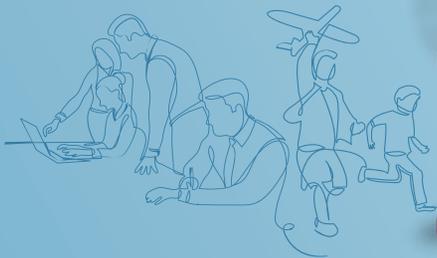




MSM MALAYSIA HOLDINGS BERHAD



GAINING TURNAROUND MOMENTUM

ANNUAL INTEGRATED REPORT 2021

COVER RATIONALE

GAINING TURNAROUND MOMENTUM

This year's theme highlights the steadfast execution and positive results reaped by MSM Malaysia Holdings Berhad's (MSM) Turnaround plan during the year under review. MSM Group is focused on the execution of its turnaround plan through asset optimisation, staying resilient with strengthened income streams and building integration for sustainable performance, supported by the strength of the "**Gula Prai**" brand as the third most chosen fast-moving consumer goods (FMCG) brand in Malaysia for FY2020.

This cover reflects MSM's leadership in Malaysia as the pioneering flagbearer of the sugar industry. The use of the Wau evokes a national feel and the upward trajectory, as indicated by the bird element, indicates clear focus and direction as MSM spreads its wings in the sugar business.

Illustrations of diverse stakeholders are rendered across the cover to depict MSM Group's core commitment to serve and deliver sustainable value that will elevate lives.

11th ANNUAL GENERAL MEETING

Online Meeting Platform

<https://meeting.boardroomlimited.my>
(Domain Registration No. with MYNIC – D6A357657)

Date

8 June 2022 (Wednesday)

Time

11.00 a.m.

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ABOUT THIS



INTRODUCTION TO THE 11TH ANNUAL INTEGRATED REPORT (AIR)

MSM's AIR for the year ended 31 December 2021 has been improved to meet all the principles of the International Integrated Reporting Framework (IIRF) developed by the International Integrated Reporting Council (IIRC). We also strive to continuously enhance the quality of information available to our stakeholders and reporting practices through adoption of the IIRF, in consonance with the recommendations in the Malaysian Code on Corporate Governance 2021 (MCCG 2021) on integrated reporting.

The report aims to provide our stakeholders with transparent, relevant and integrated information of our business strategy, performance, and future prospects in the context of Environment, Social and Governance (ESG), leading to the creation of stakeholder value over the short, medium and long-term. We are guided by our vision **"To be a World Class, Cost-Efficient and High-Performance Organisation with a Sustainable Business Model and Diverse Portfolio in the Food-Related Business"** and are resolute in our sustainable promise of **"Sweet Sustenance in a Responsible, Sustainable and Mindful Way"**. We intend to deliver this promise through enhancing our shareholder value, optimising growth and achieving a sustainable, balanced and integrated ESG performance by transforming our business model and reaping opportunities throughout the global food value chain.

Improvements of disclosure for FY2021 are evident in greater Investor Relations disclosure as described on page 108; update of our Business Model on page 94; and advancements in our Sustainability Journey "as a step towards meeting" the FTSE4Good Bursa Malaysia Index standards, expand our alignment to the core disclosures under the Global Reporting Initiative (GRI) standards as well as focus on promoting relevant United Nations Sustainable Development Goals (UN SDGs) into our strategies. The sustainability of our business shall continue to be strengthened as we review our ESG elements holistically across our business and operations.



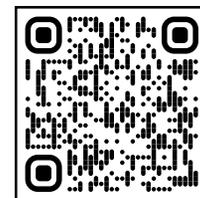
REPORTING FRAMEWORKS APPLIED

-  Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad
-  Malaysian Financial Reporting Standards (MFRS)
-  International Financial Reporting Standards
-  Companies Act 2016
-  Malaysian Code on Corporate Governance 2021 (MCCG 2021)
-  Global Reporting Initiative (GRI) Standards for Sustainability Reporting

The full report is also available online on our corporate website at:

 www.msmsugar.com

Access our 2021 Annual Integrated Reporting Suite online, by simply scanning the QR code below:



REPORT



REPORTING SCOPE AND BOUNDARY

This report covers our financial and non-financial performance during the period from 1 January 2021 to 31 December 2021. 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 Logistics Sdn Bhd and MSM Sugar Refinery (Johor) Sdn Bhd.

This report has been compiled in accordance with the concepts, guiding principles and content elements contained in the IIRC framework. This framework employs a reporting approach to create short, medium and long-term value as well as the connectivity and interdependencies of the six capitals, namely human, natural, manufactured, financial, intellectual, and social & relationship capital. Information presented relates to the principal activities of MSM Group and all its subsidiaries, unless stated otherwise.



THE SIX CAPITALS OF VALUE CREATION

Through this report, MSM hopes to give a comprehensive and holistic overview of the matters that influence our ability to create value, including market challenges, risk management, strategies, governance, initiatives and key developments.

MSM Group's focus on value creation is driven by the economic value we deliver and the sustainability of the communities that we serve. We relentlessly strategise on the mobilisation of our Six Capitals to coordinate, educate, support and collaborate with our stakeholders and monitor value creation outcomes to enhance resiliency. These capitals, as identified by the IIRC, have served as essential guides to help us achieve our strategic objectives. The capitals represent stores of value and each of them – Financial Capital, Natural Capital, Manufactured Capital, Intellectual Capital, Human Capital and Social & Relationship Capital – is important on how it impacts our business. MSM's business strategies revolve around maximising positive outcomes within these capitals, being mindful of the trade-offs between capitals, and mitigating negative impacts.

By reporting according to the Six Capitals, our stakeholders will be better informed and have a broader view of how the business strives to create net positive value. This approach also allows for more concise understanding of our value creation over time.

Our value creation Business Model that shows the inter-relatedness and dependencies between our Capitals and other factors that drive our value creation journey is disclosed on pages 94 to 95.



MATERIALITY

MSM applies the principle of materiality to determine the content of our integrated report and defines materiality as matters that substantially affect MSM Group's ability to create and sustain value over the short, medium and long-term. These matters were identified, prioritised and validated via a materiality assessment described in page 96. Subsequently, our key stakeholders were engaged throughout this process, and this has enabled MSM to incorporate their inputs into our business perspective. Our strategic responses to these material matters are presented in pages 96 to 101.



FORWARD LOOKING STATEMENT

MSM's forward looking statements are inclusive of MSM Group's future direction, strategies, and potential opportunities for growth. 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 are based on various assumptions and are subject to a number of risks, uncertainties and contingencies, many of which are beyond the control of MSM. Unanticipated events and actual future events may differ materially from current expectations due to new business opportunities, changes in priorities by the Group and other factors.



REPORTING INTEGRITY AND ASSURANCE

To uphold report quality and ensure that the information presented in this report is reliable, consistent and complete, this report has been reviewed by the Executive Committee. The report has further been reviewed by the Audit Committee and together with the Audited Financial Statements 2021, submitted to the Board for its final approval.

MSM's Board of Directors and Senior Management, has approved the contents of this Annual Integrated Report, guided by the requirements of the MCCG 2021, Companies Act 2016, the Listing Requirements of Bursa Malaysia and Sustainability Guidelines.

The financial report and statements have been audited by MSM's appointed external auditors, PricewaterhouseCoopers PLT (PwC) and is approved free of qualifications. The Board acknowledges responsibility for ensuring the integrity recommendations of the Annual Integrated Report, following recommendation by the Audit, Governance and Risk Committee, responsible for oversight of the annual integrated report. The external auditors have also provided a limited assurance review on our Statement on Risk Management and Internal Control (SORMIC).

ABOUT THIS REPORT

NAVIGATION ICONS

Throughout this report, the following navigation icons are used to link our six capitals, key stakeholders, strategic themes and enablers to material matters, risks, and performance.

OUR SIX CAPITALS



Financial Capital

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



Manufactured Capital

We produce the highest quality sugar with assured certifications. We also ensure availability of refined sugar through effective stock management. With our recent opening of the MSM Sugar Refinery (Johor) Sdn Bhd plant, we have increased production capacity to 2.05 million tonnes per annum, making MSM one of the largest sugar refiners in the world.



Intellectual Capital

Our strong brand, expertise, capabilities and established technologies steer our business success. We have over 50 years of industry experience. This has ensured our market share dominance in the domestic market. Our production is anchored on quality certified management processes and systems.



Natural Capital

Raw sugar and fuel are the natural capitals of our industry. We depend on reliable access to these to maintain smooth operations. Price of raw sugar has a great impact on our profit margin and is determined by open market commodity forces. As such, we have strong risk management in place through price hedging mechanism in meeting budgets. We build trusted relationships with raw sugar suppliers and exercise hedging strategies to optimise on better deals.



Human Capital

Our skilled employees, contract workers and experienced management team are our greatest assets. We have 1,033 employees which are considered skilled industry experts who provide us a competitive edge in helping us maintain market leadership. Via training and skill enhancement initiatives such as Staff Mobility Programme, we seek to maintain a good quality talent pool within the Group.



Social & Relationship Capital

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

STAKEHOLDERS



Consumers & Customers



Employees



Shareholders & Investment Community



Regulatory Agencies & Statutory Bodies



Vendors, Suppliers & Industry Partners



Media, NGOs & Communities

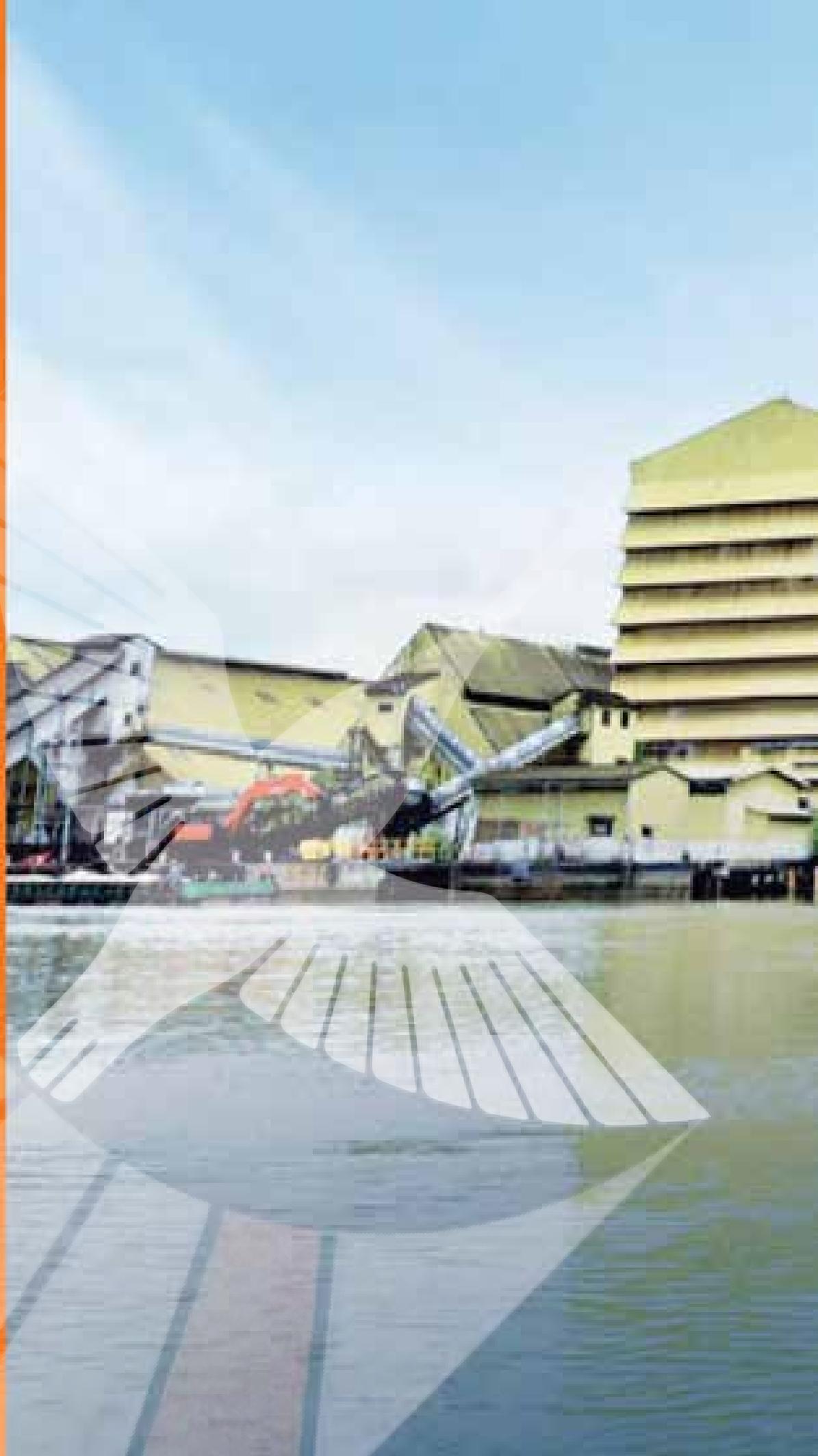
MATERIAL MATTERS

- M1** Service & Product Quality
- M2** Operational Performance
- M3** Occupational Safety & Health Performance
- M4** Governance
- M5** Macroeconomic Conditions
- M6** Financial Management
- M7** Resource Management
- M8** Talent management
- M9** Economic Impact
- M10** Community Empowerment

STRATEGIC DRIVERS

- S1** Improve MSM Johor's Production Capability, Yield and Refining Cost
- S2** Improve Sales & Distribution through Territory Consolidation and Area Demarcation
- S3** Increase Growth in Domestic Volume
- S4** Growth in Value Added Segment Sales
- S5** Strategic Capital Management
- S6** Export via Strategic Partnership
- S7** Monetise Non-core Assets

WHO WE ARE





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CORPORATE PROFILE

Incorporated on 10 March 2011, MSM is listed on the Main Market of Bursa Malaysia and has grown year-on-year market capitalisation to RM900 million as at 31 December 2021. A 57-year-old iconic home-grown business, which carries an approximate brand value of RM621.1 million, MSM's continued success is testament that its repute and brand values are being passed on from one generation of Malaysians to the next.

The current production capacity for MSM Group is 2.05 million tonnes, a drop from 2.14 million tonnes capacity in FY2020 due to the disposal of MSM Perlis Sdn Bhd following the Group's consolidation. As improvements in MSM Johor's utilisation are ongoing, capacity is expected to grow in the near future.

MSM Group produces, markets and sells refined sugar products under our flagship Gula Prai brand that lives up to its slogan, **"Sweetening Lives Since 1964."** Apart from household consumers, MSM sells to a wide range of customers in Malaysia and in other countries, directly to major industries as well as small and medium industries (SMIs), and indirectly through traders, wholesalers and distributors.



Produces 

>1 million mt of refined sugar products

Largest standalone sugar refinery in Malaysia 

One of the largest sugar refiners in the global sugar industry

Production Capacity: **2.05** million tonnes

Premium Quality Sugar 

Polarisation of **99.6%**

ICUMSA **45**



Ranked **3rd** most chosen FMCG brand in FY2020

Serving 

>260 customers

Total manpower 

1,033 employees

>50% GLC's equity ownership 



OUR MISSION, VISION & CORE VALUES



MISSION

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



VISION

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



CORE VALUES

S

Sense of Belonging

W

Winning Attitude

I

Integrity

I

Innovation

T

Teamwork



OUR SUBSIDIARIES

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

OUR CUSTOMERS

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

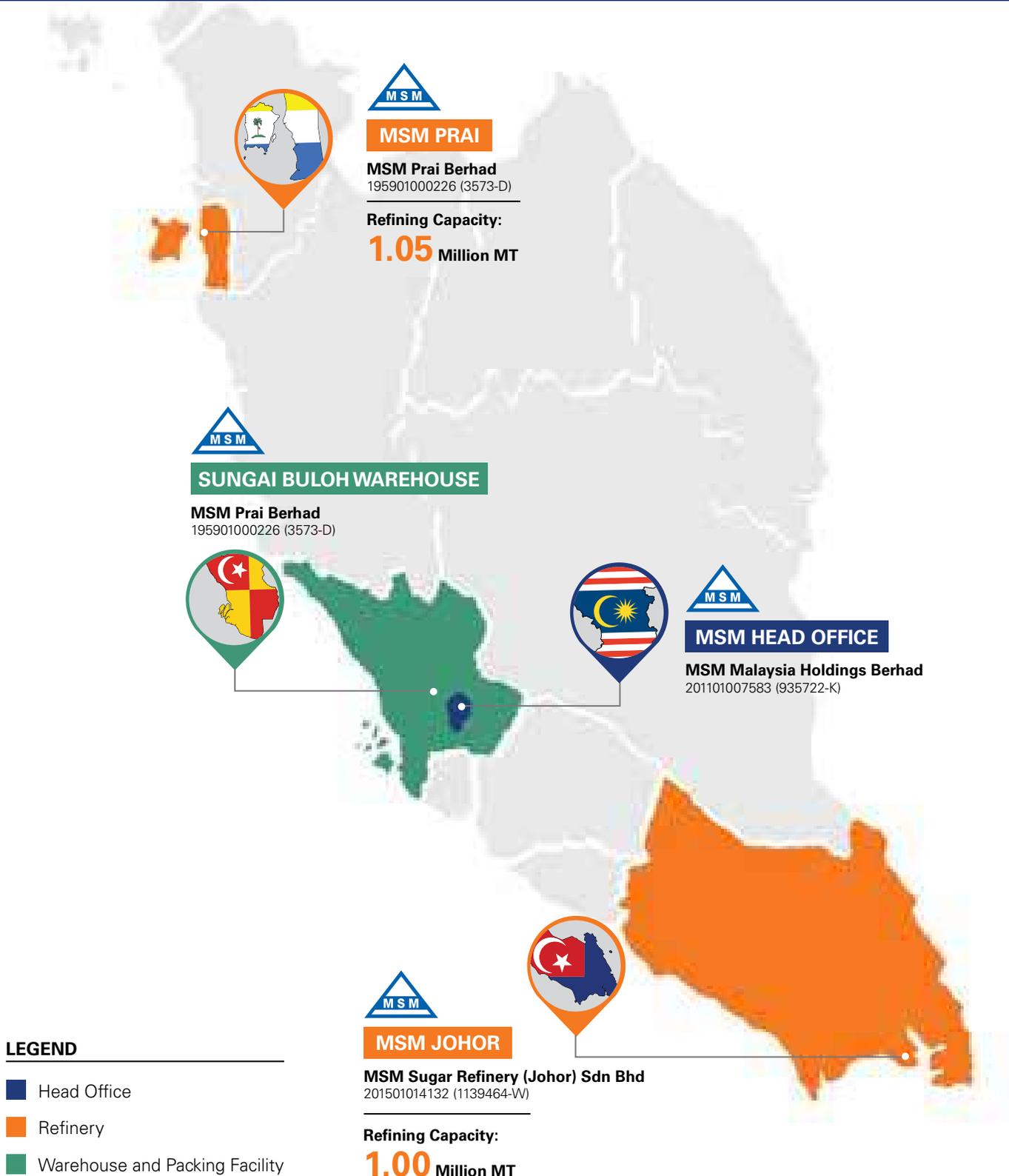
OUR PRODUCTS

- White refined sugar of various grain sizes
- Soft brown sugar
- Sugar premix
- Liquid sugar
- Molasses
- Fine Syrup
- Sucralose & Stevia Mix

