NOTICE OF ANNUAL GENERAL MEETING

**AND FURTHER THAT** authority be and is hereby given to the Directors of the Company and/or its subsidiaries to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to such transactions as authorised by this resolution and the Proposed Mandates."

**Please refer to Explanatory Note 9 on Special Business**

### 10. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016** **(Resolution 11)**

**"THAT**, pursuant to Section 75 of the Companies Act, 2016 and subject always to the Company's Articles of Association, the Listing Requirements and approvals of the relevant government/regulatory authorities, the Directors be and are hereby authorised to allot and issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion deem fit, provided that the aggregate number of shares to be allotted and issued pursuant to this resolution does not exceed ten percent (10%) of the issued share capital of the Company as at the date of such allotment **AND THAT** the Directors be and are also hereby authorised to obtain all necessary approvals from the relevant authorities for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

**Please refer to Explanatory Note 10 on Special Business**

### 11. To transact any other business of the Company for which due notice shall be given in accordance with the Company's Articles of Association and the Companies Act, 2016.

BY ORDER OF THE BOARD

**KOO SHUANG YEN (MIA 7556)**

Company Secretary  
Kuala Lumpur  
23 April 2018

## NOTES :

### 1. Proxy

- (i) A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. **Where a member appoints more than one (1) proxy, to attend, participate, speak and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.**
- (ii) Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA) which is exempted from compliance with provisions of subsection 25A(1) of SICDA.
- (iii) Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

- (iv) The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy.

- (v) **The instrument appointing a proxy shall be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan no later than Monday, 25 June 2018 at 1:00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

### 2. Members entitled to attend

For purposes of determining a member who shall be entitled to attend the 7<sup>th</sup> AGM, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd, in accordance with Article 58 of the Company's Articles of Association and Section 34(1) of SICDA, to issue a General Meeting Record of Depositors as at 12 June 2018. **Only a depositor whose name appears on the General Meeting Record of Depositors as at 12 June 2018 shall be eligible to attend, speak and vote at the AGM or appoint a proxy(ies) to attend, speak and/or vote on their behalf.**

## NOTICE OF ANNUAL GENERAL MEETING

### 3. Registration of Members/Proxies

**Registration of members/proxies attending the meeting will start at 8:30 a.m. on the day of the meeting and will remain open until such time as may be determined by the Chairman of the meeting.** Members/proxies are required to produce original MyKad or valid passport for registration and requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.

### 4. Voting

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), all resolutions set out in the Notice of the 7<sup>th</sup> AGM of MSM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling via e-voting process and to verify the results of the poll.

## EXPLANATORY NOTES ON ORDINARY BUSINESS :

### Explanatory Note 1:

#### Audited Financial Statements for the Financial Year Ended 31 December 2017

This agenda item is meant for presentation and discussion only as under the provisions of Section 340(1)(a) of the Companies Act, 2016 ("Act") and Article 130 of the Company's Articles of Association, the Audited Financial Statements does not require the final approval of shareholder and hence, will not be put for voting.

### Explanatory Note 2:

#### Resolution 1 – Payment of Directors' Fees for the Financial Year Ended 31 December 2017

Section 230(1) of the Act provides amongst others, that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. In this respect, the Board agreed that the shareholders' approval shall be sought at the 7<sup>th</sup> AGM on the Directors' remuneration in three (3) separate resolutions as below:

- **Resolution 1** on payment of Directors' fees in respect of the preceding year 2017;
- **Resolution 2** on payment of a portion of Directors' fees payable to the Non-Executive Directors from 27 June 2018 until the next AGM of the Company in 2019 ("Relevant Period"); and
- **Resolution 3** on payment of benefits payable to the Non-Executive Directors in respect of the Relevant Period.

The Non-Executive Directors' annual fees structure are set out in the table below:

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

Please refer to page 159 of the Notes to the Financial Statements in the 2017 Annual Report for the amount of Directors' fees at the Company and Group levels, to be approved at this AGM under Ordinary Resolution 2. The detailed amount of the Directors' fees is set out in the Corporate Governance Overview Statement on page 087 of the 2017 Annual Report.