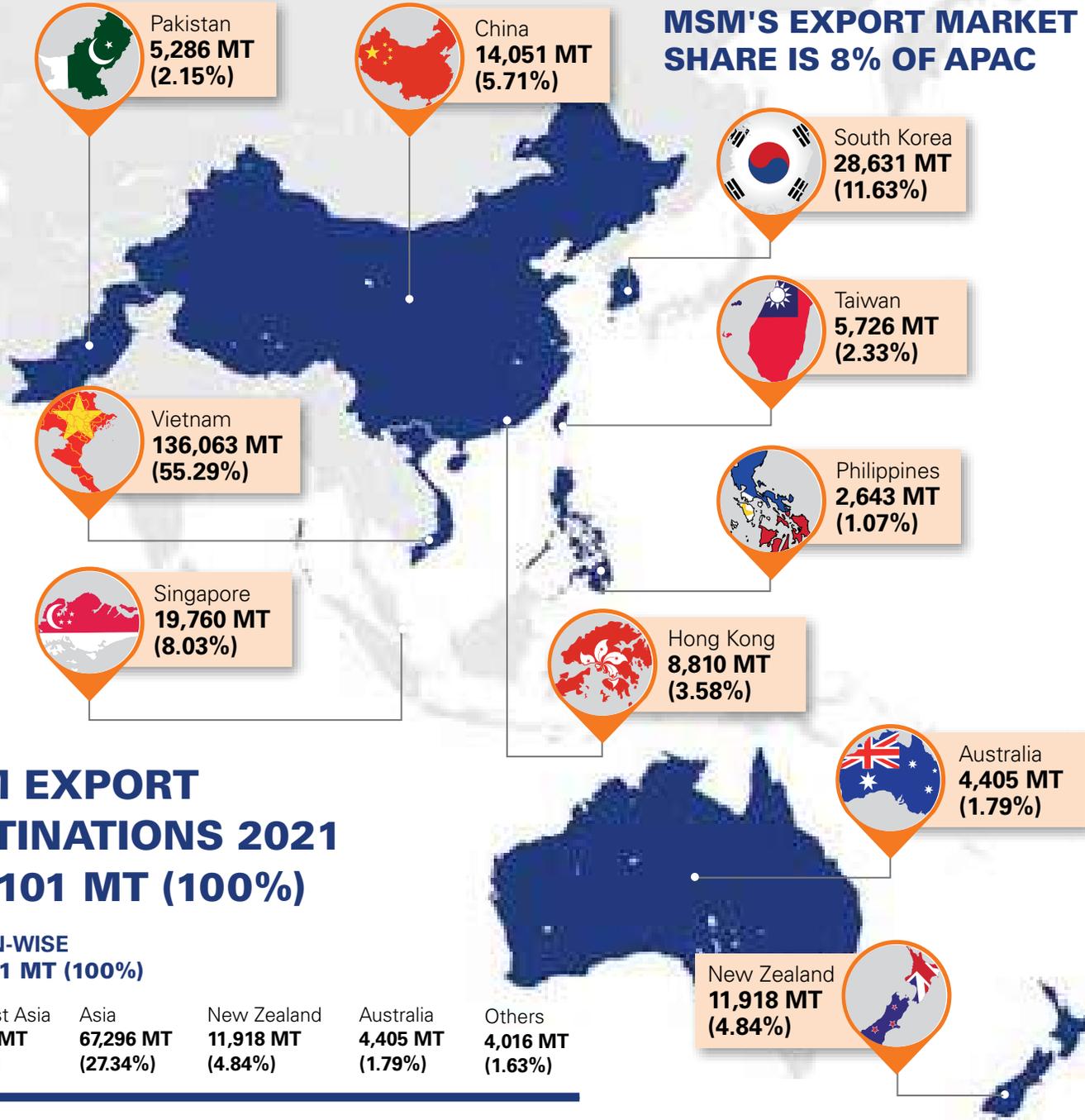


OUR PRESENCE

LOCAL PRESENCE



GLOBAL REACH



MSM EXPORT DESTINATIONS 2021

246,101 MT (100%)

REGION-WISE

246,101 MT (100%)

Region	Export Volume (MT)	Market Share (%)
Southeast Asia	158,466	64.40%
Asia	67,296	27.34%
New Zealand	11,918	4.84%
Australia	4,405	1.79%
Others	4,016	1.63%

TOP 5 EXPORT DESTINATIONS

210,423 MT (100%)

	Vietnam	136,063 MT	(64.66%)
	South Korea	28,631 MT	(13.61%)
	Singapore	19,760 MT	(9.39%)
	China	14,051 MT	(6.68%)
	New Zealand	11,918 MT	(5.66%)

OUR VALUE CHAIN

The MSM Group focuses on the mid-stream activities of the sugar value chain - namely sourcing, processing, marketing and distribution of refined sugar products, value added sugar products and sugar manufacturing by-products.

Through two established refineries situated in Prai, Penang and Tanjung Langsat, Johor, MSM is known for its premium quality sugar with a high sucrose content which has a dominant presence among the food and beverage industry consumers, both domestically and regionally.

Recently, MSM has ventured into producing value added sugar products such as liquid sugar, fine syrup and premix by leveraging on expanded production capacities.

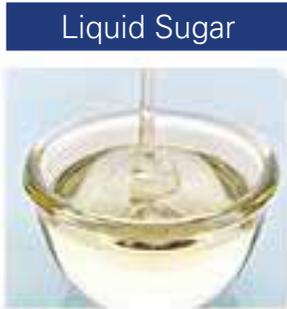
MSM is currently exploring the recycling of sugar refining industry's by-products by converting waste, namely mudcake into fertilisers, and molasses into high value products.



Raw Sugar



Refinery



Liquid Sugar



Premix



Mudcake



Refined Sugar



Fine Syrup



Molasses



Fertiliser

—▶ Current

—▶ Indirect

MARKET LANDSCAPE

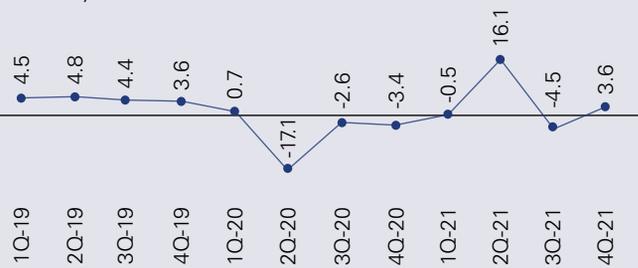
MARKET OVERVIEW

The unprecedented COVID-19 impact has made the business environment on both the domestic and international fronts in FY2020/FY2021 challenging. At macro level, global markets have been pressured with supply chain disruptions mainly caused by stricter border controls, rising freight costs, and scarcity of shipping containers, which resulted in the increase of transport rates and costs.

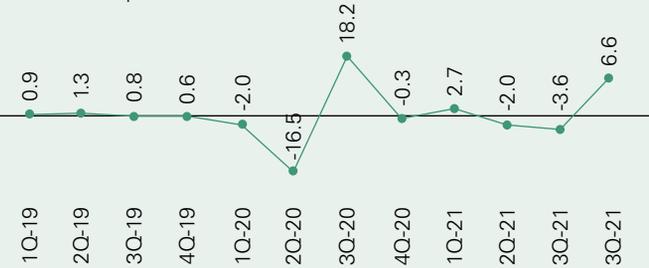


Malaysia's Quarterly GDP Growth

Year-on-year



Quarter-on-quarter



Annual Growth FY2021: 3.1% | FY2020: -5.6% | FY2019: 4.3%

Source: Department of Statistics Malaysia

Moving into FY2022, uncertainties regarding developments surrounding the new COVID-19 variant of concern (Omicron) of the pandemic remains. The progress and efficacy of vaccinations, compliance with standard operating procedures as well as the ability to effectively contain outbreaks from any new COVID-19 variants of concern will be key to the expected recovery. Relaxation of restrictions for fully vaccinated individuals, including for interstate travel would also spur tourism-related activities. At macro level, the strength in global demand will continue to support export growth.



MSM is currently embarking on sustainable sourcing of raw sugar under No Deforestation, No Peat, No Exploitation (NDPE) and will continue to do so moving forward.

FY2021/FY2022 SUGAR OVERVIEW

Raw Sugar NY11 prices in FY2021 was trending higher, ranging between 14.0 to 20.0 US cents per pound. The higher prices were primarily a result of permafrost weather conditions in Brazil, and also contributed by sugar millers switching to ethanol production, supply chain disruptions, and supply shortage from Thailand due to extreme drought. MSM is expected to close the year at an average price of 15.5 US cents per pound. Moving on to FY2022, the price outlook is bullish mainly due to projected recovery of Brazilian crops for the next 12 months, stronger demand from post-pandemic recovery and bullishness of crude oil price. MSM is currently embarking on sustainable sourcing of raw sugar under No Deforestation, No Peat, No Exploitation (NDPE) and will continue to do so moving forward.



Brazil

Brazil is predicted to produce about 36 million tonnes for the FY2021/FY2022 season. It is a fall of 6.1 million tonnes as a result of dry conditions and frosts. Due to Brazil's importance as a producer and exporter, this reduction is expected to have a major influence on world sugar supply and prices, hence exports are also being expected to drop sharply on lower available supplies.



India

India's production is estimated to be around 34.7 million tonnes for the FY2021/FY2022 season, a 3 percent increase from last season. Exports are expected high at a near record level of 7 million tonnes due to higher than average world prices and high supplies even without its government export subsidies.



Thailand

Thailand's production is estimated to rebound nearly one-third to 10 million tonnes for the FY2021/FY2022 season due to greater area harvested, higher sugarcane yields and favorable weather. Exports from Thailand are forecast to more than double to slightly less than 10 million tonnes due to the recovery in production in this season.



United States

United States is estimated to produce a record 8.4 million tonnes as best sugar is projected to be a record high. Imports are down 5 percent to 2.8 million tonnes based on projected quota programmes and the calculation of U.S. needs as defined in the U.S. - Mexico Suspension Agreements.

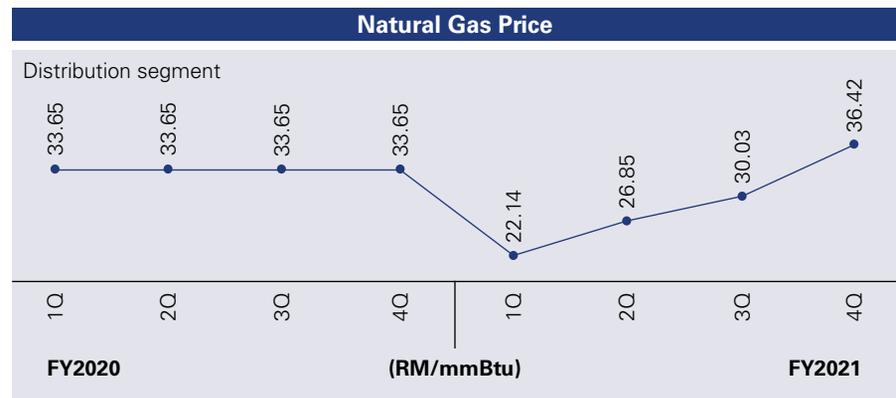
Source: United States Department of Agriculture, Sugar, Wood Markets and Trade (November 2021)

MARKET LANDSCAPE



MSM has started hedging the risk of higher Natural Gas prices in late FY2021 via Brent link derivatives contract as part of the mitigation plans.

FY2021/FY2022 NATURAL GAS OVERVIEW



Gas Malaysia Bhd announced that the average natural gas selling price for the fourth quarter of 2021 beginning from 1 October 2021 to 31 December 2021 is at RM36.42 per million British Thermal Units (MMBtu), compared to RM30.03 per MMBtu for the third quarter of 2021, which translates to a 21% increase. Natural gas makes up 30% of the cost of refining and will post an upside risk in FY2022. In early 2022, the Russian invasion in Ukraine has caused a shock to the global energy supply. Brent Crude Oil prices have surged to new historical highs and the shortage could prevail in the mid term. As a mitigation strategy, the business has embarked on hedging of Brent-linked derivatives.



The domestic Wholesale refined sugar ceiling price was capped at RM2.69/kg for sugar manufacturers. As NY11 and natural gas price increase, sugar manufacturers will experience a margin squeeze. Currently, the Management is engaging the ministry in charge, KPDNHEP, to review the current gazetted ceiling price for 1kg and 2kg retail packs.

MSM PRODUCTS

Gula Prai ranked as 3rd most chosen FMCG brand in Malaysia in FY2020

(Based on UK-based Kantar Group's data insights released in the Kantar Asia Brand Footprint 2021)



COARSE GRAIN SUGAR



Here's a sugar product that you won't miss! Available almost everywhere and at every retail outlet in Malaysia. This sugar delivers an excellent taste, making it the ideal sugar to be used for general sweetening.



Sugar Grades

- Gula Prai Pasir Kasar (Coarse Grain Sugar)
- P1
- EP1



Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



Packaging Size

- 1kg, 2kg, 25kg, 50kg, 500kg & 1,000kg

FINE GRANULATED SUGAR



Another hot selling sugar product! Great to be enjoyed with your favourite beverage and home food preparation.



Sugar Grades

- Gula Prai Pasir Halus (Fine Granulated Sugar)
- PXX
- P1S
- EPXX
- EP1S



Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



Packaging Size

- 1kg, 25kg, 30kg, 50kg, 500kg, 1,000kg & Bulk

SOFT BROWN SUGAR



Moist with small, fine crystals and has a subtle golden colour. Ideal for baking delicious cookies and cakes, when a fuller flavour is needed. It goes perfectly well with coffee too.



Sugar Grades

- Gula Prai Merah Lembut (Soft Brown Sugar)
- PB
- P4



Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



Packaging Size

- 500g, 25kg & 50kg

MSM PRODUCTS

CASTER SUGAR



Popular with bakers because the fine crystals cream very easily into butter and dissolve more readily into meringues and batters. Caster sugar adds more volume to baked products, giving them a lighter texture, a result preferred by bakers. It's also perfect to be lightly sprinkled over baked goods.



Sugar Grades

- Gula Prai Kastor (Caster Sugar)



Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



Packaging Size

- 500g, 25kg, 50kg & 1,000kg

ICING SUGAR



No cake would be complete without it! A versatile ingredient in sweet bakery, sugar and chocolate confectionary, it provides a smooth, soft finish texture. It's also great for cream fillings, shortbread, fondants, marshmallow and adding decorative touches.



Sugar Grades

- Gula Prai Aising (Icing Sugar)



Storage Condition

- Keep sugar in a cool and dry place at ambient temperature



Packaging Size

- 500g, 25kg & 40kg

GO 1/2



Go 1/2 is mixed with sucralose to add the sweetness you love while reducing overall sugar consumption by half. So you enjoy more sweetness with less sugar. Packaged in convenient sachets for you to control the sugar in your drinks and desserts, even when you are on the go!



Sugar Grades

- Fine grain sugar



Storage Condition

- Keep in clean and dry place at ambient temperature and away from direct sunlight



Packaging Size

- 2.5gm x 50 sachets
- 125gm x 40 boxes

GO NATURA



Go Natura complements smaller sugar portions with the natural sweetness of stevia in handy sachets that you can take with you wherever you go. One sachet is all you need to satisfy your sweet tooth!



Sugar Grades

- Fine grain sugar



Storage Condition

- Keep in clean and dry place at ambient temperature and away from direct sunlight



Packaging Size

- 2.5gm x 50 sachets
- 125gm x 40 boxes

LIQUID SUGAR



Higher grade of sugar syrup.



Sugar Grades

- Concentrated clear liquid



Storage Condition

- Sugar should be kept in clean and dry place at ambient temperature, away from direct sunlight



Packaging Size

- Flexi bag/Tanker

FINE SYRUP



Similar to liquid sugar but with profound brown colour appearance.



Sugar Grades

- Concentrated clear liquid



Storage Condition

- Storage at least at room temperature as lower temperature may cause crystallisation. Storage above 50°C may cause colour formation



Packaging Size

- Flexi bag/Tanker

PREMIX



Customisable sweetened products for industrial use.



Sugar Grades

- Sweetened cocoa, glucose or milk preparation



Storage Condition

- Sweetened cocoa preparation should be kept in clean and dry place at ambient temperature, away from direct sunlight



Packaging Size

- 25kg PP Woven Bag + Inner Liner

MOLASSES



The thick and dark brown liquid molasses is a by-product derived from refining sugar process. MSM sells molasses to distilleries and producers of ethanol, animal feed and yeast.



Sugar Grades

- Molasses (liquid)



Storage Condition

- Keep in a cool and dry place



Packaging Size

- Ex-factory in customer's tanker

OUR CORPORATE DETAILS

BOARD OF DIRECTORS

DATUK SYED HISHAM SYED WAZIR

Chairman/Independent
Non-Executive Director

CHOY KHAI CHOON

Independent
Non-Executive Director

DATO' MUTHANNA ABDULLAH

Independent
Non-Executive Director

DATUK DR ABD HAPIZ ABDULLAH

Independent
Non-Executive Director

DATO' ROSINI ABD SAMAD

Independent
Non-Executive Director

DATUK LIM THEAN SHIANG

Independent
Non-Executive Director

DATO' AMIR HAMDAN HJ YUSOF

Non-Independent
Non-Executive Director

NIK FAZILA NIK MOHAMED SHIHABUDDIN

Non-Independent
Non-Executive Director
(appointed with effect from 18 October 2021)

AZMAN AHMAD

Non-Independent
Non-Executive Director
(appointed with effect from 18 October 2021)

DATO' HARIS FADZILAH HASSAN

Non-Independent
Non-Executive Director
(resigned on 7 April 2021)

GROUP CHIEF EXECUTIVE OFFICER

SYED FEIZAL SYED MOHAMMAD

(appointed with effect from 1 February 2021)

CHIEF FINANCIAL OFFICER

AB AZIZ ISMAIL

COMPANY SECRETARY

KOO SHUANG YEN

(MIA 7556)

REGISTERED OFFICE

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



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SHARE REGISTRAR

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No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13
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AUDITORS

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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

Investor Relations Officer: Fariza Haizumi Ahmad
Level 44, Menara Felda, Platinum Park, No. 11 Persiaran KLCC
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+603 2181 5015



www.msmsugar.com



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MSM SOCIAL MEDIA ACCOUNTS



MSM Malaysia Holdings Berhad



MSM Gula Prai

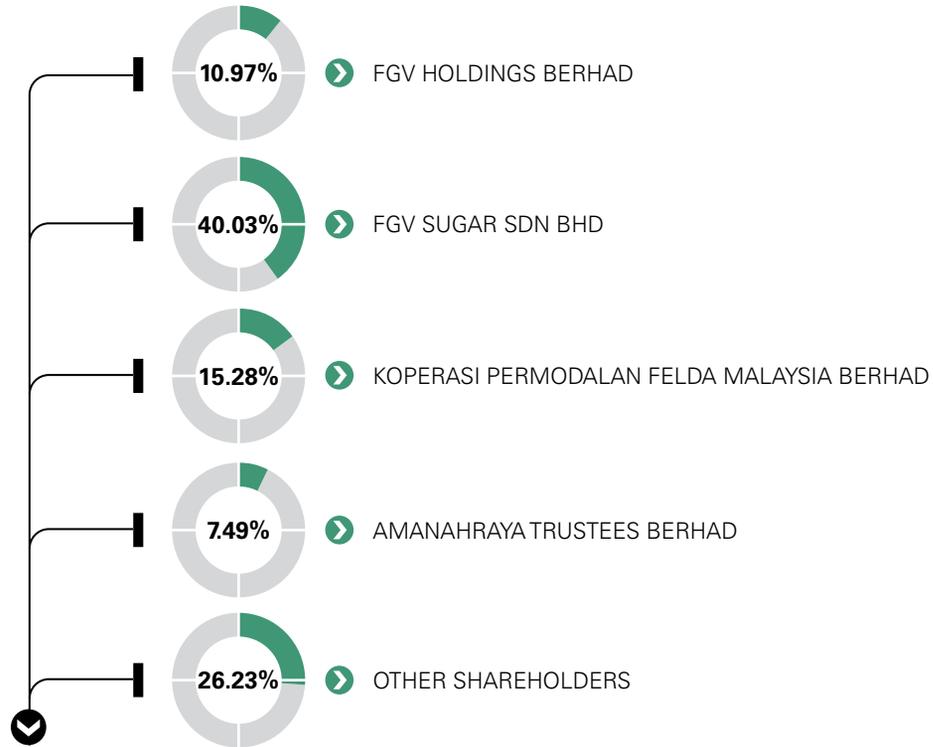


MSGULAPRAI TV

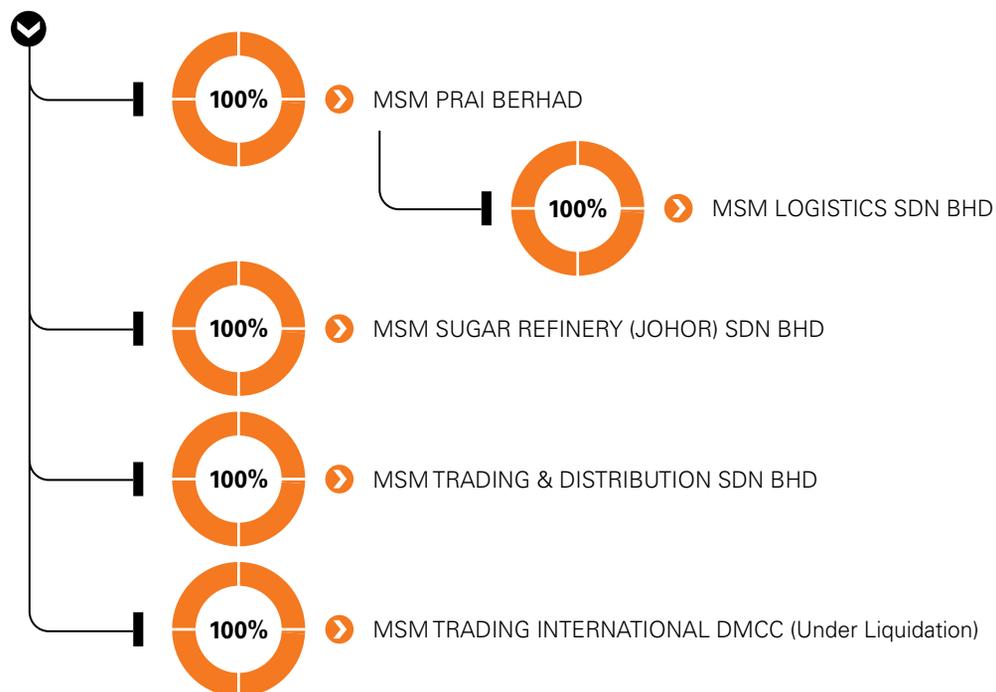


@msmgulaprai

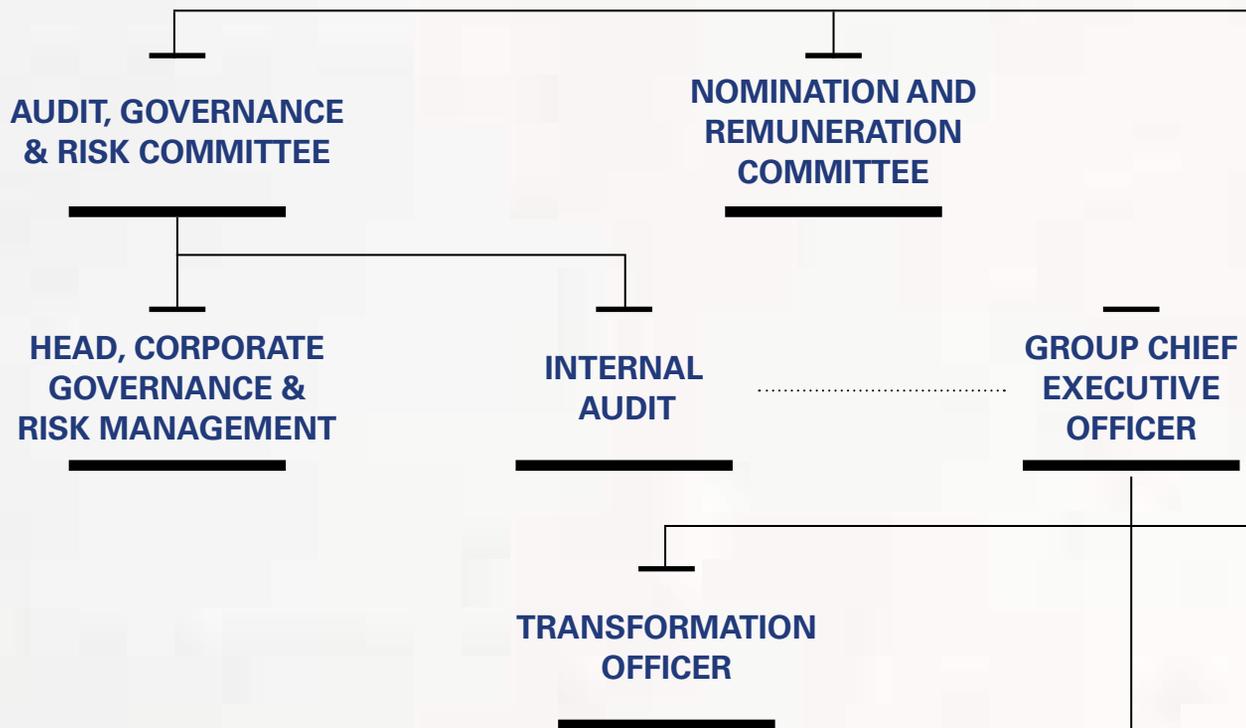
OUR GROUP STRUCTURE



MSM MALAYSIA HOLDINGS BERHAD



OUR ORGANISATIONAL STRUCTURE



GROUP CHIEF OPERATING OFFICER

GROUP OPERATIONS

- » HEAD, OPERATION SERVICES
- » HEAD, PROJECT MANAGEMENT OFFICE

REFINERY OPERATIONS

- » HEAD, OPERATIONS - MSM PRAI BERHAD
- » HEAD, OPERATIONS - MSM SUGAR REFINERY (JOHOR) SDN BHD
- » HEAD, OPERATIONS - SUNGAI BULOH WAREHOUSE

CHIEF FINANCIAL OFFICER

GROUP FINANCE

- » FINANCIAL CONTROLLER
- » HEAD, COMMERCIAL & BUDGETING
- » HEAD, TREASURY
- » HEAD, SHARED SERVICES
- » HEAD, GROUP ACCOUNTS, STATUTORY & MANAGEMENT REPORTING
- » HEAD, FINANCE COMPLIANCE & INSURANCES
- » INVENTORY CONTROL MANAGER

BOARD OF DIRECTORS

**INVESTMENT
TENDER
COMMITTEE**

**HEAD, GROUP
HSES &
QUALITY**

**SPECIAL
OFFICER**

HEAD, GROUP COMMERCIAL

COMMERCIAL

- » HEAD, DOMESTIC SALES
- » HEAD, EXPORT SALES
- » HEAD, GROUP SUPPLY CHAIN
- » HEAD, RAW SUGAR PROCUREMENT

CORPORATE SERVICES

- » HEAD, CORPORATE STRATEGY & INVESTOR RELATIONS
- » HEAD, GROUP HUMAN RESOURCES/ADMIN
- » HEAD, LEGAL AFFAIRS
- » HEAD, GROUP PROCUREMENT
- » HEAD, CORPORATE COMMUNICATIONS
- » HEAD, GROUP IT

OUR ACHIEVEMENTS

ISO 45001 (Occupational Health and Safety Management system)

- MSM Prai Berhad and Sungai Buloh Warehouse (SBW) certified for the ISO 45001 certification related to Occupational Health & Safety (OH&S)

NACRA 2021 Excellence Awards

- Companies with less than RM2 billion in Market Capitalisation (Silver)



OUR OTHER ACHIEVEMENTS



Halal Jabatan Kemajuan Islam Malaysia (JAKIM)

- To be recognised as Halal brand and to meet customer requirements
- To identify non-halal hazards and provide a measure to control them MSM Johor/MSM Prai/Sungai Buloh Warehouse (SBW)



Kosher Kushrut London Beth Din (KLBD)

- To be recognised as Kosher brand
- To meet the requirement of Kosher recognised customers MSM Johor/MSM Prai



ISO 9001 (Quality Management System)

- To ensure the quality of the management system within the Company and to meet customer requirements
- To cultivate continuous improvement within the organisation MSM Johor/MSM Prai/SBW



HACCP (Hazard Analysis and Critical Control Point)

- To demonstrate Company's commitment to ensure the safety and quality of the product MSM Johor/MSM Prai

**NACRA 2021
Special Awards**

- Best Annual Report in Bahasa Malaysia (Silver)



**Household E-waste
Hero Competition**

- MSM Prai Berhad - Third Place



**MSM Prai Berhad
Collaborates with
Department of
Environment, Penang**

- Signed a Certificate of Collaboration with the Department of Environment, Penang



ISO 22000 (Food Safety Management System)
 • To enhance food safety management system and product quality
 • To meet customer requirements MSM Johor/MSM Prai



FSSC 22000 (Food Safety System Certification)
 • To meet growing customer requirements from GFSI recognised supplier and to ensure that the food safety hazards are able to be identified MSM Johor/MSM Prai



Product Certification Scheme SIRIM
 • To demonstrate that the products are produced in compliance with national and international standards, eliminating the need of further testing by purchaser or consumer
 • To provide an independent assurance that products are manufactured under an effective system of testing, supervision and control which should result in improved production efficiency and reduced wastage and rejects MSM Prai



GMP (Good Manufacturing Practice)
 • To establish a system for ensuring that the products are consistently produced according to a quality standard MSM Johor

2021 KEY EVENT HIGHLIGHTS

22
MARCH
2021

GROUP CEO INTERVIEW WITH STOCKPICK2U

MSM's Group Chief Executive Officer (GCEO), Tuan Syed Feizal Syed Mohammad as well as MSM's Chief Financial Officer (CFO), Encik Ab Aziz Ismail, welcomed the StockPick2U team for an interview to speak on the company's business as a whole as well as any future expansion plans. The interview helped to give a better understanding to the investing community on the future prospects of MSM.



30
APRIL
2021

FGVIF ACQUIRES MSM PERLIS FOR FGV CHUPING AGRO VALLEY

MSM Malaysia Holdings Berhad (MSM) and FGV Integrated Farming Holdings Sdn Bhd (FGVIF) entered into a binding term sheet on the respective disposal and acquisition of a 100% stake of MSM's wholly-owned subsidiary, MSM Perlis Sdn Bhd (MSM Perlis).



12 - 14
JULY
2021

MSM JOHOR ASSISTS FRONTLINERS AT VACCINATION CENTRE

MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor) conducted a corporate social responsibility programme to provide meals and hand sanitisers to 70 hardworking frontliners on duty at Vaccination Centre Dewan Bandar Seri Alam, Masai. Five volunteers from MSM Johor helped purchase, pack and deliver the items to the vaccination centres.





19
JULY
2021

MSM PRAI ASSISTS FRONTLINERS AT VACCINATION CENTRES & ROAD BLOCK AREAS

MSM Prai Berhad (MSM Prai) conducted their rounds of delivering items such as biscuits, instant premix drinks, mineral water and tetra pack drinks to approximately 380 recipients involving frontliners on duty at road block areas as well as at 3 PPVs in Penang, namely at Dewan Seberang Perai Arena, Dewan Millenium Kepala Batas and Tapak Ekspo Seberang Jaya.

Volunteers among MSM Prai employees joined hands to assist the one-day corporate social responsibility programme. The programme reflects MSM's commitment in giving back to the society and taking part in the collective endeavour to fight against the pandemic.



22 & 29
JULY
2021

MSM JOHOR PROVIDES ASSISTANCE TO TWO VACCINATION CENTRES

Another helping hand initiative was mobilised by MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor) involving contribution to two vaccination centres (PPV) that was held on 22 July 2021 at Persada Johor International Convention Centre (Persada), Johor Bahru and on 29 July 2021 at Dewan Muafakat Johor, Taman Adda.

MSM Johor contributed food items such as biscuits, mineral water and instant premix drinks to 321 volunteers and frontliners on duty at Persada as well as 80 other recipients from Dewan Muafakat Johor, Taman Adda.



27
JULY
2021

MORE THAN 1,000 MSM EMPLOYEES VACCINATED THROUGH PIKAS

MSM Malaysia Holdings Berhad is committed to ensure all of its employees, including contractors, are fully vaccinated, echoing the Government's call to expedite vaccination towards reaching herd immunity in curbing the spread of COVID-19. All employees received their vaccination dose at the Malaysia International Trade and Exhibition Centre (MITEC) through the Public-Private Partnership COVID-19 Industry Immunisation Programme (PIKAS).

2021 KEY EVENT HIGHLIGHTS

4
AUGUST
2021

MSM FOOD BASKET PROGRAMME

Surau Al-Munawwarah Committee from MSM Prai Berhad organised a Food Basket Programme involving contribution to families within the community.



15
SEPTEMBER
2021

MSM'S EGM APPROVES STRATEGIC MONETISATION OF NON-CORE ASSETS

MSM Malaysia Holdings Berhad announced that its shareholders have approved the disposal of the entire equity interest in MSM Perlis Sdn Bhd, a wholly-owned subsidiary of MSM to FGV Integrated Farming Holdings Sdn Bhd (FGVIF). The disposal of the entire equity interest in MSM Perlis resulted in a gain of RM91.81 million.

MSM MALAYSIA HOLDINGS BERHAD Extraordinary General Meeting Wednesday, 15 September 2021



13
OCTOBER
2021

MSM PLANTS 700 MANGROVE TREES, COMMITTED TO ESG IN OPERATIONS & ENVIRONMENTAL SUSTAINABILITY

In conjunction with the National Environment Day 2021, MSM Malaysia Holdings Berhad (MSM Group) through its wholly-owned subsidiary, MSM Prai Berhad (MSM Prai) signed a Certificate of Collaboration (COC) with Penang Department of Environment (DOE) enabling green initiative in preserving and conserving the environment. The COC was signed by MSM Group Chief Executive Officer, Syed Feizal Syed Mohammad while Penang DOE was represented by their Director, Sharifah Zakiah Syed Sahab.





27
OCTOBER
2021

COURTESY VISIT BY FEDERAL LAND DEVELOPMENT AUTHORITY (FELDA)

Representatives from FELDA, led by the Board of Directors' Chairman, YB Dato' Seri Haji Idris Jusoh, accompanied by FELDA's management team were welcomed by MSM Group's GCEO, Tuan Syed Feizal Syed Mohammad to MSM's head offices for a session to provide updates on MSM's current performance as well as its moving forward plans.



7
NOVEMBER
2021

ESTABLISHMENT OF THE MSM FOLDIES CYCLING CLUB

MSM Group established the MSM Foldies Cycling Club for employees who are folding bicycle enthusiasts to foster stronger friendship, network and healthy lifestyle. The Inaugural Putrajaya Ride saw promising numbers of participation.



12
NOVEMBER
2021

LAUNCH OF WAQAF FELDA

MSM's Group CEO received a FELDA WAQAF Gold Membership certificate from YAB The Prime Minister of Malaysia, YAB Dato' Sri Ismail Sabri at the FELDA WAQAF Launching Ceremony at Menara Felda.

2021 KEY EVENT HIGHLIGHTS

19
NOVEMBER
2021

STEPPING UP GREEN AWARENESS

MSM Prai successfully bagged third place in the Industry category of the Household E-Waste Collection Hero Competition with approximately 500kg of electric and electronic waste (e-waste) collected within five days by more than 400 MSM Prai employees. The event was held in conjunction with the National Environment Day 2021, and was organised by Penang Department of Environment in collaboration with Majlis Bandaraya Seberang Perai and Majlis Bandaraya Pulau Pinang.



24
NOVEMBER
2021

CONTRIBUTION TO MASJID NURUL IMAN KAMPUNG SRI INDAH B, SUNGAI BULOH

MSM Prai (Sungai Buloh Warehouse) and MSM Logistics Sdn Bhd contributed RM10,000 to Masjid Nurul Iman Kampung Sri Indah B, Sungai Buloh, to be used for the construction of the pulpit and the mihrab of the mosque. The zakat wakalah contribution was presented by Mr Hasnawi Dawi, Head of Operations MSM Prai (SBW), to the Chairman of the Mosque, Tuan Haji Salleh bin Haji Yaakob and Secretary of the Mosque, Mr Zulkifli Ahmad.



2
DECEMBER
2021

AGREEMENT SIGNING CEREMONY WITH MSM PRAI AND MALAYAN SUGAR FACTORY EMPLOYEES' UNION

The 17th Agreement Signing Ceremony between MSM Prai Berhad and the Malayan Sugar Factory Employees' Union was held in Kuala Lumpur to express the commitment between MSM Group's management as well as the union to ensure that the interests of both parties are safeguarded and continue to work closely in carrying out responsibilities and roles for the sake of MSM Group. The agreement was signed by MSM's management including GCEO, Syed Feizal Syed Mohammad as well as the union's President, Syed Rosdi Syed Asmi, among others.





**11
DECEMBER
2021**

**FOOD DONATION AT PUSAT TRANSIT
GELANDANGAN KUALA LUMPUR**

MSM Malaysia Holdings Berhad’s Finance department had a corporate social responsibility event as part of their inter-department activity by distributing food to the homeless at Pusat Transit Gelandangan Kuala Lumpur to ensure that they get sufficient sustenance to be able to lead a healthy lifestyle.



**15
DECEMBER
2021**

**MALAYSIAN INVESTMENT
DEVELOPMENT AUTHORITY VISIT
TO MSM SUGAR REFINERY
(JOHOR) SDN BHD**

MSM Sugar Refinery (Johor) Sdn Bhd welcomed the Malaysian Investment Development Authority (MIDA) team lead by Puan Nor Aswana, the Deputy Director of Investment Compliance Division to the Johor refinery plant for a visit to get a better grasp and understanding on the products offered by MSM as well as the inner workings of the plant’s facilities and its production line.



**16
DECEMBER
2021**

**MSM STRATEGIC MANAGEMENT
RETREAT 2022**

MSM Group held a management event involving representatives from each department as well as representatives from each subsidiary to have an open discussion on MSM’s performance during the year coupled with a strategic brainstorming session for MSM’s future plans, initiatives and goals for 2022 at Mandarin Oriental Hotel, Kuala Lumpur.



**22
DECEMBER
2021**

COURTESY VISIT BY SIRIM BERHAD

Representatives from SIRIM Berhad, led by Encik Mohd Azanuddin bin Salleh, the Senior VP of SIRIM Industrial Research, were greeted by MSM Malaysia Holdings Berhad’s Board of Directors’ Chairman, Datuk Syed Hisham Syed Wazir, at MSM head offices as a courtesy visit in which they had the opportunity to learn more about MSM and its business as well as to have an effective discussion to identify any collaborative opportunities in the future that could potentially be beneficial for both parties.

MSM IN THE NEWS



MSM secures RM290mil contract from The Coca-Cola Company



MSM group chief executive officer Syed Feizal Syed Mohammad

KUALA LUMPUR: MSM Malaysia Holdings Bhd (MSM) through its wholly-owned subsidiary, MSM Pral Bhd (MSM Pral) has secured a RM290mil refined sugar supply contract with The Coca-Cola Company (Coca-Cola) for both domestic and international production.

In a statement, MSM group chief executive officer, Syed Feizal Syed Mohammad said the opportunity to be part of Coca-Cola supply chain, the world's most valuable soft drink brand, was part of MSM's export blueprint as a top eight global integrated sugar refiner.

"This accomplishment is an added boost to MSM Group having achieved a turnaround in 2021 and accelerating MSM's expansion to wider markets across the region.

"Foremost, as we have been echoing our step-up commitment towards environmental, social and governance (ESG) framework, MSM will provide sourced sustainable raw sugar supply for Coca-Cola domestic market to begin with," Syed Feizal said.

Three-year strategic blueprint sweetens MSM's outlook

BY ANN ANON
theedaily.com

PETALING JAYA: MSM Malaysia Holdings Bhd remains optimistic about the company's outlook, underpinned by the execution of its three-year strategic blueprint to strengthen the group's financial and operational performances.

"There was an capital expenditure plan totalling RM100 million for the group to pay down debt and further ramp up the production at MSM Johor," MSM Malaysia group CEO Syed Feizal Syed Mohammad (pic) told reporters after the company's annual AGM yesterday.

He said Federal Land Development Authority's (Felda) takeover of FGV Holdings Bhd will not affect MSM.

"Any privatisation interest of Felda for FGV will be solely



related to FGV and will not affect the group," he said, adding that MSM will remain as a listed entity even if Felda takes over its 51% parent FGV.