### Explanatory Note 3:

#### Resolution 2 – Directors' Fees Payable to the Non-Executive Directors

The proposed Ordinary Resolution 2, if passed, will allow the Company to pay a portion of Directors' fees of RM20,000.00 per month to the Non-Executive Chairman and RM5,000.00 per month to the Non-Executive Directors for the Relevant Period.

### Explanatory Note 4:

#### Resolution 3 – Benefits Payable to the Non-Executive Directors

The Company is seeking shareholders' approval on the benefits payable to the Non-Executive Directors for the Relevant Period in accordance with the remuneration structure (excluding Directors' fees) set out below:

Meeting Allowance	• Board and Board Committee meetings: RM2,000 per attendance
Benefits	<ul style="list-style-type: none"> <li>• Company car (Chairman only): one (1) Company car of at least 2000cc</li> <li>• Driver allowance: not more than RM2,500 per month</li> <li>• Security services allowance: not more than RM2,500 per month</li> <li>• Medical expenses, insurance coverage, travelling expenses and other claimable benefits</li> </ul>

Payment of the benefits payable will be made by the Company and its subsidiaries on a monthly basis and/or as and when incurred if the proposed Ordinary Resolution 3 is passed at the 7<sup>th</sup> AGM. The Board is of the view that it is just and equitable for the Directors to be paid benefits payable on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Relevant Period.

## NOTICE OF ANNUAL GENERAL MEETING

### **Explanatory Note 5:**

#### **Resolution 4 & 5 – Re-election of Directors who retire in accordance with Article 93 of the Company's Articles of Association**

Article 93 of the Company's Articles of Association states that at every AGM, at least one-third (1/3) of the Directors for the time being shall retire from office. In addition, all Directors shall retire from office at least once every three years. A retiring Director shall be eligible for re-election.

The Nomination and Remuneration Committee has recommended and the Board has approved the Directors to stand for re-election.

The independence of Dato' Rosini Abd Samad, who have served as Independent Non-Executive Directors of the Company has been assessed by the Nomination and Remuneration Committee and also affirmed by the Board to continue to act as Independent Non-Executive Directors of the Company. Dato' Rosini Abd Samad, who is standing for re-election has not exceeded the nine (9) years tenure as Independent Directors.

### **Explanatory Note 6:**

#### **Resolution 6 & 7 – Re-election of Directors who retire in accordance with Article 99 of the Company's Articles of Association**

Article 99 of the Company's Articles of Association stipulates that a Director appointed by the Board shall hold office until the conclusion of the next AGM of the Company and shall be eligible for re-election.

Datuk Wira Azhar Abdul Hamid and Dato' Khairil Anuar Aziz, who were appointed during the financial year, have successfully completed their Mandatory Accreditation Programmes pursuant to the provision of the MMLR.

### **Explanatory Note 7:**

#### **Resolution 8 – Re-appointment of Auditors**

The present Auditors, Messrs. PricewaterhouseCoopers PLT ("PwC"), have indicated their willingness to continue their services for another year. The Audit Committee and the Board have considered the re-appointment of PwC as Auditors of the Company and have collectively agreed that PwC has met the relevant criteria prescribed by Paragraph 15.21 of the MMLR.

### **Abstention from Voting**

- (i) All the Non-Executive Directors who are shareholders of the Company will abstain from voting on Ordinary Resolution 2, 3 and 4 concerning Directors' Fees and benefits payable at the 7<sup>th</sup> AGM.
- (ii) The Directors referred to in Ordinary Resolutions 4, 5, 6 and 7 who are shareholders of the Company will abstain from voting on the resolution in respect of her/his re-election at the 7<sup>th</sup> AGM.

### **EXPLANATORY NOTES ON SPECIAL BUSINESS:**

#### **Explanatory Note 8:**

#### **Resolution 9 – Proposed Adoption of the New Constitution of the Company**

The proposed Resolution 9 (Special Resolution), if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act, 2016 and will enhance administrative efficiency. The proposed new Constitution is set out in the Circular to Shareholders dated 23 April 2018 accompanying the Company's Annual Report 2017.