In the domestic segment, MSM seeks to strengthen its market leadership by rebalancing the sales and supply chain strategy. MSM has already secured term sales supply contracts with major fast-moving consumer goods and industry players, locally and extending that relationship across the larger's demand in the Asian region.

"The group is targeting 350,000 tonnes of exports, of which we already secured 60% for the year. We target to have a volume of about 1.3 million tonnes. We may fall short slightly due to disruption but not significantly," Syed Feizal said.

Despite the challenges, the group's performance is on track to meet the turnaround this year and said to long-term growth projections. However, we will continue to remain cautious with greater risk management and pre-emptive actions in view of the current market condition and unprecedented local and global challenges that may affect the group's performance," Syed Feizal said.

MSM appoints Syed Feizal as new CEO



MSM targets higher export orders next year

KUALA LUMPUR (June 17): MSM Malaysia Holdings Bhd is upbeat on its profitability path this year, despite expecting to miss its full-year production target of 1.3 million tonnes by a small margin.

MSM group chief executive officer Syed Feizal Syed Mohammad said the group expects demand to be stable despite the re-imposition of the Full Movement Control Order (MCO 3.0).

"We may fall slightly short, but not significantly," Syed Feizal said. "Our export target is 350,000 tonnes this year, of which we have secured 65% [of the off-take by customers]," he told a virtual press conference today.

"We believe sugar demand will remain stable with MCO 3.0. [Demand] can only start to go up with the concurrent vac-

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MSM upbeat on profitability path in FY2021

BY ANAM ANON
theedaily.com

MSM posted its quarterly quarter-of-profit recently, after two years in the red, as it recorded higher utilisation of its refineries in Johor. Some 30% of MSM's revenue comes from the exports market.

Utilisation rate is expected to be at 50% for the 3 refineries versus just around 30% in 2H2021, and to be at 75% for its other plant in Pral, Penang, which produces 660,000 tpa.

The two plants were temporarily shut this year — the one in Johor for two months due to a boiler breakdown, and the Penang one for two weeks due to the Covid-19 outbreak.

A 50% utilisation rate of its Johor assets may reduce its refining costs by about 40%, the company said.

Meanwhile, efforts are ongoing to reduce its finance cost. The group has hedged 92% of its raw sugar input covering the wholesale segment — which makes up around 85% of refining costs.

"This year, we are paying down a bigger portion of our debt, as close to RM100 million," Syed Feizal said, which will come from the disposal of assets as well as rationalisation of a portion of its RM100 million capex for its Johor ramp-up.

The group booked finance costs of RM15.77 million last year, down from RM22.13 million in FY19. Short- and long-term borrowings stood at RM3,977.45

Sweeter outlook on the cards for MSM Holdings

CORPORATE

MSM Malaysia Holdings Bhd (MSM) is optimistic about its profitability path this year, despite expecting to miss its full-year production target of 1.3 million tonnes by a small margin.

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Brighter prospects for MSM in 2021

MSM MALAYSIA HOLDINGS BERHAD (935722-K)

Member of Felda Global Group

The firm said in 2020, MSM's export sales had surged 170 per cent year-on-year (Y-o-Y) to RM468 million, backed by higher volume of 272,000 tonnes (up 226 per cent Y-o-Y)

Ups up green and sustainability programme



KUALA LUMPUR: Robust export volume for MSM Malaysia Holdings Berhad is expected to be a key contributor on top of the other existing export products.

The firm said in 2020, MSM's export sales had surged 170 per cent year-on-year (Y-o-Y) to RM468 million, backed by higher volume of 272,000 tonnes (up 226 per cent Y-o-Y) against a targeted volume already secured to date.

The group also has locked in favourable price premiums of USD140 per tonne, tracking the rise in global refined sugar prices which have appreciated 10 per cent since the start of the year.

"The tightness in supply in major production countries such as Thailand and Brazil, coupled with demand from major consumption countries such as China, is expected to drive global refined sugar prices higher in 2021," said Aflin Hwang in a report today.

With almost 80 per cent of production cost coming from raw sugar, the firm expects to sustain favourable margins going forward.

Aflin Hwang said for 2021, MSM has budgeted 87 per cent of its raw sugar production to be sold to F&B, up from 75 per cent in 2020 (USD1.13).

Correspondingly, it forecasts MSM's gross earnings to average at 10 per cent for 2021, up from 8 per cent in 2020.

Aflin Hwang has maintained its "buy" call on MSM, with a higher target price of 1.50 per share.

Analysts optimistic about MSM's disposal of MSM Perlis to FGV



Sweet Company...
The firm said in 2020, MSM's export sales had surged 170 per cent year-on-year (Y-o-Y) to RM468 million, backed by higher volume of 272,000 tonnes (up 226 per cent Y-o-Y) against a targeted volume already secured to date.

Minimal earnings risk on plant shutdown

...the fixed costs of the Johor refinery would continue to be expensed out during the shutdown period in the second quarter of 2021.

Despite the company's assurance, CGS-CIMB Research said it remained concerned about the potential earnings risk from MSM's Johor plant shutdown.

The brokerage maintained "reduce" on MSM with an unchanged target price of RM1.22, based on 0.9 times book value.

It noted that while MSM did not specify the details of the boiler issues, which led to the temporary shutdown of the Johor plant, the company said the rectification work would improve the plant's utilisation rate.

The reason behind the boiler breakdown... half of 2021 for seven days versus two months for Johor," CGS-CIMB Research said.

"Our current earnings forecasts have not impacted any potential disruptions to the Johor plant," it added.

CGS-CIMB Research argued MSM had the option to shut down one boiler at a time to keep its Johor plant running, but the management decided to suspend the plant's operations, with hopes of ramping up production in the second half of 2021.

"It said it may claim against insurance as the boilers are under warranty. But did not specify the potential issues that would allow them to make the potential claims," it said.

"The group said that following the rectifica-

MSM returns to black in Q1 with RM31.19mil loss



...the fixed costs of the Johor refinery would continue to be expensed out during the shutdown period in the second quarter of 2021.

mintaan gula halus stabil - MSM

Permintaan gula halus negara meningkat seiring dengan program nasional. Kita telah melalui dua peringkat pemah dan kami di pergunakan gula kekal stabil



Permintaan gula halus negara meningkat seiring dengan program nasional. Kita telah melalui dua peringkat pemah dan kami di pergunakan gula kekal stabil

MSM's turnaround gathers pace in 2Q

n higher prices, volume

MSM's turnaround gathers pace in 2Q n higher prices, volume



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MSM's turnaround gathers pace in 2Q n higher prices, volume



MSM, FGVIF meterai perjanjian

MSM, FGVIF meterai perjanjian



MSM PERLIS SDN. BHD.



MSM'S PRAI PLANT RESUMES OPERATIONS

Kilang gula MSM Prai kembali beroperasi

MSM Prai Bhd (MSM Prai) anak syarikat milik penuh MSM Malaysia Holdings Bhd membuka semula operasi kilang tempakan gula selepas...

(KKM) memberhentikan sementara operasi pada 8 Jun 2021 sehingga 17 Jun 2021 bagi melaksanakan proses uyah/jangkitan untuk membendung penularan COVID-19.

"MSM turut memohon permohonan bagi menyediakan kemudahan dalam program vaksinasi untuk semua pekerja kerana kami dikategorikan sebagai satu daripada pengeluar makanan keperluan asas," katanya.

mengelakkan kekurangan bekalan serta meminimumkan gangguan rantaian bekalan melalui penstrukturan semula strategi kesinambungan tenaga di samping menggunakan kebenaran permit bagi mengimport gula bertapis. "Kapasiti pengeluaran MSM...

tan setahun dan b...
pertingkatkan...
bagi memvagi...
gunaan kapasiti...
disasarkan pada...

CEO Kumpulan MSM, Syed Faizal Syed Moh dilantik Profesor Adjung UTM AHIBS



Syed Faizal Syed Mohamad

MSM IN THE NEWS

MSM M'sia eyes assets optimisation for FY21

The sugar provider says the Covid-19 pandemic continues to leave trails of challenges for the consumer product industry.

By SHARIFAH ADHAM GHAM

MSM Malaysia Holdings Bhd is planning for capacity and assets optimisation in its financial year 2021 (FY21) in response to the business environment in various challenging areas.

The sugar provider said the Covid-19 pandemic continues to leave trails of challenges for the consumer product industry due to disruptions in the country from the travel and movement restriction orders.

However, it added that the implementation of Covid-19 vaccination programmes, which is expected to gradually improve the national sugar consumption, will help to balance the demand for the consumer product.

MSM Malaysia said through its "Safe Plan" brand, the group will continue to focus on the execution of its strategic roadmap which includes an 18 strategic roadmap which includes asset optimisation, strengthening income streams and



Through the "Safe Plan" brand, the group will continue to focus on the execution of its strategic roadmap, despite the challenging business environment.

For its fourth quarter of 2020 (Q420) ended last December, the group's net profit returned to the black on an annual comparison at a net RM463.24 million compared to a net RM463.24 million due to the loss of RM463.24 million.

Its revenue for the quarter rose 22.13% to RM333.23 million from RM272.64 million a year ago. Its

earnings per share stood at eight sen compared to a loss per share of 3.73 sen.

The improved performance also reflected in MSM Malaysia's FY20 financials as its net loss narrowed for the year to RM71.23 million from RM299.27 million in FY19, attributed by a higher gross profit margin of 7% at a much lower raw sugar and refining costs.

It added that the refining cost was reduced by 3% against the previous year due to better utilisation (98.0%) and yield, mainly attributable to the operational progress of MSM Sugar Refinery (Johor) Sdn Bhd which recorded an increase in yield from 88% to 90% and better LSE.

The revenue for the year also increased by 8.0% to RM2.14 bil-

lion from RM2 billion.

FY20 recorded a positive milestone for MSM Malaysia in its turnaround journey after eight consecutive quarterly losses on the back of improved production cost, higher volume and premium," the group said in a statement.

The newly appointed group CEO David Faisal bin Mohammad said the group's capacity optimisation effort through operational excellence, MSM Perlis and consolidation of operations in MSM Johor have managed to reduce the group's selling cost and improved LSE rate.

"Further initiatives were implemented to stabilise MSM Johor with the installation of new production facilities.

"The expansion of our business segments for the export market has also broadened our market presence and diversified our revenue streams.

"The execution of key strategies has managed to maintain our business performance throughout the year and resulted in the financial recovery for every quarter," he said.

MSM Malaysia's share price rose 30 sen to RM9.45 in its primary listing with a market capitalisation of RM284.99 million.

Subsidiary sale MSM Malaysia

KUALA LUMPUR: MSM Malaysia Holdings Bhd registered a net profit of RM96.86 million in the third quarter ended Sept 30 this year against a net loss of RM71.23 million in the same quarter a year ago.

In a statement yesterday, the company said the gain from the disposal of subsidiary MSM Perlis Sdn Bhd for RM91.81 million contributed to the significant turnaround.

Its revenue for the quarter edged 7.7 per cent to RM448.65 million from RM404.55 million.

For the nine months, MSM Malaysia recorded a net profit of RM141.31 million versus a net loss of RM327.47 million previously, while revenue improved 4.1 per cent to RM1.62 billion from RM1.55 billion.

INFO
7.7p
Drop in revenue
MSM Malaysia
Bhd in the third
ended Sept

MSM Prai wins third place for e-waste collection



(吉隆坡 25日 讯) 受惠于更佳规模、外汇收益和较低融资成本，马来亚糖厂 (MSM, 5202, 主要板消费) 截至今年9月底首季录得3119万令吉净利，较上财年首季净利3470万令吉，增加了1.9倍。这也是该公司在连续8个季度亏损之后，自2020年第四季以来，连续两个季

FGV Integrated Farming beli MSM Perlis

Daily Star Online, April 30, 2021 @ 9:23pm
www.dailystar.com.my



Dengan perjanjian pengalihan aset dan...

Pengalihan yang diumumkan adalah ber...

Suruhanjaya Perkhidmatan Awam (SP2)...

Keputusan FGV akan membolehkan sem...

Beliau berkata, Kanan Pegawai Eksekutif...

Maxis sokong infrastruktur di seluruh negara

© 2020-2021 Maxis Berhad



boosts Q3 profit

due to improved margins, expenses and lower borrowings. MSM Malaysia's profit, inclusive of the division of MSM Perlis, year-to-date MYR393 million.

"The company is working towards improving its efficiency and remains positive of its full-year target performance," said MSM Malaysia group chief executive officer Syed Faisal Syed Muhammad.

He said MSM Malaysia is focused on improving its yield and capacity utilisation, resulting in lower refining and production cost.



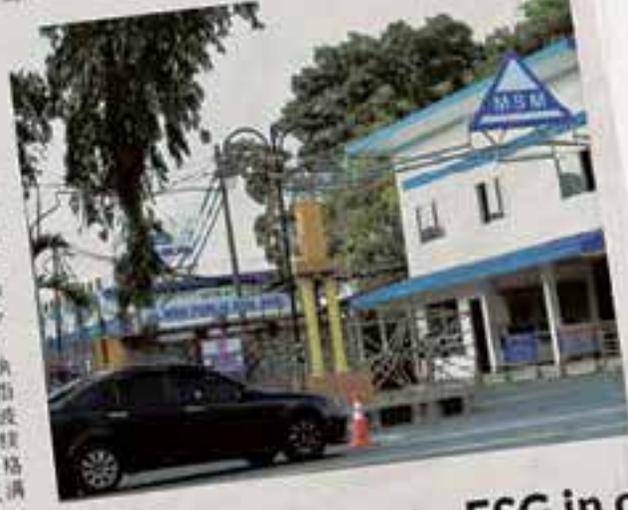
MSM PRAI BERHAD
Lot No. 81, Jalan SGP 6/14,
Kawasan Perusahaan Bukit Rahman Park,
47100, Sungai Buloh, Selangor, Malaysia
Tel: +65 - 8187 8888 Fax: +65 - 8187 8388

For the nine months, MSM Malaysia Holdings had recorded a net profit of RM127.47 million previously.



MSM agih zakat RM1 juta Penjualan MSM Perlis kepada FGVIF di

September 30, 2021 10:40am



馬來亞糖廠連賺兩季 首季淨利增至3119萬

淨利。由于工业和出口业务录得更佳表现，马来亚糖厂首季净收益报5亿1493万令吉，比上财年同期的3亿3084万令吉提升0.8%。

出，增幅从2020年首季的3%，上升至本财年首季的13%。归功于柔州业务的收益和厂牌使用率提高。

加强产能利用，进一步降低生产成本。

该公司首季出口精制糖的营业额增长了近5倍，但国内市场的需求下跌了21%。主要因1月中落实的管制令打击了需求。

马来亚糖厂总执行长赛鲁尔指出，新冠肺炎疫情第3波疫情仍持续，继续扰乱市场与商业格局，今年将是充满挑战的一年。

尽管如此，马来亚糖厂仍勉力满足国内需求，并致力于通过出口精制糖、增值产品和多元化下游产品，扩大公司作为综合精炼中心的区



ur rangkaian MSM



Project: MSM Development in Selangor (2017). This was one of the projects that were completed by MSM Malaysia. The project was completed in 2017 and was one of the projects that were completed by MSM Malaysia. The project was completed in 2017 and was one of the projects that were completed by MSM Malaysia.

MSM commits to ESG in environmental sustainability



5-YEAR FINANCIAL HIGHLIGHTS

	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Revenue	2,259,698	2,184,463	2,006,911	2,214,376	2,641,529
Cost of Sales	(2,098,744)	(2,016,920)	(1,992,260)	(2,016,022)	(2,563,490)
Gross Profit	160,954	167,543	14,651	198,354	78,039
Other Operating Income	9,897	1,566	1,843	1,401	8,685
Selling and Distribution Expenses	(28,293)	(26,101)	(25,272)	(19,762)	(19,741)
Administrative Expenses	(66,106)	(62,374)	(73,561)	(71,817)	(61,122)
Impairment of Financial Assets, Net	(1,635)	(6,565)	(4,583)	(3,018)	-
Reversal of Impairment/(Impairment) of Non-Financial Assets	16,427	11,775	(138,784)	(1,390)	-
Other Operating Expenses	(7,682)	(14,232)	(747)	(44)	(7,005)
Other Gains/(Losses), Net	41,998	(2,816)	4,999	(2,887)	(1,223)
Profit/(Loss) from Operations	125,560	68,796	(221,454)	100,837	(2,367)
Finance Income	2,587	3,835	4,032	4,057	5,293
Finance Costs	(47,045)	(36,784)	(82,128)	(38,508)	(22,500)
Profit/(Loss) Before Zakat and Taxation	81,102	35,847	(299,550)	66,386	(19,574)
Zakat	(1,000)	(1,486)	(14)	(1,500)	-
Taxation	(43,487)	(30,498)	11,074	(27,509)	(16,767)
Profit/(Loss) for the Financial Year from Continuing Operations	36,615	3,863	(288,490)	37,377	(36,341)
Discontinued Operations					
Profit/(Loss) from Discontinued Operations, Net of Tax	88,738	(75,091)	(11,279)	(1,717)	-
Profit/(Loss) for the Financial Year	125,353	(71,228)	(299,769)	35,660	(36,341)

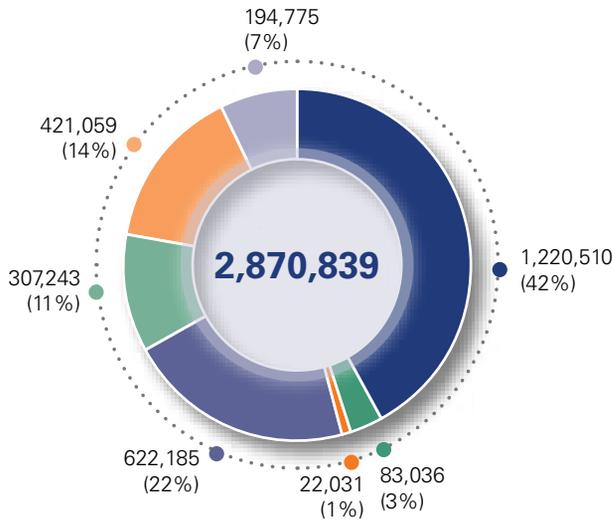
FINANCIAL RATIOS

	2021 RM'000	2020 RM'000	2019 RM'000	2018 RM'000	2017 RM'000
Return on Shareholder's Equity	7.32%	(4.50%)	(18.10%)	1.82%	(1.90%)
Return on Total Assets	4.4%	(2.6%)	(10.1%)	1.0%	(1.1%)
Debt Equity Ratio	0.7	0.8	0.8	0.9	0.8
Dividend Cover	5.9	-	-	-	(1.3)
Total Assets	2,870,839	2,770,280	2,980,766	3,655,342	3,404,782
Net Assets Per Share	2.44	2.25	2.36	2.79	2.74
Earnings/(Loss) Per Share (Sen)	17.83	(10.13)	(42.64)	5.08	(5.17)

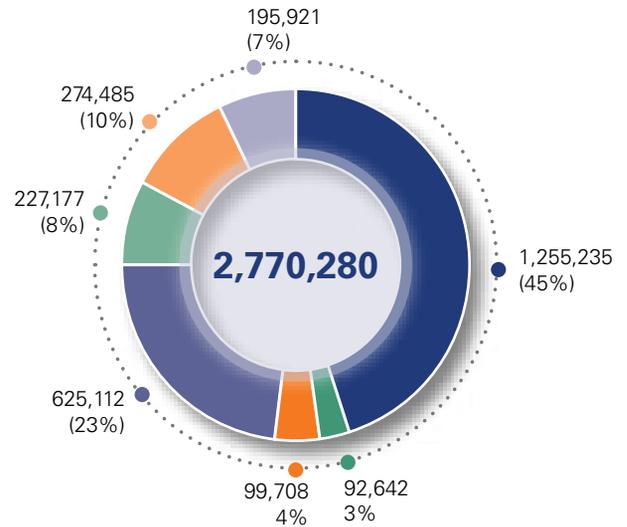
STATEMENT OF FINANCIAL POSITION

TOTAL ASSETS (RM '000)

2021



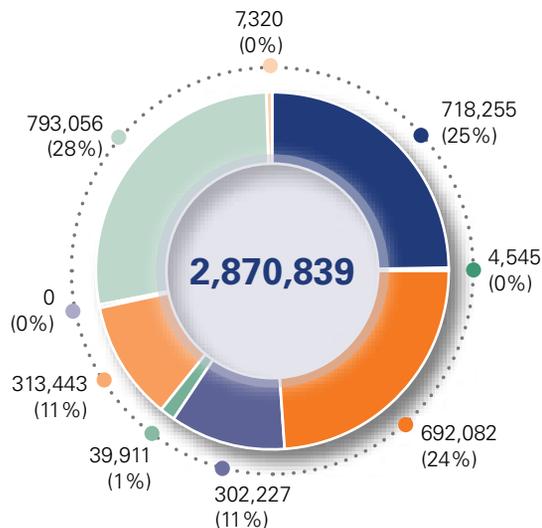
2020



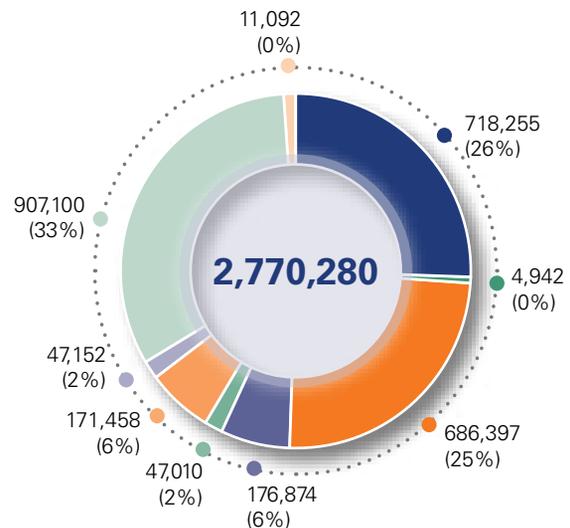
- Property, Plant & Equipment
- Other Assets
- Receivables
- Cash and Cash Equivalents
- Right-of-use Assets
- Intangible Assets
- Inventories

TOTAL EQUITY AND LIABILITIES (RM '000)

2021



2020



- Share Capital
- Lease Liabilities
- Other Reserves
- Retained Earnings
- Deffered Tax Liabilities
- Payables and Other Liabilities
- Loan Due to Related Company
- Borrowings
- Derivative Financial Liabilities

QUARTERLY FINANCIAL PERFORMANCE

2021	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Continuing Operations				
Revenue	514,935	554,100	548,646	642,017
Profit from Operations	52,179	30,491	41,987	903
Profit/(Loss) Before Zakat and Taxation	43,074	21,481	22,376	(5,829)
Profit/(Loss) from Continuing Operations	30,107	13,277	9,392	(16,161)
Discontinued Operations				
Profit from Discontinued Operations	1,079	190	87,469	-
Profit/(Loss) Attributable to Equity Holders of the Company	31,186	13,467	96,861	(16,161)
Basic Earnings/(Loss) Per Share (Sen)	4.43	1.92	13.78	(2.30)

2020	First Quarter RM'000	Second Quarter RM'000	Third Quarter RM'000	Fourth Quarter RM'000
Continuing Operations				
Revenue	510,844	448,735	594,553	630,331
(Loss)/Profit from Operations	(14,509)	(13,192)	26,789	69,708
(Loss)/Profit Before Zakat and Taxation	(27,253)	(25,271)	14,768	73,603
(Loss)/Profit from Continuing Operations	(34,291)	(19,417)	920	56,651
Discontinued Operations				
Loss from Discontinued Operations	(414)	(2,137)	(72,131)	(409)
(Loss)/Profit Attributable to Equity Holders of the Company	(34,705)	(21,554)	(71,212)	56,243
Basic (Loss)/Earnings Per Share (Sen)	(4.94)	(3.07)	(10.13)	8.00

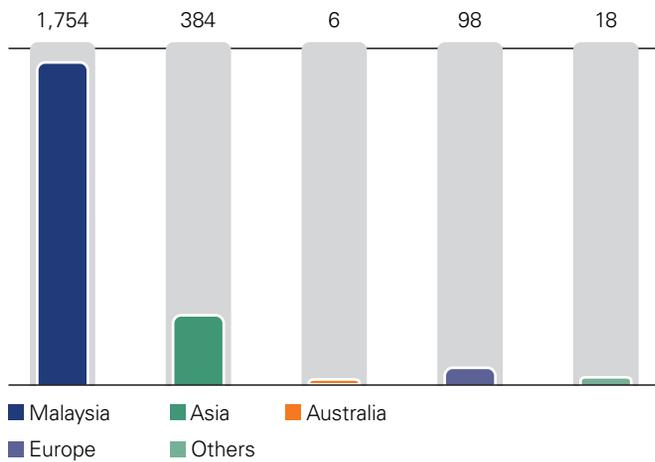
STATEMENT OF VALUE ADDED

	2021 RM'000	2020 RM'000
Value Added		
Revenue	2,259,698	2,184,463
Purchase of Goods and Services	(2,031,797)	(2,028,902)
Value Added by the Group	227,901	155,561
Other Operating Income	99,391	2,185
Other Gains/(Losses), Net	41,998	(2,816)
Reversal of Impairment of Non-Financial Assets	16,427	13,537
Impairment of Financial Assets, Net	(1,619)	(6,565)
Finance Income	2,587	3,835
Finance Cost	(47,045)	(36,784)
Value Added Available for Distribution	339,640	128,953
Distribution		
To Employees		
Employment Cost	86,959	79,769
To Government/Approved Agencies		
Taxation and Zakat	44,487	31,984
To Shareholders		
Dividends	-	-
Retained for Reinvestment and Future Growth		
Depreciation and Amortisation	82,841	88,428
Retained Profits/(Losses)	125,353	(71,228)
Total Distributed	339,640	128,953

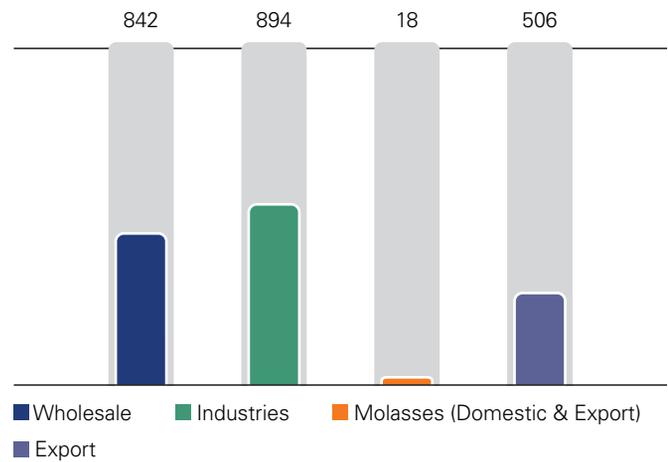
SEGMENTAL HIGHLIGHTS

REVENUE 2021 (RM MILLION)

Revenue by Region

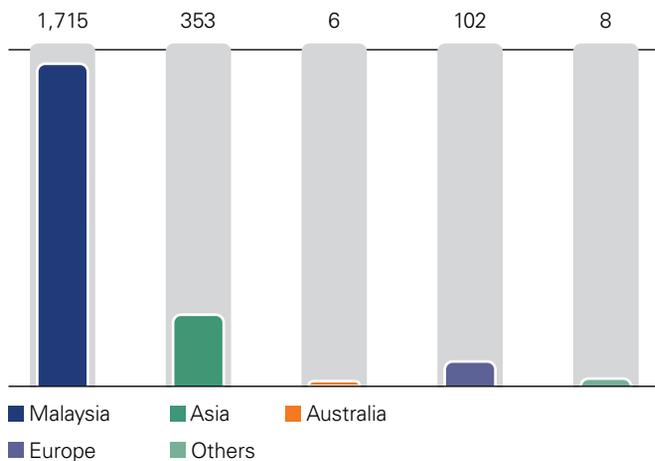


Revenue by Segment

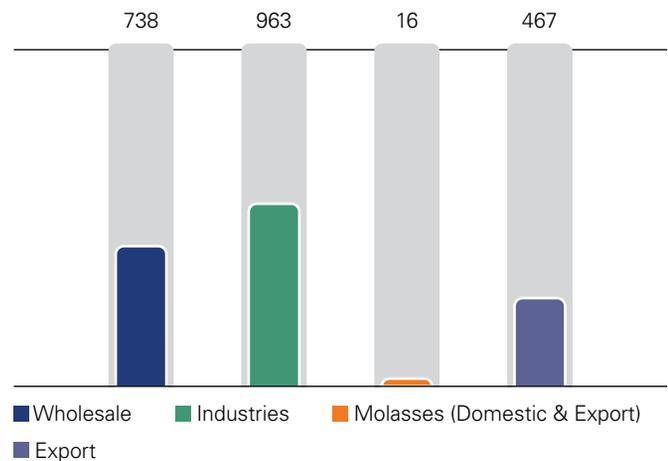


REVENUE 2020 (RM MILLION)

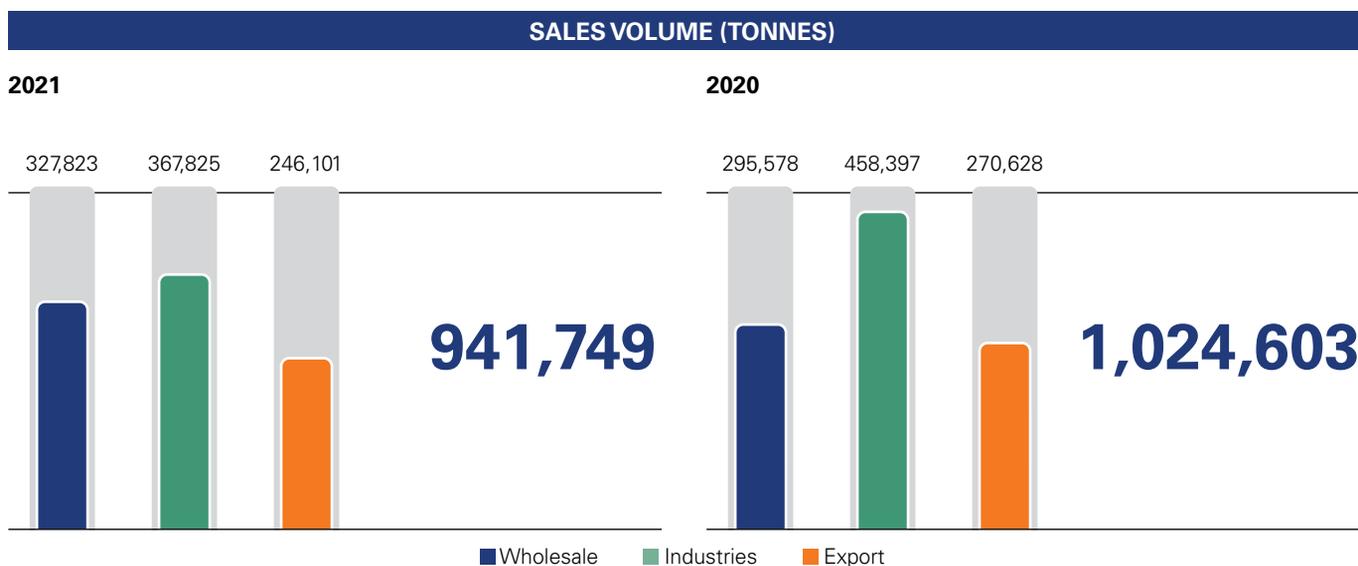
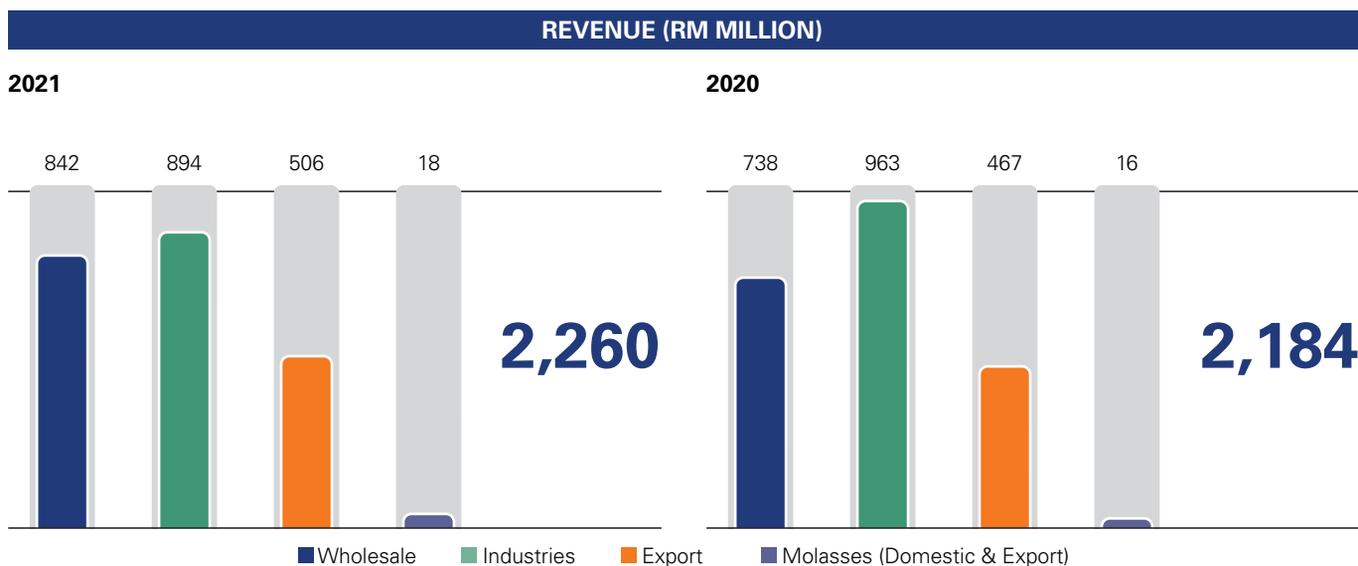
Revenue by Region



Revenue by Segment



SALES HIGHLIGHTS



Note:
 1. Sales volume excludes sales of molasses.

STATEMENT & DISCUSSION BY
OUR LEADERS





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84	Commercial & Downstream
88	Supply Chain

CHAIRMAN'S ADDRESS

This is a year of steadfast turnaround profitability and growth for MSM Malaysia Holdings Berhad (MSM or the Group), as portrayed by the Wau flying high on the front cover of this year's Annual Integrated Report.

Anchored on the BP21 strategy, we are unlocking greater value through rationalising and monetising resources, leveraging new opportunities and developing a high performance culture. Stronger engagement with stakeholders have bolstered partnerships, while our Environmental, Social and Governance step-up initiatives are catalysts in enabling better ability to scale a reputable position as one of the top global sugar refiners.



DATUK SYED HISHAM SYED WAZIR
Chairman
Independent Non-Executive Director

CHAIRMAN'S ADDRESS



MSM HAS MANAGED TO HEDGE A SIGNIFICANT PORTION OF ITS WHOLESALE REQUIREMENT IN FY2022 BELOW MARKET PRICE. THE GROUP WILL CONTINUE HEDGING THE RISING COST CAUTIOUSLY TO SUSTAIN AGAINST THIS CHALLENGING INFLATIONARY PERIOD.

Navigating Through Volatility

MSM maintained a steady footing through a year of increasing costs and operational disruptions by committing to business and sustainability plans, firming up stakeholder relationships and taking quick action to overcome hurdles. Staying responsive instead of reactive, MSM made the following prudent and decisive actions to address the year's challenges:



Mitigating Rising Raw Sugar NY11 and Freight Costs

With NY11 prices trending higher and freight costs on the rise, MSM continues to hedge NY11 towards budget. By securing lower hedged pricing and offsetting increased costs on these vital resources, MSM is able to secure good refining margin.

MSM naturally hedges all Industry and Export volumes with a back-to-back pricing mechanism on top of raw sugar cost. While raw sugar supply shortages will result in raw sugar price increase, MSM has managed to hedge a significant portion of its Wholesale requirement in FY2022 below market price. The Group will continue hedging the rising cost cautiously to sustain against this challenging inflationary period.





Increasing Average Selling Price and Domestic Market Demand

Margins were also sustained through higher Average Selling Price (ASP) in the domestic market to compensate for higher input cost of production. This was made possible through equitable negotiation outcomes with customers which are also considered based on volume offtakes which contributed positively to the Group's performance. FY2021's higher operational profit for the year is generally from the improved ASP.



Warehouse Space Constraints

There was limited internal storage for higher levels of refined sugar reserves. The full warehouses led to a slowdown in production and increased operating cost per unit.

MSM Johor is currently building an additional warehouse with a 10,000 MT capacity and MSM is also exploring to establish a Northern Distribution Centre.



Improving Yield and UF in MSM Johor Operations

MSM Group intensified focus towards improving yield and utilisation factor (UF) of MSM Johor to lower refining and production costs. Operations in MSM Johor is back on track with the completion of its second boiler rectification work. MSM Johor has set strategic targets to improve its financial performance in FY2022 with plans to ramp up MSM Johor production after debottlenecking of processes.



COVID-19 Causing Operational Disruptions

There was a requirement for a temporary plant shutdown at MSM Prai caused by rising number of COVID-19 cases that led to a potential disruption of Domestic sugar supply. To ensure sustainability of sugar supply and food security, MSM decided to undertake a strategic stockpile level of reserves that included importation of refined sugar.



Rising Natural Gas Cost

Natural gas cost is a key component of MSM's refining cost. The domestic natural gas price is linked to the volatility of Brent Crude Oil futures. MSM is hedging this risk with Brent linked derivatives like options and futures contracts.



Ensuring Environmental License to Operate

MSM enforces that being caring for the environment gives countless benefits to the society and living habitats surrounding our operations. MSM has taken proactive engagement efforts with the communities with the following initiatives:



In FY2021, the DOE agreed and approved that mudcakes generated as by-products by the refineries are no longer termed as Scheduled Waste.



A trial programme between MSM Johor and FGV Fertiliser to turn mudcake into fertilisers was initiated in October 2021, and potential collaborations with third parties and the research community to supply and study mudcakes are being explored.



MSM Prai signed a Certificate of Collaboration with Penang's DOE enabling green initiatives in preserving and conserving the environment on 13 October 2021. This was kicked off with a successful Mangrove replanting programme alongside the riverbank of Sungai Perai.

CHAIRMAN'S ADDRESS

Profit After Tax

RM125.35

million



Overall Gearing Ratio

26%



Major Market Share
Dominance



Scaling New Heights

We hit new highs in FY2021 as MSM recorded more than 100% increase in net profit. This was on the back of revenue growth of 3.7% at RM2.26 billion from RM2.18 billion in FY2020, and the gain from the disposal of MSM Perlis Sdn Bhd of RM91.81 million. The increase in revenue is attributable to the increase in ASP for Wholesale segment and improved premiums for Industry and Export segments. Overall, Profit After Tax (PAT) for the year was RM125.35 million, a significant improvement against the Loss After Tax (LAT) of RM71.23 million in FY2020.

Excluding the disposal gains of MSM Perlis, MSM recorded an operational profit of RM122.48 million. The Group recorded higher Profit Before Tax (PBT) from continuing operations with improved margins, lower expenses and lower finance cost as a result of lower borrowings. The continued focus on strengthening the Group's balance sheet has yielded positive results. As of 31 December 2021, total net assets stood at RM1.71 billion whilst cash and cash equivalents at end of financial period is RM194.78 million which remain relatively in line with previous year's level of RM195.92 million. The Group's term loans stood at RM414.12 million, lower compared to RM552.55 million at the end of FY2020. The term loan gearing ratio has seen improvement from 28% in FY2020 to 20% in FY2021, with overall gearing ratio of 26%.

The financial turnaround was balanced with improved operations in FY2021. MSM still holds major market share dominance domestically and accompanied by steady domestic and export sales throughout the year.

The Board has declared dividends of 3.0 sen per share for FY2021 amounting to RM21.09 million and equivalent to 17% of the FY2021 net profit of RM125.35 million.