#### **Explanatory Note 9:**

#### **Resolution 10 – Proposed Renewal of Shareholders' Mandate ("Proposed Mandates") for Recurrent Related Party Transactions of a Revenue or Trading Nature**

The proposed Ordinary Resolution 10, if passed, will enable the Company and/or its subsidiary companies to enter into recurrent transactions involving the interests of the Related Parties, which are of a revenue or trading nature and necessary for the Group's day-to-day operations, subject to the transactions being carried out in the ordinary course of business on terms not favourable than those generally available to the public and are not detrimental to the minority shareholders of the Company.

Detailed information on the Propose Mandates is set out in the Circular to Shareholder dated 23 April 2018.

#### **Explanatory Note 10:**

#### **Ordinary Resolution 11 – Authority to Directors to Allot and Issue Shares**

The proposed Ordinary Resolution 11 is a new general mandate to be obtained from the Shareholders of the Company at this AGM and, if passed, will empower the Directors pursuant to Section 75 of the Companies Act, 2016 to allot and issue ordinary shares in the Company of up to an aggregate amount not exceeding ten percent (10%) of the issued share capital of the Company as at the date of such allotment of shares without having to convene a general meeting.

This general mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next annual general meeting of the Company. The general mandate from shareholders is to provide the Company flexibility to undertake any share issuance during the financial year without having to convene a general meeting.

The rationale for this proposed mandate is to allow for possible share issue and/or fund raising exercises including placement of shares for the purpose of funding current and/or future investment projects, working capital and/or acquisitions as well as in the event of any strategic opportunities involving equity deals which may require the Company to allot and issue new shares on an urgent basis and thereby reducing administrative time and costs associated with the convening of additional shareholders meeting(s). In any event, the exercise of the mandate is only to be undertaken if the Board considers it to be in the best interest of the Company.

# STATEMENT ACCOMPANYING NOTICE OF THE 7<sup>TH</sup> ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MMLR)

## 1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AND RE-APPOINTMENT AT THE 7<sup>TH</sup> AGM

- (a) Director who are standing for re-election in accordance with Article 93 of the Company's Articles of Association:
  - Dato' Rosini Abd Samad
  - Datuk Hanapi Suhada
- (b) Director who are standing for re-election in accordance with Article 99 of the Company's Articles of Association:
  - Datuk Wira Azhar Abdul Hamid
  - Dato' Khairil Anuar Aziz

The profile of the above mentioned Directors who are standing for re-election (as per Ordinary Resolutions 4 to 7 as stated above) at the 7<sup>th</sup> AGM of the Company are set out from pages 072 to 076 of the 2017 Annual Report.

None of the above Directors has any interest in the securities of the Company or its subsidiaries. The details of the Board of Directors shareholdings in the Company are set out in page 116 of the 2017 Annual Report.

## 2. ORDINARY RESOLUTION ON AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES

The details of the authority to Directors to allot and issue shares in the Company pursuant to Section 75 of the Companies Act, 2016 are provided under Explanatory Notes 10 on Special Business in the Notice of the 7<sup>th</sup> AGM set out on page 201.

# ADMINISTRATIVE DETAILS

## FOR THE SEVENTH ANNUAL GENERAL MEETING ("7<sup>TH</sup> AGM")

Event : 7<sup>th</sup> AGM  
 Date : 26 June 2018  
 Time : 11:00 a.m.  
 Venue : Banquet Hall 1, Level B2, Menara Felda, Platinum Park, No. 11 Persiaran KLCC, 50088 Kuala Lumpur

### PROXY

1. The instrument appointing a proxy shall be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan no later than Monday, 25 June 2018 at 1:00 p.m., and in default the instrument of Proxy shall not be treated as valid.
2. Only original duly executed Form of Proxy is acceptable. The duly executed Form of Proxy submitted via fax or email is not acceptable.
3. If you have submitted your Form of Proxy prior to the meeting and subsequently decided to attend the meeting yourself, please inform the Help Desk to cancel the Proxy Form.

### CORPORATE MEMBER

Any corporate member who wishes to appoint a representative instead of a proxy to attend to this AGM should lodge the certificate of appointment under the seal of the corporation at the Company's Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan **no later than Monday, 25 June 2018 at 1:00 p.m., and in default the instrument of Proxy shall not be treated as valid.**

### ENTITLEMENT TO ATTEND, SPEAK AND VOTE

Only shareholders' whose names appear in the Record of Depositors as at 12 June 2018 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at the AGM or appoint proxies to attend, speak and vote on such shareholders' behalf.