The detailed Group Financial Review is available on page 66



**A HIGHLIGHT
OF THE YEAR WAS
THE 100%
PARTICIPATION
BY ALL MSM
EMPLOYEES
IN SIGNING
THE INTEGRITY
PLEDGE WHICH
DEMONSTRATES
OUR COMMITMENT
AND SUPPORT
IN UPHOLDING
INTEGRITY, CORE
VALUES AND
BUSINESS ETHICS.**

Taking Off on Governance & Integrity

The positive results of this strategic turnaround reflect the good governance, prudent risk management and heightened governance commitments. The Board continually reviews and restructures governing policies to ensure decent returns without any compromise on proper governance. We take a strong stance against mismanagement and corruption. During the year, we have made strides on this front by establishing the MSM Corruption Risk Management, MSM Conflict of Interest Policy, MSM Referral Policy, the revised MSM Whistleblowing Mechanism, as well as beefing up the MSM Anti-Bribery Policy Statement.

Focused on our progress as a global player, the Board championed ethical behaviour and integrity in FY2021. A highlight of the year was the 100% participation by all MSM employees in signing the Integrity Pledge which demonstrates our commitment and support in upholding integrity, core values and business ethics. We have also introduced the Vendor Integrity Attestation for third party vendors and suppliers as we progress to become a more sustainable business with better disclosures and practices.



Details on Corporate Governance Overview Statement can be viewed on page 208 of this Annual Integrated Report



CHAIRMAN'S ADDRESS

Uplifting Our ESG Commitments

MSM's Group Sustainability Policy facilitates our commitment to conduct business responsibly through the integration of Environmental, Social and Governance (ESG) considerations throughout our business process. Despite the COVID-19 pandemic, MSM maintained its production momentum and secured sufficient supply of sugar to the nation, and provided job security to all employees.

Employee safety and welfare was a top priority during the year. Through the unprecedented pandemic and flooding incidents in FY2021, we stood by our employees with added assistance and heightened medical care insurance benefits for them and their families. We have also ensured our workplaces are safe, conducive and healthy with the achievement of ISO 45001 certification for MSM Prai and Sungai Buloh Warehouse achieved during the year, while MSM Johor's in the near pipeline.

Upholding our corporate responsibility, the Group maintained zakat contribution of RM1 million during the year, and continued to fulfil our community obligations through financial and sugar contributions, as well as volunteerism activities for the good of the community. In addition, we are now invested in nurturing future leaders by providing talented and smart young graduates career opportunities under the Prodigy programme.

Our step-up commitment towards ESG received tremendous recognition when The Coca-Cola Company (Coca-Cola) awarded us the contract to supply refined sugar for Coca-Cola's domestic and international production. We now move forward into FY2022 with confidence and pride, having secured this contract with an estimated value of RM290 million. This accomplishment is an added boost to MSM Group and a testament to our capability in meeting Coca-Cola's standard of food safety, quality and sustainability requirements. It also excels our reputation to expand internationally to wider markets across the region.



MSM's full Sustainability Report is available on page 118



THE GOAL IN FY2022 IS TO IMPLEMENT IR4.0 SMART SYSTEMS FOR OUR MANUFACTURING, SALES AND LOGISTICS FUNCTIONS.

A Broader Vision

Succeeding this year's Turnaround, FY2022 is staged to be a **Resilient** year under the guidance of Business Plan 2021-2023 (BP23) which has been prepared under three main principles namely **(1) Optimising our assets potential, (2) Strengthening domestic position with intensified regional presence and (3) Improving capital structures.**

Through ongoing utilisation improvements at MSM Johor, our priority moving forward is to ensure the maximisation of Group capacity that is well supported by the growth in the core business segments namely Domestic (Wholesale and Industry) and Export (refined sugar and value added products).

Digital transformation is a key enabler towards further operational efficiencies. We intend to harness digital systems to enhance productivity, improve data collection and accelerate business processes by improving data visualisation and analytics for better decision making. The goal in FY2022 is to implement IR4.0 smart systems for our manufacturing, sales and logistics functions.

MSM will also continue to target sustainable growth by widening our focus on the value added sugar segment and re-establishing research and development investments towards product innovation.



Details of BP23 are illustrated in the Corporate Strategy and Business Plan Review on page 70



Acknowledgements & Appreciation

There have been several new appointments to the Board in 2021 and we bid farewell to Dato' Haris Fadzilah Hassan, an FGV representative who resigned on 7 April 2021. In his place we welcome Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad as FGV representatives and Dato' Amir Hamdan Hj Yusof from KPF. They bring with them fresh perspectives that have enhanced the diversity of skills and experience at the helm. I take this opportunity to welcome them on board and to thank all members of the Board for their valuable service through a challenging year.

On behalf of the Board, I would like to record my appreciation for the continued support extended by the Ministry of Domestic Commerce and Consumer Affairs (KPDNHEP), sugar industry authorities, customers, suppliers and business partners. These are vital relationships that has sustained our performance and growth in FY2021.

My sincere gratitude and appreciation also goes out to our shareholders from FGV, KPF, PNB, EPF and others for their continued confidence and loyalty in supporting our aspirations and business plans.

I take this opportunity to applaud the drivers of MSM's turnaround performance - the management and all MSM employees, led capably by Group CEO Tuan Syed Feizal. Their positive mindset and commitment to progress has been exemplary. I would also like to acknowledge the strong bond of **"Keluarga MSM"** that has been forged through the challenges that tested us not just as a business, but as individuals. We have faced the loss of colleagues and loved ones due to the pandemic, and some have suffered loss of property in the floods that beset our country in December 2021. Rest assured the MSM way is to look after one another and place the welfare of our people first in all we do. As they say, **"Kita Jaga Kita"** and together we will overcome.

Thank you.

Datuk Syed Hisham Syed Wazir

Chairman

Independent Non-Executive Director

IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER

Dear Stakeholders,

MSM Group is gaining turnaround momentum as we fortify fundamentals and focus on strategic goals. Working as one team through this challenging year, we achieved over 60% of MSM's Key Strategic Initiative targets for FY2021, and registered a profit of RM125.35 million.

This has led to significant achievements such as:



Leading as the pride of the nation's sugar industry with a majority hold of the domestic market share



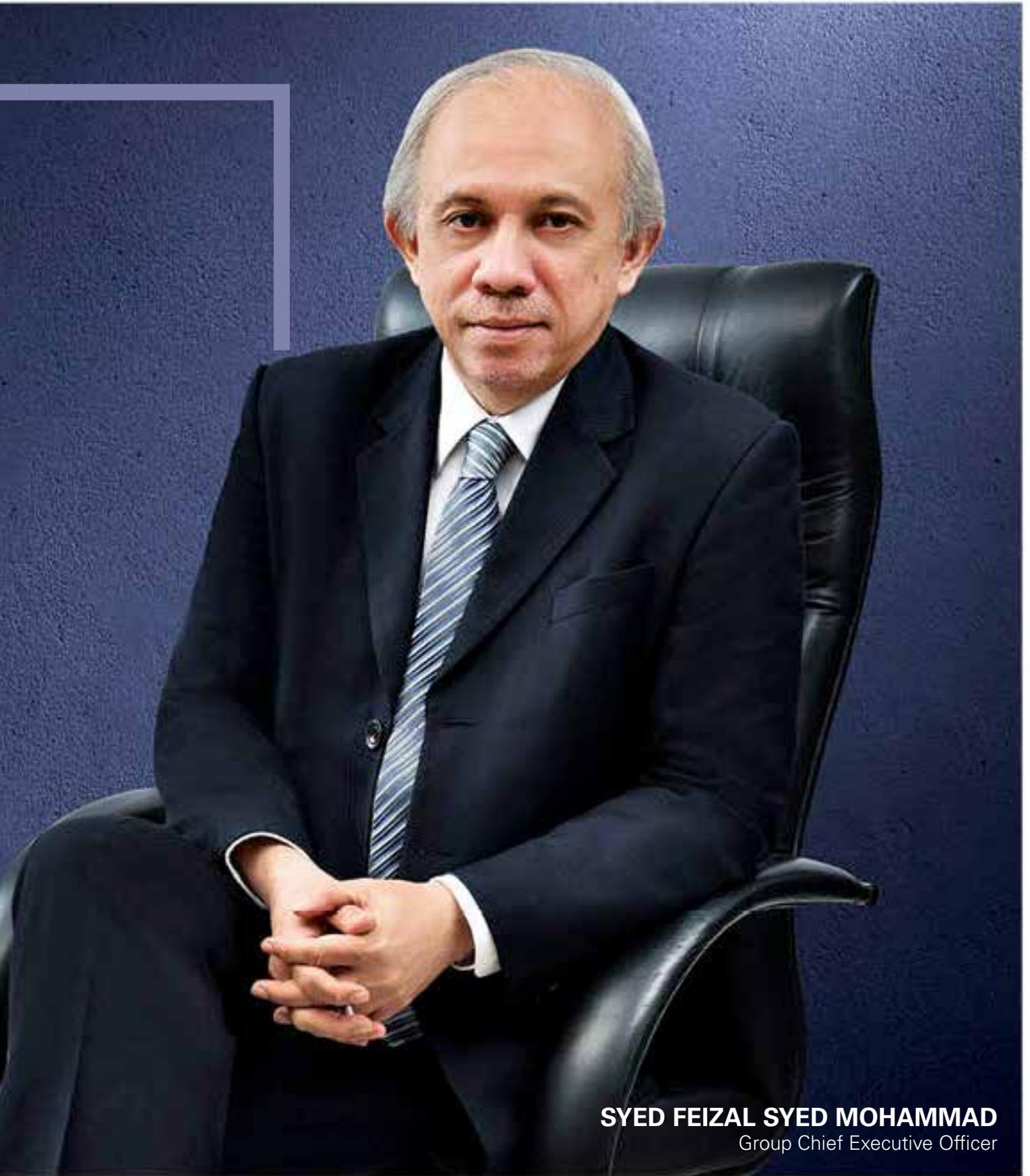
One of the largest sugar refiners in the global sugar industry



Gula Prai ranking

3rd

most chosen FMCG brand in Malaysia



SYED FEIZAL SYED MOHAMMAD
Group Chief Executive Officer

IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER

STEPPING IN AS GROUP CHIEF EXECUTIVE OFFICER ON 1 FEBRUARY 2021, SYED FEIZAL SYED MOHAMMAD HAS STEERED MSM SUCCESSFULLY THROUGH THE FIRST YEAR OF ITS TURNAROUND STRATEGY. HE HAS ALSO BEEN NOMINATED AS A MAIN MEMBER OF THE CEO ACTION NETWORK (CAN). THESE TOP 10 QUESTIONS ADDRESS HIS VIEWS AND REFLECTIONS ON FY2021 AND TOWARDS FAST FORWARDING A MORE SUSTAINABLE FUTURE FOR 'KELUARGA MSM'.



What was your first priority as MSM Group's GCEO?

As strong roots are required for sustainable growth, my first priority, coming from an oil and gas background, was to instill a strong focus on Safety, Quality and Governance within MSM. In fact, my first act as GCEO was to meet with MSM's safety officer and then review the corporate charters on HSES, Quality, Diversity & Gender Equality, and Business Ethics & Compliance. These corporate charters are essential in calibrating the moral compass of the business and navigating the MSM team towards a world-class performance mindset - going from good to great, and then from great to excellent.

MSM'S
HSES&Q GOAL:

**zero
harm**

to people,
property and the
environment

This alignment helps build strong positive values that prioritises working towards operational optimisation with zero harm to people, property and the environment. In my engagements with management and employees, we emphasise the need to live up to being billed a Group that has gained one of the top positions in the world sugar market. This requires adoption of multinational corporation (MNC) practices and mindset, and we actively communicate this through employee engagements on the ground - from our talks with trade unions to our very young prodigies of fresh graduates.



**WE EMPHASISE
THE NEED TO
LIVE UP TO BEING
BILLED A GROUP
THAT HAS GAINED
ONE OF THE TOP
POSITIONS IN THE
WORLD SUGAR
MARKET.**



MSM has seen turnaround results under your stewardship in 2021, what achievements are you most proud of?

I was fortunate to come into MSM when a concise blueprint had already been launched by the previous management and turnaround strategies were in place. So the journey towards the improved profitability had started even before I came in. Most of my work focused on enhancing the blueprint and business optimisation while ensuring greater subscription by the workforce towards governance, integrity and pride in being part of an organisation that is one of the top in the global sugar industry.

Staying on strategy, the team worked hard to sustain profits through the four quarters and protect shareholder interest, despite tremendous challenges affecting production volumes in FY2021.

What I found really motivating was the confidence of the investing community in MSM after the announcement of the fourth quarter 2020 results. There was a sharp recovery in MSM's share price which rose four folds growing the market capitalisation to a high of RM1.40 billion. To me, that is a vote of confidence from the investing community on MSM's new leadership team and MSM Group's moving forward plans.

Through this period, MSM has also attracted increased foreign investor holdings especially from EU countries. It clearly indicates that we are ticking their checklist on environment, social and governance (ESG) matters apart from business sustainability.



Visit by YB Dato' Seri Idris Jusoh, FELDA Chairman and Senior Management to MSM.

IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER



TOWARDS FUTURE GROWTH, WE INTEND TO EXPAND OUR EXPORT BUSINESS BEYOND THE ASIA PACIFIC REGION, AND EXPLORE NEW OPPORTUNITIES IN FOOD BUSINESS BY THINKING BEYOND SUGAR IN LINE WITH THE MSM VISION.



How do you intend to maintain market leadership in an era of greater competition?

With the right attitude ingrained within the leadership team, there is a solution for every problem. What is required is the determination to weed out gaps in our service delivery, ensure we have the best talent in place and taking action swiftly.

Towards sustaining and growing MSM's market share, we are widening our outreach through greater product choice and customer touchpoints. This requires us to build stronger relationships with all our customers and understand their needs better. During the year, we made it a point to engage and meet decision makers face to face. From personal meetings at the top-level with leaders of multinational corporations to on-the-ground visits to hypermarkets, these engagements allow us to better understand pinch points, so we can proactively mitigate problems and improve our value propositions to different customer segments - wholesalers, industry, export and retailers.

We also addressed price matrix issues and built on consistent practices with wholesalers. For industries, we now provide greater flexibility and reliability in taking on more volume. For exports, we are going the extra mile to ensure quality and a better value proposition. Thanks to these efforts, we have reinforced our market share in FY2021.

Branding too is vital to withstand growing competition. We have launched brand reinforcement campaigns on conventional, digital and social media fronts with various consumer rewards to garner greater engagement. Our latest **"Janji...Gula Peket Hijau"** campaign recognises consumer loyalty and celebrates our customer diversity and unity during special occasions such as Malaysia's Independence Day and Malaysia Day.



What were the operational highs and lows for the year?

A significant operational high was on the export front as we successfully increased export markets and secured a RM290 million refined sugar supply contract with The Coca-Cola Company (Coca-Cola) for both domestic and international production. We are proud that our sustainable practices and good operational reliability elevated our value proposition among stiff competition. The opportunity to be part of Coca-Cola's supply chain, the world's most valuable soft drink brand, was part of our export blueprint to be one of the top global integrated sugar refiners.

This accomplishment is an added boost to MSM Group having achieved a turnaround in FY2021. It reflects recognition of our step-up commitment towards the ESG framework, reliability as a source of sustainable raw sugar supply and capability in maintaining the highest standard of food safety and quality. This fortifies MSM's commitment to deliver on ESG goals with greater initiative and urgency going forward.

Another upside for MSM was that we managed to increase our Average Selling Prices while stabilising volume, which is not an easy task. To this end, we initiated a collective strategy with customers to understand the rise in NY11 pricing that squeezes refining margins. This increase has helped ensure profits in a challenging year.

Low points for the year involved the breakdowns and volume disruptions at MSM plants due to technical matters, environmental impact and COVID-19 issues. Sadly, we lost four workers (three employees and a contract worker) as a result of COVID-19 and early last year a contract worker had a fatal fall. These incidents exemplify the need to continuously guard against COVID-19 and lapses in safety procedures to uphold our goal of zero harm to people, property and environment. Going forward we are now more mindful and armed with preventive measures and proactive responses.

IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER



What are your plans towards boosting productivity, especially at MSM Johor?

Towards boosting productivity, we are ready to do things differently - operationally and structurally. We have reassigned roles to optimise on talents and abilities. We are ensuring management support in understanding and helping mitigate barriers and problems while providing enablers with effective tools and resources.

Key Performance Indicators (KPIs) have been aligned towards productivity, so that exemplary actions and practices will be rewarded. We are implementing short cycle time including Lean Six Sigma (LSS) support. These are some of the impactful methods employed to ensure MSM Johor registers profitability by FY2022.



What are MSM's strategic intents moving ahead?

We intend to enhance turnaround, stay resilient and unlock our higher potential by staying agile and proactive. We will be operating within an environment of transitory inflation with rising costs of NY11 raw sugar, gas energy, freight and Foreign Exchange (FOREX) to contend with.

For each we have responsive risk management solutions as detailed in our Corporate Strategy and Business Plan Review. These range from hedging, intense management monitoring, to growing an eco-system of US dollars as a natural hedge and other new instruments in ensuring mitigation.

On the business front, we are enhancing opportunities, not just by optimising volumes but also by focusing on higher margin segments such as value added products (VAP). Research and development on VAP and health segment products will be stepped up to leverage on new opportunities. Diversification into a new food-business segment, as per our stated vision, is also in the cards.

At the global front, the manufacturing sector is reimagining the future of manufacturing where conventional models are making way for greater technology adoption and the key determinants are efficiency, speed and flexibility towards sustaining competitiveness. The Industrial Revolution 4.0 (IR4.0) entails infusing higher value added process of manufacturing through the application of advanced digitisation, innovative manufacturing technologies and efficient resource utilisation.

As we extend our business ecosystem in widening the sugar universe in market regions, products and customers, we have to fully exploit the continental shift in global trade where these borderless transactions and ESG concerns are pivotal. MSM Group is in step with Industry4WRD, the National Policy on IR4.0, which would enable the manufacturing sector to move into IR4.0 and along the way contribute to fulfilling Malaysia's commitment to the United Nation's Sustainable Development Goals (UN SDGs).

Key Strategic Initiatives of MSM BP23



Sustainable Manufacturing Performance



Improving Sales Performance



Growing a Sustainable Operation with Better Energy Planning and Green Energy



Cost Savings on Sales & Distribution



Strategic Capital Management



Expand Export via Strategic Partnership



Digital Transformation towards Industry 4.0



Details can be referred to in the Corporate Strategy and Business Plan Review on page 70



What are the initiatives that have been planned through the short and medium term?

To date, MSM is already making headway in several ESG initiatives. We have structured policies and procedures to ensure we provide decent returns without any compromise on proper governance. We have a well-composed and experienced Board that takes a strong stance against mismanagement and corruption, and champions ESG goals. Accounting report timeliness, quality and disclosures of materiality have been improved. Board reporting and guidance implementation translate to greater risk management while pursuing opportunities on operational excellence.

Nevertheless, we require a more substantive framework with improved recording and disclosures. To this end, MSM is significantly escalating our ESG framework and working towards subscribing to the SBTi and Net Zero commitment under the United Nations Global Compact.



Details on our ESG initiatives and performance for FY2021 are disclosed in our Sustainability Report on page 118



How has MSM positively contributed to employee and community welfare?

MSM has adopted a “People First” approach to both our internal and external communities. We refer to our employees as “Keluarga MSM” and their welfare takes precedence when it matters most. Charity begins at home so we want to provide care beyond the ordinary for all employees as and when needed and appropriately so. This has been demonstrated during the year’s turmoils involving COVID-19 and the recent floods.

A number of our colleagues were badly affected by the pandemic and floods, and in line with our People First approach we established task forces to monitor, communicate and aid those affected closely with established hotlines of contact persons at any time required. The task force comprises mainly members from People Partner and HSES&Q, and maintains close reporting and feedback to management who are equally contactable for help.

Other than a substantial Welfare and Zakat budget to aid employees financially in times of need, we render help beyond financial, and beyond the conventional. We offered jobs to the children of the deceased breadwinners in the three cases of COVID-19 fatalities among our employees in FY2021.



IN CONVERSATION WITH OUR GROUP CHIEF EXECUTIVE OFFICER

We offered flood-assistance such as contract cleaners to help with the clean-up of the affected houses, and additional compassionate leave to affected employees. In addition, insurance policies for all employees have been updated during the year with extra benefits including coverage for spouse.

Apart from taking care of our affected employees, MSM extended sympathy to the affected public and provided tangible help to state and country-wide flood centres that were affected with prompt food aid. Over 5,000kg of Gula Prai refined sugar was handed over to be distributed to flood victims in Klang Valley, Pahang, Kelantan, and Terengganu through several temporary relief centres and mosques to help over 221 flood affected families of all races and religions.

Wherever we operate, we practice an inclusive business with the view that communities around our business environment should benefit from our existence through employment and efforts to enhance livelihoods. MSM Prai's involvement in mangrove planting during the year, in collaboration with Penang's Department of Environment, is a great example of MSM working hand-in-hand with the local inshore fishermen community to protect inland shores and sustain fish populations.

MSM Group also mindfully contributes to grow opportunities for future generations through educational support. We run an annual "Back-to-school" programme for school-going children of lower income households in the community and also help create a nurturing environment within schools by sponsoring water coolers and meals. We also sponsor children of employees from lower income brackets with tuition fees at primary, secondary and even full scholarships at professional degree qualification levels. Through the Prodigy programme that was launched in July 2021, we target to provide young graduates with avenues for continuous development via on-the-job training, soft skills training, expert coaching, and a chance to be part of Keluarga MSM. We are also playing an active role through MSM Foundation via the USM Penang Steering Committee.



OVER 5,000KG OF GULA PRAI REFINED SUGAR WAS HANDED OVER TO BE DISTRIBUTED TO FLOOD VICTIMS IN KLANG VALLEY, PAHANG, KELANTAN, AND TERENGGANU THROUGH SEVERAL TEMPORARY RELIEF CENTRES AND MOSQUES TO HELP OVER 221 FLOOD AFFECTED FAMILIES OF ALL RACES AND RELIGIONS.

MSM value-added staff benefits



Medical insurance upgrades



Financial assistance through zakat wakalah for staff welfare



Food basket worth RM150 for staff under COVID-19 home quarantine



Funds for sports and healthy lifestyle activities such as establishment of MSM Foldies Cycling Club for folding bicycle enthusiasts



Back-to-school assistance for non-executive officers based on income baseline eligibility



Emergency financial assistance, cleaning services and courtesy leave to staff affected by floods



In your opinion, what are MSM’s strengths moving forward? What are MSM’s weaknesses to guard against?

MSM is a strong player in the essential food business where growth can be built upon a defensive segment and by focusing on midstream processing, marketing and distribution. A core strength is the established market ecosystem we have built in the Asia Pacific region and the recognition we enjoy from inherent industry players such as global traders and customers. With healthier financials and stronger governance, we are in a position to activate mergers and acquisitions to grow a stronger footprint going forward. This is boosted by possessing more key talents in the people mix currently as we have, during the year, augmented the management team with new blood



WITH OUR FUNDAMENTALS IN PLACE, AND THE RIGHT TEAM AT THE HELM, I BELIEVE WE ARE IN GOOD POSITION TO GROW IN THE SUGAR UNIVERSE.

that possess the right skills and experience. With our fundamentals in place, and the right team at the helm, I believe we are in a good position to grow in the sugar universe.

The danger lies in taking a complacent attitude and remaining within the comfort of sustainable profitability. To grow, we need to think ahead beyond sugar and venture into new food businesses that synergise with our current offerings.

Inaction on risk matters is another weakness we have to guard against. There are many risk issues concerning manufacturing with regard to hazardous environments, health and safety of human labour, supply chain inefficiencies and resource wastages. We need to deliver on better solutions and accelerate sustainable actions with definite goals in place. Currently, in tune with future business concerns, MSM is actively pursuing green initiatives under the pillars of ESG. Towards this end we are on the lookout for collaborations with ventures into SMART Manufacturing, Innovation on Energy Management, Technological and Certification Programmes, Green Schemes, Green Packaging and Environmental Technology Research.

Staying prepared, agile and competitive is our way forward. As such, the leadership of MSM has worked on strategic blueprints as well as assessments, and charted the path ahead with the intention to reach our goals through a promise of **“Sweet Sustenance in a Responsible, Sustainable and Mindful Way”**.

Thank you.



SYED FEIZAL SYED MOHAMMAD
Group Chief Executive Officer

GROUP FINANCIAL REVIEW



Revenue

RM2.26

billion



Profit after tax

RM125.35

million



EBITDA

RM282.31

million



Gains from disposal of
MSM Perlis

RM91.81

million



MSM has made significant progress on the turnaround of the Company despite operating in a very challenging environment. The Group registered a healthy profit after tax of RM125.35 million, a significant improvement from a loss after tax of RM71.23 million in FY2020. This was achieved amidst significant COVID-19 related impacts including substantial increase in the price of raw sugar due to supply and demand as well as changing weather in raw sugar producing countries which affected the sugarcane crop. Additionally, freight costs increased significantly as a result of shortages of containers and vessels due to border restrictions and slow turnaround time at ports. Furthermore, local sugar consumption in Malaysia was also affected by reduced productivity in the hospitality and food and beverage sectors, as well as the slowdown in social and economic activities as a result of movement restriction orders to curb the spread of COVID-19.

As a result of these impacts, the Group's gross profit margin reduced by 4% from the prior year. However, the Group recorded a profit before interest, tax, depreciation and amortisation (EBITDA) of RM282.31 million, an increase of more than 100% from prior year of RM116.68 million. The Group's statutory net profit of RM125.35 million includes the impact of gain from disposal of a subsidiary of RM91.81 million as well as depreciation charges of RM82.84 million.



In September 2021, we completed the sale of our wholly-owned subsidiary MSM Perlis Sdn Bhd for total proceeds of RM181.11 million. The disposal is part of the Group's ongoing exercise to dispose of non-core assets, generating a gain of RM91.81 million, as mentioned above. The proceeds were partly use to reduce our gearing level by making additional repayments to term loan of RM100.00 million whilst the remaining proceeds was used to fund capital expenditure in our MSM Johor refinery and general working capital for the Group. The performance of MSM Perlis Sdn Bhd was classified as discontinued operations and a sum of RM85.52 million of the gain on disposal is recorded as part of this segment's performance.

For FY2021, the Group declared a total dividend of 3.0 sen per share amounting to RM21.09 million and equivalent to 17% of the FY2021 net profit of RM125.35 million.

GROUP FINANCIAL REVIEW

KEY FINANCIAL PERFORMANCE INDICATORS

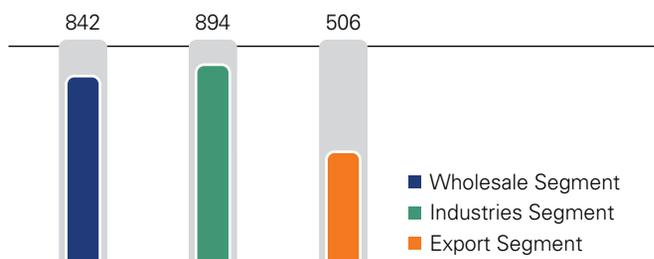
MSM uses several key financial indicators to measure its financial performance. These key financial indicators are: Revenue, Profit Before Tax (PBT), Return on Capital Employed (ROCE), Net Debt and Financing to EBITDA, and Cash Balance Position. The Board and Management regularly review these financial indicators to measure the Group's performance against set targets.



Revenue

The Group's revenue increased by 3.4% to RM2.26 billion in FY2021 on the back of improved selling prices across all customer segments. The Wholesale Segment posted a 14% increase in revenue to RM842 million in FY2021 (RM738 million in FY2020) despite recording lower volume from the previous year. Meanwhile, the Industries Segment's revenue decreased by 7% at RM894 million in FY2021 (RM963 million in FY2020). Around 20% of the revenue is generated outside Malaysia. In FY2021, Export Segment's revenue increased by 8% at RM506 million (RM467 million in FY2020) as a result of increased Premiums.

Revenue Contribution (RM million)



Profit Before Interest, Zakat and Tax (PBIZT) and ROCE

PBIZT increased 83% from RM68.80 million to RM125.56 million. Due to this increase, the Group's ROCE increased from 2.5% to 4.4%. Subject to unforeseen market conditions, we are working towards achieving a better performance in the future.



Profit Before Zakat and Tax (PBZT)

The Group's PBZT from Continuing operations increased 126% to RM81.10 million in FY2021 due to better raw sugar management. Discontinued operations contributed RM88.74 million in PBZT, mainly from gain from disposal of subsidiary, as mentioned above. The Group's consolidated PBZT of RM169.84 million is a marked improvement from a loss position of RM39.24 million in FY2020.



Finance Costs

Finance costs increase from RM36.78 million in FY2020 to RM47.05 million in FY2021 is mainly due to a loan modification cost of RM9.75 million recorded in September 2021 from additional repayments made to the Group's term loans of RM114.26 million. These advanced repayments represented a change in the present value of the term loan which resulted in a loan modification cost to be recorded in FY2021. In contrast, in FY2020, the Group made an additional repayment of RM40 million in December 2020 and recorded a loan modification credit of RM11.70 million.



Taxation

The Group recorded a higher tax expense of RM43.49 million in FY2021. This is largely consistent with the higher profits recorded. Notably however, the effective tax was higher at 26% against the applicable tax rate of 24% mainly due to the tax effects of non-deductible expenses. This was partly offset by non-taxable gains on disposal of wholly-owned subsidiary MSM Perlis Sdn Bhd.



Statement of Financial Position

Total debt decreased from RM907.10 million as at 31 December 2020 to RM793.06 million as at 31 December 2021 mainly due to repayment of term loan. Total debt consists of unsecured Bankers' Acceptance loans and Islamic term loans. Banker's Acceptance is used for the Group's raw sugar financing and short term in nature, whilst term loan was drawn mainly for the construction of MSM Johor refinery and is therefore longer term. Gearing ratio decreased from 33% as at 31 December 2020 to 26% as at 31 December 2021 due to lower net debt as at year end coupled with the higher total capital driven by higher



Cash Flow

The Group generated a positive operating cash flow of RM95.15 million in FY2021 albeit a decrease from RM277 million in FY2020. The higher revenue and net profit did not translate into an overall increase in working capital due to the tighter working capital management. Despite operating in a challenging environment, the Group ended the year with a healthy cash balance of RM194.78 million which is relatively in line with prior year's balance of RM195.92 million. Additional information can be found in the Cash Flow Statement on pages 282 to 285.



Dividend

For FY2021, the Group declared a total dividend of 3.0 sen per share amounting to RM21.09 million which is equivalent to 17% of the FY2021 net profit of RM125.35 million.

OUTLOOK

The Group performed well in the financial year ended 31 December 2021, buoyed by good raw sugar hedging. We expect the level of sugar consumption to improve in FY2022 as travel restrictions ease domestically. While raw sugar supply shortages will result in raw sugar price increase, the Group has managed to hedge a significant portion of its Wholesale requirement in FY2022 at below market price.

Overall, the Group expects the new financial year to continue to be challenging. There is still significant uncertainty on the full impact of the ongoing COVID-19 pandemic and trade tensions at this juncture. Nevertheless, the Group will remain focused towards higher yield and capacity utilisation which will result in lower refining and production costs and stronger financial position which will put the Group in a good position for growth, should prospects and business sentiment improve.

CORPORATE STRATEGY AND BUSINESS PLAN REVIEW



In FY2021 the focus of Turnaround was primarily on the business front as we worked to maximise our capabilities while seeking ways to expand our market demand and enhance our liquidity.

MSM is currently guided by a 3-year Strategic Plan through which “**Turnaround Through Asset Optimisation**” was initiated in FY2021. This was supported by the Business Plan 2021 (BP21) and continues to be supported by the Business Plan 2021-2023 (BP23) going forward.

We also worked on ramping up our ESG journey during the year, as a step towards meeting FTSE4Good Index standards and ensuring improved data gathering across the Group.

Sustainability initiatives and performance are detailed in the Sustainability Report on page 118.

3-YEAR STRATEGIC PLAN



2021 Turnaround through asset optimisation

- Capacity optimisation for lower production cost
- Assess MSM Prai **rejuvenation life extension programme**
- Improve Average Selling Price and hedging (NY11, freight, energy, forex)
- Consolidate wholesalers & territory
- Enhance market share
- Direct contracts with Modern Trade, Big Industries, major SMIs
- Grow export - Vietnam, China, Singapore, South Korea etc
- Grow value added products (VAP) such as Liquid Sugar, Fine Syrup and Premix for domestic and export markets
- Debt rationalisation - monetise non-core assets to pare down borrowings



2022 Resilient with sales volume growth

- Steady production in MSM Johor towards break-even
- MSM Prai **rejuvenation life extension programme Phase 1**
- Enhance existing and new export markets
- Expand VAP into new markets and products
- Income diversification from sugar-related products
- Step up ESG, reduce GHG emissions, renewable energy such as solar and explore biomass energy-saving project
- Digitalisation and IR4.0
- Expand healthy variant products segment i.e. Go ½, Go Natura
- Explore strategic partnership to strengthen export segment and further unlock synergistic value



2023 Pacing growth with integration and strength

- MSM Johor achieves UF and Yield maturity with downstream integration
- MSM Prai **rejuvenation life extension programme Phase 2**
- Value accretive vertical integration with downstream
- Maximising production capacity for export
- Establish distributorship in target ASEAN markets
- Expand logistic capabilities sea and land
- Explore capacity growth overseas via offtake with MSM premium sugar Quality Management
- Explore business diversification into food related business
- Explore growth via strategic M&A in new food business value chain



Status



Achieved



Delayed



Ongoing

STATUS OF KEY STRATEGIC TARGETS UNDER MSM BP21

S1 Improve MSM Johor’s Production Capability, Yield and Refining Cost

- In Progress **50%**
- MSM Johor Yield 91% in FY2021
- Boiler rectification works at the plant

S5 Strategic Capital Management

- In Progress **70%**
- Paring down of term loan from MSM Perlis disposal proceeds
- Increase USD borrowings for natural hedge in line with growing USD receivables from export

S2 Improve Sales & Distribution through territory consolidation and area demarcation

- In Progress **50%**
- Lower warehousing cost
- Lower overall sales volume causing higher unit cost

S6 Export via Strategic Partnership

- In Progress **50%**
- Explore strategic partnership to strengthen export segment and further unlock synergistic value

S3 Increase Growth in Domestic Volume

- In Progress **50%**
- Higher Weighted Average Selling Price FY2021 vs FY2020
- Lower sales volume (mainly affected by Movement Control Orders)

S7 Monetise Non-core Asset

- Completed **100%**
- Disposal of MSM Perlis

S4 Growth in Value Added Segment Sales

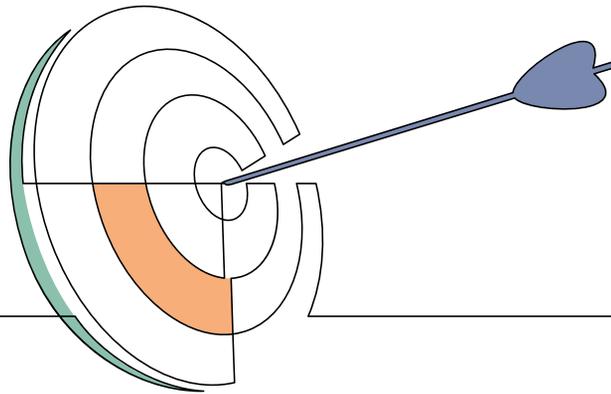
- In Progress **50%**
- Higher Average Selling Price
- Lower production volume (mainly affected by MSM Johor temporary shutdown, MCO and high container cost)

CORPORATE STRATEGY AND BUSINESS PLAN REVIEW

MOVING FORWARD WITH BP23

MSM's BP23 is aligned to a long-term end-in-mind approach to diversify into mid-stream processing of a new food business; in line with our vision to be a world class, cost efficient and high performing organisation with diversified portfolio in food related business.

As for the medium-term horizon, the BP23 captures all of the Group's key strategic actions that need to be undertaken to meet its financial and operational targets in the next three years and beyond. The ultimate aim is to be able to realise MSM's end-in-mind in the long run.



Key Targets •

2022

-  Strengthen Domestic market share
-  Expand export footprint regionally
-  Grow export with a better price via strategic partnership
-  Explore new food processing business via thorough feasibility study & strategic engagements
-  Explore 3rd party trading

2023

-  Sustain Domestic market share
-  Expand to **50%** market share in Singapore
-  Grow total export
-  Explore M&A with mid-size/profitable food processing company
-  Increase 3rd party trading for new food business

KEY STRATEGIC INITIATIVES 2022

Seven KSIs have been identified to strive for resilience by (1) optimising our assets potential, (2) strengthening domestic position with intensified regional presence and (3) improving capital structures.

<div data-bbox="165 600 801 883"> <p>Sustainable Manufacturing Performance 1</p> <ul style="list-style-type: none"> • Target to optimise production reducing Refining Cost per MT • Operational improvements supported by experienced advisors • Improve Process Reliability and Production Availability </div>	<div data-bbox="875 600 1495 915"> <p>Sales & Distribution Cost Savings 4</p> <ul style="list-style-type: none"> • Optimisation of internal assets of MSM Logistics within Klang Valley, 3rd Party Logistics for outside regions • Warehouse expansion and optimise demand and supply planning • Smart Fleet Management to optimise management, route planning, productivity </div>
<div data-bbox="165 925 801 1138"> <p>Improving Sales Performance 2</p> <ul style="list-style-type: none"> • Focus on growing the VAP segment with higher selling price and premium • Grow Merchandising Unit, smaller packing to expand retail presence </div>	<div data-bbox="875 957 1495 1181"> <p>Strategic Capital Management 5</p> <ul style="list-style-type: none"> • Optimum mix of short-term and long-term borrowings • Increase USD borrowings for natural hedge in line with growing USD receivables from export </div>
<div data-bbox="165 1181 801 1553"> <p>Growing a Sustainable Operation with Better Energy Planning and Green Energy 3</p> <ul style="list-style-type: none"> • Implement green energy cost saving and reducing GHG emissions from electricity purchased by 10% via solar • Energy auditing, planning and optimisation to reduce carbon footprint and energy cost • Explore selling by-products i.e mudcake and calcium carbonate as fertilisers and molasses as a value added product </div>	<div data-bbox="875 1212 1495 1457"> <p>Export via Strategic Partnership 6</p> <ul style="list-style-type: none"> • Explore strategic partnership to strengthen export segment and further unlock synergistic value </div>
	<div data-bbox="875 1489 1495 1770"> <p>Digital Transformation via Industry 4.0 7</p> <ul style="list-style-type: none"> • Digital system is to enhance productivity and accelerate business processes • Improving data visualisation and analytics for better decision making • Implementing IR4.0 smart systems manufacturing, sales, logistics etc </div>

- | | |
|--|---|
|  Financial Capital |  Natural Capital |
|  Manufactured Capital |  Human Capital |
|  Intellectual Capital |  Social & Relationship Capital |

KEY CHALLENGES & MITIGATIONS

Various mitigation strategies are employed to address challenges as identified below:

Description/Impact	Mitigation Measures	Link to Capital	Stakeholders Impacted
 Increase in Production Costs			
<ul style="list-style-type: none"> NY11 prices trending higher with bullish outlook for FY2022 Natural gas makes up 30% of refining cost and rising cost will pose upside risk Rising freight cost further squeezes margin gains 	<ul style="list-style-type: none"> De-risking NY11 by higher Industry and Export volume. To date, MSM has secured most of Wholesale requirement for FY2022 at 16.5 - 17.0 US cents per pound Signed Third Party Access (TPA) agreement with Petronas for Pay-Per-Use (PPU) Updating the government on the need to review the gazetted ceiling price vs higher production cost parity To mitigate the impact, MSM started to hedge the rising energy risk via Brent link derivatives 		  
 Warehouse Space Constraints			
<ul style="list-style-type: none"> Limited internal storage. Full warehouses led to slowdown in production and increased operating cost per unit 	<ul style="list-style-type: none"> MSM Johor is currently building an additional warehouse of 10,000 MT capacity MSM is also exploring to establish a Northern Distribution Centre 		 
 Imported Refined Sugar			
<ul style="list-style-type: none"> Delay in discharging sugar resulted in Detention & Demurrage (D&D) costs 	<ul style="list-style-type: none"> Increase re-packing rate to improve sales of imported sugar Negotiation with counterparties to reduce D&D cost 		 
 Financial Covenants			
<ul style="list-style-type: none"> Compliance with the covenants imposed by lenders 	<ul style="list-style-type: none"> Close monitoring for compliance on a quarterly basis Continuous communication updating the lenders and negotiation of covenants 		