### REGISTRATION

1. Registration of members/proxies attending the Meeting **will start at 8:30 a.m. on the day of the Meeting and will remain open until such time as may be determined by the Chairman of the Meeting to facilitate the commencement of the poll voting.**
2. Please read the signage to ascertain which registration area to register yourself for the Meeting and join the queue accordingly.
3. Please produce your ORIGINAL MYKad or passport (for foreigners) during registration to the registration staff for verification. Only original MYKad or passport will be accepted as for purposes of identity verification. Please make sure you collect your MYKad or passport thereafter.
4. No person will be allowed to register on behalf of another person even with the original MYKad of that other person.

5. The registration counter will handle only verification of identity and registration. If you have any clarification or enquiry, please proceed to the Help Desk.

### HELP DESK

1. Please proceed to the Help Desk for any clarification or enquiry.
2. The Help Desk will also handle revocation of proxy's appointment.

### IDENTIFICATION WRISTBAND

1. Upon verification and registration, you will be given an identification wristband for you to enter to the Meeting Hall.
2. The identification wristband has to be worn during the whole duration of the AGM. There will be no replacement in the event that you lose or misplace the identification wristband.
3. No person will be allowed to enter the Meeting Hall without wearing the identification wristband.

### VOTING PROCEDURE

1. The voting at the AGM will be conducted on a poll.
2. Poll Administrator and Independent Scrutineers will be appointed respectively to conduct the polling via e-voting process and to verify the results of the poll.
3. All attendees at the AGM will be briefed and/or guided accordingly by the Poll Administrator before the commencement of and during the voting process.

### SEATING ARRANGEMENT FOR THE AGM

1. Free seating. All shareholders/proxies will be allowed to enter the Meeting Hall starting from 10:15 a.m. onwards.
2. All shareholders/proxies are encouraged to be seated at least five (5) minutes before the commencement of the AGM.

### DOOR GIFTS

1. As a token of appreciation, each member or proxy who is present at the AGM will be entitled to one (1) door gift only upon registration (per head count), irrespective of the number of members he/she represents.
2. A door gift coupon will be provided upon registration. Please bring your door gift coupon to the Door Gifts Counter to collect your door gift.



## ADMINISTRATIVE DETAILS

### FOR THE SEVENTH ANNUAL GENERAL MEETING ("7<sup>TH</sup> AGM")

#### REFRESHMENTS

Each shareholder or proxy who is present at the AGM will be entitled to one (1) food voucher only upon registration (per head count), irrespective of the number of members he/she represents.

#### PERSONAL BELONGINGS

Please take care of your personal belongings. The organiser will not be held responsible for any item that has gone missing.

#### PARKING

MSM provides free parking only at Park Safe, an open parking space located behind Menara Felda and Naza Tower located next to Menara Felda from 7:00 a.m. to 4:30 p.m. Please produce your parking ticket during registration for validation.

#### ENQUIRIES

Contact details for queries from shareholders pertaining to the registration and Proxy Form are as follows:

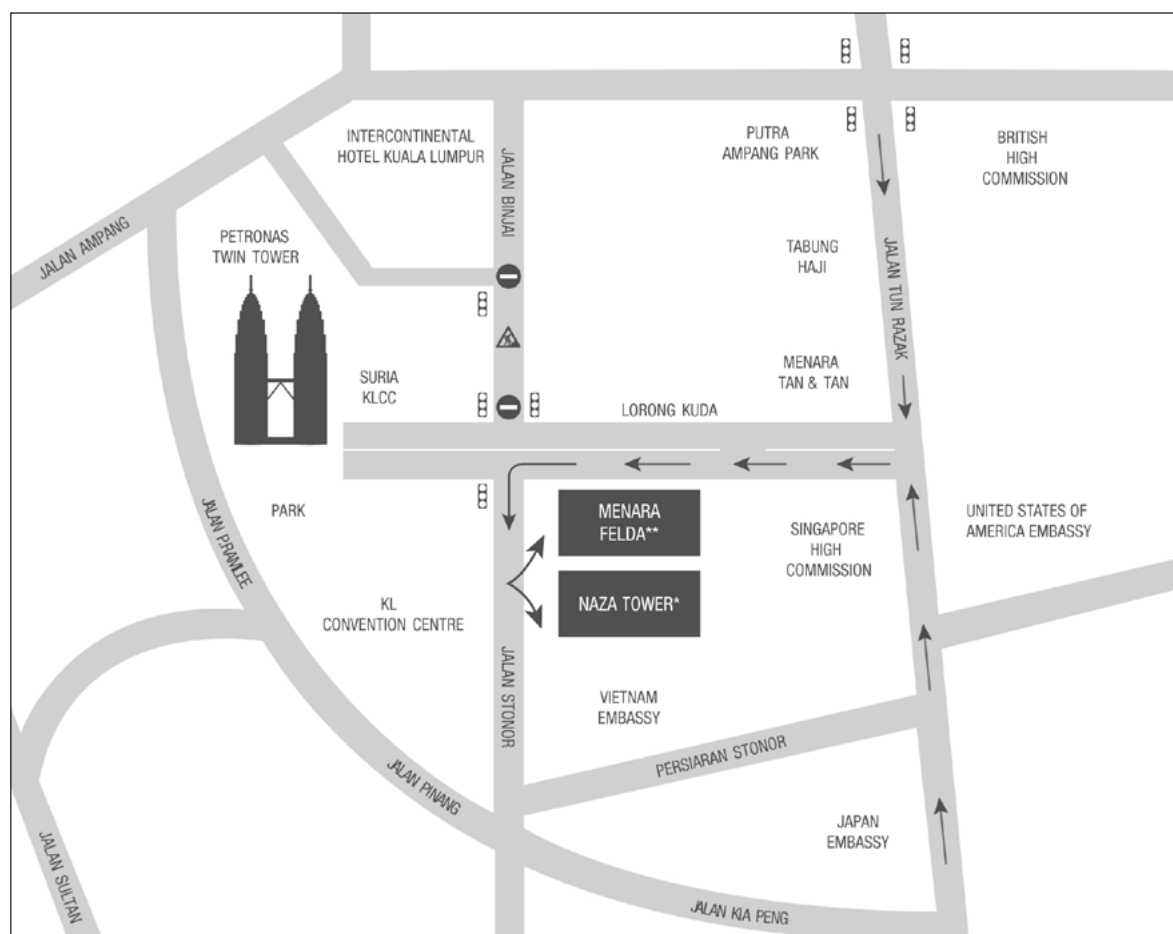
Tel (Help Desk) : +603 7849 0777

Fax : +603 7841 8151/8152

#### ANNUAL REPORT 2017

The Annual Report 2017 is available on Bursa Malaysia Berhad's website at [www.bursamalaysia.com](http://www.bursamalaysia.com) under Company Announcements of MSM Malaysia Holdings Berhad and also at the Company's website at [www.msmsugar.com](http://www.msmsugar.com).

#### LOCATION MAP FOR AGM & PARKING



Kindly take note that **the Company will not reimburse any parking or transportation cost incurred.**

# PROXY FORM



CDS Account No.	No. of Shares held

I/We \_\_\_\_\_  
(Full name in BLOCK LETTERS as per Identity Card (MYKAD/Passport/Certificate of Incorporation))

MYKAD/Passport No. (for non-Malaysian only)/Company No. : \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ (Address in full)

telephone no. \_\_\_\_\_ being a member of MSM MALAYSIA HOLDINGS BERHAD

("the Company"), hereby appoint \_\_\_\_\_  
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. (for non-Malaysian only): \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ (Address in full)

and/or failing him/her \_\_\_\_\_  
(Full name of proxy in BLOCK LETTERS as per MYKAD/Passport)

MYKAD/Passport No. (for non-Malaysian only): \_\_\_\_\_ of \_\_\_\_\_

\_\_\_\_\_ (Address in full)

and failing the abovenamed proxies, the Chairman of the Meeting, as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Seventh (7<sup>th</sup>) Annual General Meeting of the Company to be held at Banquet Hall 1 Menara Felda, Level B2, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur on Tuesday, 26 June 2018 at 11:00 a.m. and at any adjournment thereof. My/our proxy is to vote as indicated below:

NO. AGENDA				
1	To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon.			
ORDINARY BUSINESS		RESOLUTION	FOR	AGAINST
2	To approve the payment of Directors' fees of RM1,342,867.00 in respect of the financial year ended 31 December 2017.	1		
3	To approve the payment of a portion of Directors' fees payable to the Non-Executive Directors up to an amount of RM840,000.00 from 27 June 2018 until the next Annual General Meeting of the Company to be held in 2019.	2		
4	To approve the payments of benefits payable to the Non-Executive Directors based on the remuneration structure as disclosed in Explanatory Note 4 for the period from 27 June 2018 until the next AGM of the Company to be held in 2019.	3		
5	(i) To re-appoint Dato' Rosini Abd Samad who retires pursuant to Article 93 of the Articles of Association of the Company and who has offered herself for re-election.	4		
	(ii) To re-appoint Datuk Hanapi Suhada who retires pursuant to Article 93 of the Articles of Association of the Company and who has offered himself for re-election.	5		
6	(i) To re-appoint Datuk Wira Azhar Abdul Hamid who retires pursuant to Article 99 of the Articles of Association of the Company and who has offered himself for re-election.	6		
	(ii) To re-appoint Dato' Khairil Anuar Aziz who retires pursuant to Article 99 of the Articles of Association of the Company and who has offered himself for re-election.	7		
7	To re-appoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2018, and to authorise the Directors to fix the remuneration.	8		
SPECIAL BUSINESS				
8	Proposed Adoption of the New Constitution of the Company.	9		
9	Proposed Renewal Of Shareholders' Mandate And Proposed New Shareholders' Mandate ("Proposed Mandates").	10		
10	Authority to directors to allot and issue shares.	11		

(Please indicate with an "X" in the space whether you wish your votes to be cast for or against the resolutions. In the absence of such specific instructions, your proxy will vote or abstain as he thinks fit).

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

Signature(s)/Common Seal of Member(s)

The proportions of my/our holding to be represented by my/our proxies are as follows:

	No. of shares	Percentage
First Proxy		
Second Proxy		
<b>Total</b>		<b>100%</b>

**Notes:**

1. A member shall not be entitled to appoint more than two (2) proxies to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, to attend and vote at the same meeting, each proxy appointed shall represent a minimum of 100 shares and such appointment shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
2. Where a member of the Company is an exempt authorized nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (omnibus account), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorized nominee refers to an authorized nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA) which is exempted from compliance with provisions of subsection 25A(1) of SICDA.
3. Where an exempt authorized nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
4. The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorized in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorized attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor. A proxy may but need not be a Member of the Company and a Member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
5. The instrument appointing a proxy shall be deposited at the Share Registrar of the Company at Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan no later than Monday, 25 June 2018 at 1:00 p.m., and in default the instrument of Proxy shall not be treated as valid.
6. Members entitled to attend  
Only members registered in the General Meeting Record of Depositors as at 12 June 2018 shall be entitled to attend the Annual General Meeting or appoint a proxy/(ies) to attend and vote/or vote on their behalf.
7. Registration of Members/Proxies  
Registration of members/proxies attending the meeting will start at 8:30 a.m. on the day of the meeting and will remain open until such time as may be determined by the Chairman of the meeting. Members/proxies are required to produce original MyKad or valid passport for registration and requested to be punctual as the registration for attendance will be closed to facilitate the commencement of poll voting.
8. Voting  
Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of the 7<sup>th</sup> AGM of MSM will be put to vote by poll.

*please fold here to seal*



**Stamp**

**SHARE REGISTRAR**

Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan

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**MSM MALAYSIA HOLDINGS BERHAD** (935722-K)

Level 44, Menara Felda, Platinum Park

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50088 Kuala Lumpur

Tel No. : +603 2181 5018

Fax No. : +603 2181 5015

E-mail : [info@msmsugar.com](mailto:info@msmsugar.com)

Website : [www.msmsugar.com](http://www.msmsugar.com)

A Member of