Impact to Capital



Financial Capital



Intellectual Capital



Human Capital



Manufactured Capital



Natural Capital



Social & Relationship Capital

Description/Impact	Mitigation Measures	Link to Capital	Stakeholders Impacted
 MSM Johor Performance			
<ul style="list-style-type: none"> Average UF rate for MSM Johor was lower due to temporary shutdown in FY2021. Running at lower UF resulted in higher cost of production 	<ul style="list-style-type: none"> Ramping up of MSM Johor after debottlenecking of processes Improve domestic sales in line with export sales Leverage on value added products Install a new boiler to enhance production reliability and availability 	     	  
 Malaysian Domestic Regulations			
<ul style="list-style-type: none"> The domestic Wholesale refined sugar price has been capped at RM2.69/kg for sugar manufacturers Sugar Tax to further include premix beverages 	<ul style="list-style-type: none"> As the raw material and cost are bullish, Management continues to engage KPDNHEP to review current ceiling price for 1kg and 2kg retail packs MSM has seen growth in industrial volume despite the new Sugar Tax introduction in FY2019 	   	 
 The Pandemic			
<ul style="list-style-type: none"> Threats of new variant "Omicron" Potential new outbreaks which could lead to operational disruptions 	<ul style="list-style-type: none"> Progress and efficacy of vaccinations, SOP compliance and effective containment of new COVID-19 variant outbreaks will be key to recovery 	   	   

Stakeholders Impacted



Consumers & Customers



Shareholders & Investment Community



Vendors, Suppliers & Industry Partners



Employees



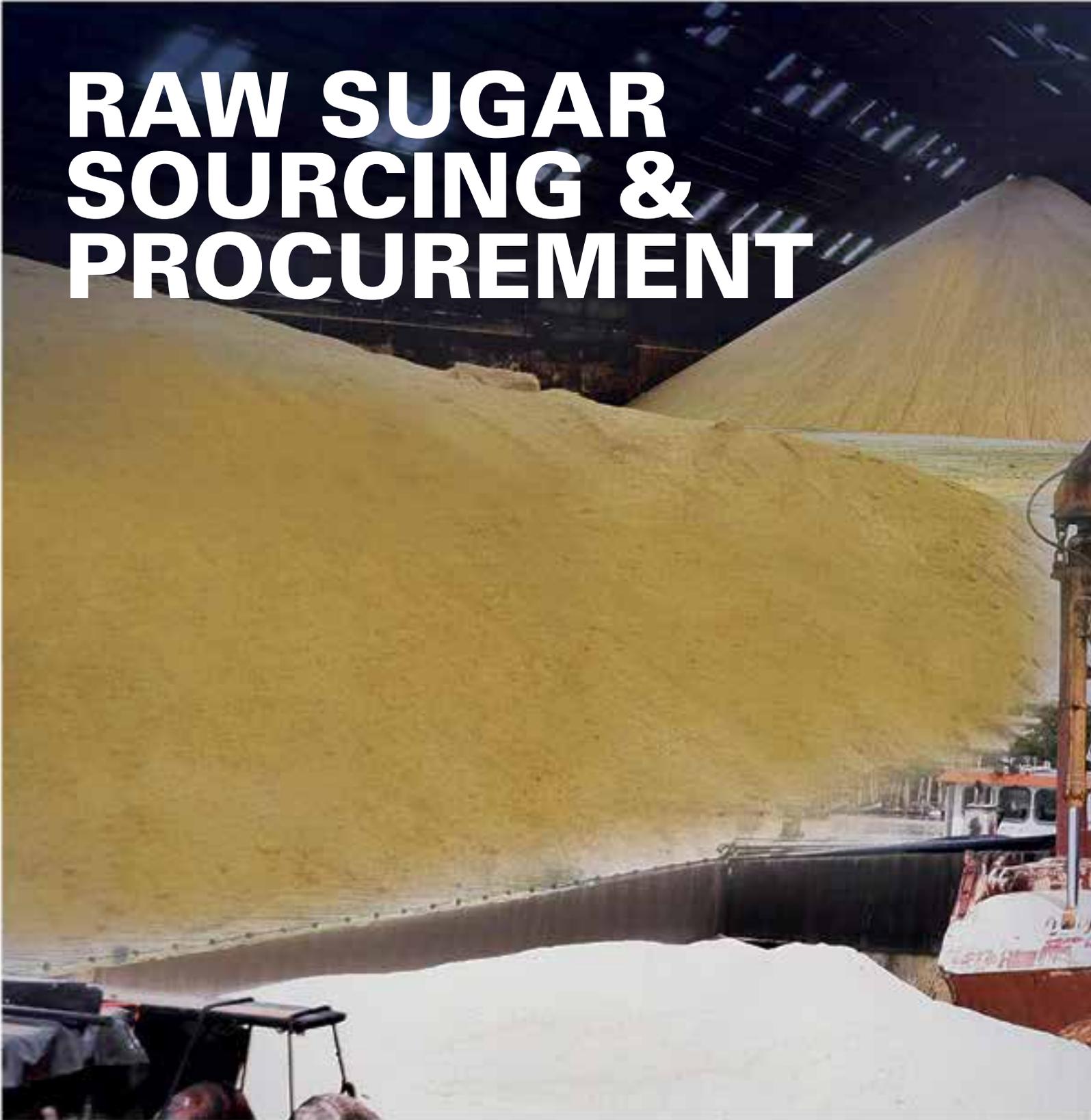
Regulatory Agencies & Statutory Bodies



Media, NGOs & Communities

GROUP BUSINESS REVIEW

RAW SUGAR SOURCING & PROCUREMENT





OVERVIEW



The rising trend of raw sugar price and natural gas has made for a challenging year for MSM. The NY11* fluctuated between 14.0 to 20.5 US cents per pound amid concerns of supply shortages from major raw sugar producing countries such as Brazil and Thailand. The forecast is of a continued uptrend towards 21.0 US cents per pound at least until the second quarter of 2022. In the effort to mitigate the risks of increasing costs of MSM's major raw materials going forward, the Raw Sugar Procurement Department executed its strategic hedging programme on both the NY11 raw sugar as well as Brent Crude Oil.



2022 PRIORITIES



Secure our raw sugar for the year at the lowest possible price on average to help the Group in minimising production cost



Explore various pricing and hedging mechanisms to better manage the volatility and reduce price risk exposures

Note:

** The NY11 contract is the world benchmark contract for raw sugar trading and is available on The Intercontinental Exchange (ICE). The size of each contract is 112,000 pounds. The biggest producer and exporter of sugar in the world is Brazil (23% of total production and 49% of total exports). A significant amount of sugar is also produced in India, Europe, China, Thailand and the United States.*

GROUP BUSINESS REVIEW

	2021	2020	2019
 Procurement of Raw Sugar (tonnes)	968,646	1,092,869	923,895





MAINTAINING MARKET LEADERSHIP

Within an environment of escalating costs, MSM’s priority for FY2021 was to secure our raw sugar for the year at the lowest possible price to help maximise the Group’s profit margins.

Raw sugar pricing and hedging are guided by the Trading Committee which is tasked with monitoring the current global sugar situation and MSM’s hedging positions of our raw materials namely raw sugar. The Trading Committee meetings are convened weekly throughout the year towards better, faster and more informed decision making.

The absence of exports subsidy in India, logistical disruptions due to the pandemic and continued adverse weather conditions in other major sugar producing countries are expected to exacerbate the current global raw sugar deficit outlook and buoy the NY11 price further.

STRIVE FOR CONTINUOUS GROWTH

The process of raw sugar procurement is closely governed by our Group Trading Policy which is approved by the Board and aligned with relevant standard operating procedures.

The main challenge managing the volatile global raw sugar prices to procure the lowest possible price of raw sugar for the Group. To this end, MSM will continue with the current hedging methods in which all sales under the Industry and Exports are hedged back-to-back with the current price of raw sugar.

Various pricing mechanisms were explored during the year to better manage the volatility and reduce the price risk exposure moving forward. MSM has also entered into contracts of Brent Crude Oil options as a hedging mechanism against the increasing gas prices.

ACHIEVING OPERATIONAL EXCELLENCE

MSM’s established Just-In-Time mechanism continues in being a key contributor to improve the Group’s profit margins by maintaining minimal raw sugar stockholding, lowering raw sugar financing cost and reducing freight as well as reducing external warehouse rental expenses.

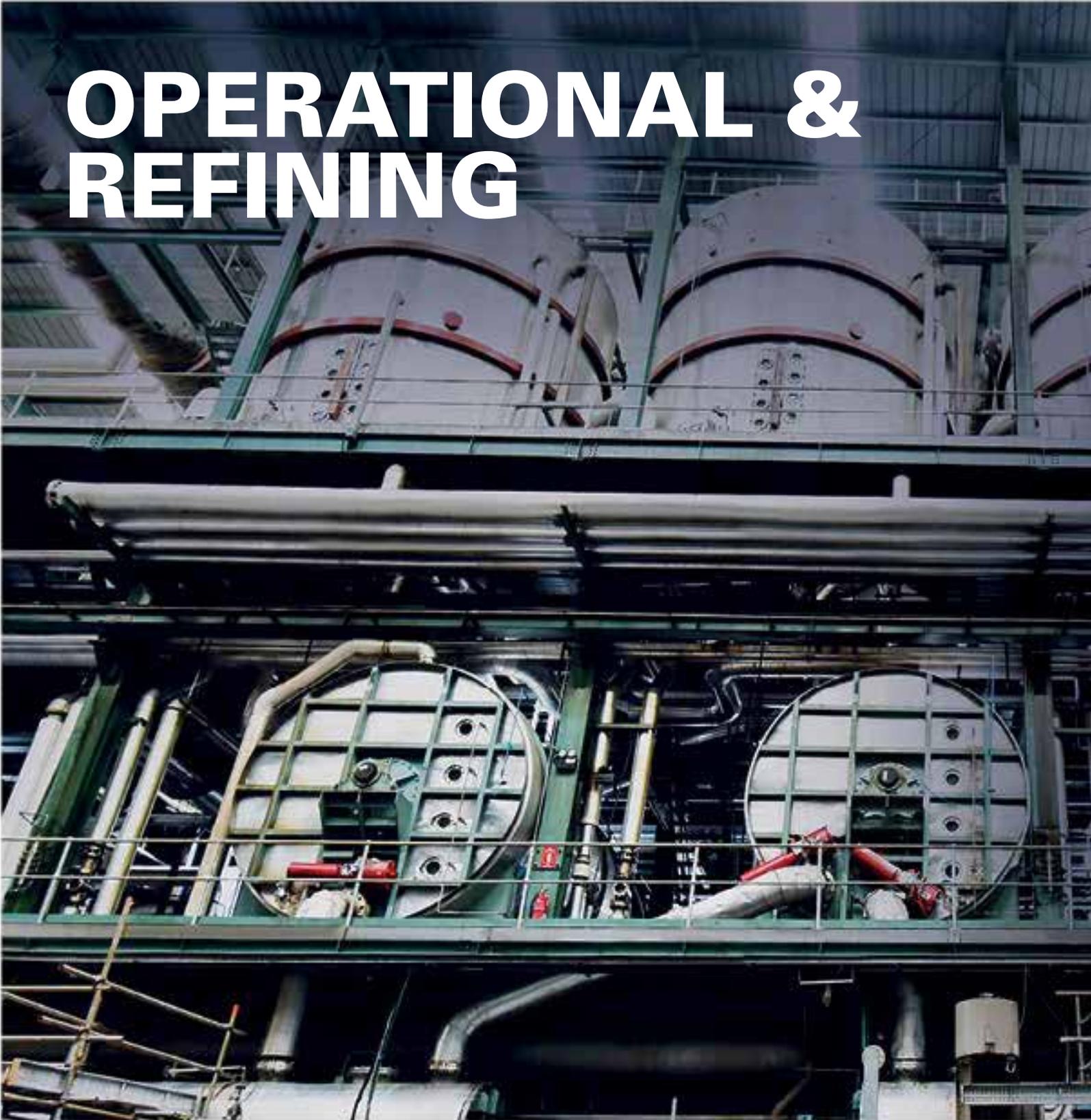


Sustainability Step-Up

MSM and Wilmar Sugar International Pte Ltd (Wilmar) have come to an agreement on sustainable raw sugar supply through Wilmar’s updated No Deforestation, No Peat, No Exploitation (NDPE) policy. This ensures continuous commitment towards a supply chain free of deforestation and conflict. Wilmar will start the supply of sustainable raw sugar in FY2022.

GROUP BUSINESS REVIEW

OPERATIONAL & REFINING





OVERVIEW



Amidst continued pandemic concerns, safety was prioritised at all operational locations and refinery concerns were addressed to ensure business continuity. Following the occurrence of incidents relating to COVID-19 during the year, MSM immediately implemented heightened SOPs and safety measures. There were also planned and unexpected plant closures that hampered the Group’s goal of driving MSM Johor’s yield and Utilisation Factor (UF). MSM took the opportunity to implement total plant scheduled maintenance, certifications and plant upgrades for higher plant reliability and efficiency moving forward.



2022 PRIORITIES



Improve MSM Johor’s UF, yield and refining cost



Improve product and service quality to reduce customer complaints



Initiate a plant rejuvenation plan for MSM Prai



Maintain good rapport between management and union members



Improve engagement with governing bodies (DOE and DOSH) and other stakeholders (local authorities, service providers) to ensure continued and safe operations in all aspects

GROUP BUSINESS REVIEW

	2021	2020	2019
 Production Volume (tonnes)	895,222	1,010,215	1,073,888
 Raw Melted (tonnes)	933,274	1,061,158	1,101,708
 Capacity Utilisation	44%	47%	48%

MAINTAINING MARKET LEADERSHIP

It was a challenging year for production at MSM Johor as the plant was closed for urgent rectification works for 65 days from 31 March 2021 to 4 June 2021. MSM Johor took the opportunity during this shutdown period to conduct its total plant shutdown maintenance and extensive production and reliability improvement programme. The Group also took the opportunity to revamp the plant's maintenance team and ensure critical parts and equipment were made available during this time. Asset transfers from MSM Perlis to MSM Johor were completed on schedule, allowing the plant to now consolidate all available resources as it targets to optimise production in the coming year.

Over in Penang, MSM Prai plant had a shut down from 8 to 15 June to prevent internal transmission of the COVID-19 virus due to detection of cases affecting MSM Prai employees. The shutdown period was actually shorter than the initial instruction given by the Malaysian Ministry of Health as MSM Prai's SOP records proved that the cases were from the community and management quickly responded by implementing stricter SOP and mitigation plans. These proactive steps were implemented at all operational locations to avoid business disruption and ensure supply of sugar to consumers was not interrupted.

Nevertheless, during these two periods, MSM managed to fulfil demand by increasing production in MSM Prai and importing refined sugar. Throughout the year, all prevailing quality certifications were maintained and efforts to migrate MSM Prai from OHSAS 18001 to ISO 45001 were successfully completed.

STRIVE FOR CONTINUOUS GROWTH

In striving for continuous growth, MSM Johor's production capability in Liquid Sugar and Flavoured Syrups was completed as part of the momentum to step up creation of value added products and optimise on the plant's capacity and capability. MSM has been producing premix, liquid sugar and fine syrup products for exports to China, and is scouting opportunities in other export markets such as Vietnam, Singapore, Philippines and Indonesia. Liquid sugar production capacity has increased from 200 MT/day to 400 MT/day while the flavoured syrup capacity is targeted to grow to 2 MT/day. Several variations of flavoured syrups are being studied.

For overall improved performance, efforts were undertaken to identify key optimisation issues for MSM Johor and a few action plans have been established to help ramp up and improve the plant's UF. A Task Team has been formed for the areas of Ramp Up, Improve Yield and Robust Data recording; and a third party has been engaged for technical consultation on the refinery's overall process optimisation.

Moving forward, MSM is exploring to utilise an external distribution centre to overcome operation interruptions due to warehouse space limitation. Upgrading work on the receiving facility at Sungai Buloh Warehouse (SBW) is also currently in progress in order to improve train turnaround time from and to MSM Prai refinery.



ACHIEVING OPERATIONAL EXCELLENCE

Given the pandemic, a key priority for business continuity was to ensure the workplace remained safe for all workers. During the year, MSM experienced four COVID-19-related deaths among MSM Prai staff, all of which were traced to community cases. To further fortify workplace hygiene, the Group has escalated SOPs to include appointment of medical doctors and healthcare nurses for daily screening, daily RTK Antigen Swab Test for all suspected cases with symptoms and to close contacts, engagement of an external party to conduct sanitisation and disinfection to all the common areas in the factory three times per week without failure, and daily sanitisation by all departments.

There was a 39% reduction of accident cases in FY2021, but this was marred by an unfortunate fatality of a contract worker in MSM Prai in March 2021. Management ensured immediate safeguards and heightened awareness was established site-wide following the incident. Detailed investigations were conducted and immediate corrective and prevention action plans have been implemented.

Taking a note from the boiler rectification works needed at MSM Johor in FY2021, moving forward, MSM will conduct periodic inspections of the boilers and implement a revised steam generation system with purchase of new equipment to improve reliability, operability and maintenance. Operational focus will also continue to be directed towards optimising refining cost as per budget, standardising quality practice across MSM production units, and reducing customer complaints.

Continuous efforts are made to reduce refining cost by increasing production volume and utilisation factor while increasing efficiency of inputs utilisation such as steam to melt ratio, electricity, water, labour and yield. For MSM Johor, a ramp up plan is in place to achieve better UF. These goals will be supported by the implementation of a Total Preventive Maintenance (TPM) Programme and technical consultations by Subject Matter Experts in the sugar refining industry.



More information on our COVID-19 measures are detailed on page 172 of our Sustainability Report

GROUP BUSINESS REVIEW

COMMERCIAL & DOWNSTREAM





OVERVIEW



Facing continued challenges in the domestic market, MSM's Group Commercial Department is focused on achieving growth through engagement, penetration and collaboration. These included improving services to our clientele, seeking strategic partnerships with major wholesalers and industrial players, as well as to leverage on their strength and logistic assets. Simultaneously, the Department plans to further increase MSM Johor's liquid sugar, fine syrup and premix capacity to cater for growing demand in exports.



2022 PRIORITIES



Maintain market leadership by increasing strategic collaboration with market players



Increase our presence in Retail as well as Hotel, Restaurant and Catering (Horeca) sector



Improve stability of sugar supply in the country to cater for market growth via stockpiling initiative



Grow regionally as one of the largest sugar refineries in the region

GROUP BUSINESS REVIEW

	2021	2020	2019
 Sales Volume (tonnes)	941,749	1,024,603	947,290
 Revenue (RM)	2.3 billion	2.2 billion	2.0 billion
 Debt Collection	43 days	38 days	50 days

MAINTAINING MARKET LEADERSHIP

Though competition continued to abound in the market throughout FY2021, MSM made strides to regain domestic market share by reaching out to customers and strengthening engagements to serve them better. This has led to MSM still maintaining market leadership in the domestic sugar industry market.

According to the Asia Brand Footprint 2020 report by Kantar, a leading data insights company, Gula Prai ranked third in the Top 10 most chosen FMCG brands. The brand also recorded a 70.9% market penetration with the second highest consumer choice at 7.4.

Recognising the need to re-establish brand awareness among Malaysians, MSM launched the “Janji...Gula Peket Hijau” campaign as part of marketing strategy for FY2021. The campaign included advertisements through various media channels such as TV, radio and in-store coordination with retailers to place our marketing collaterals in their respective outlets. The campaign celebrates diversity in Malaysia and the strong ties shared through Gula Prai’s iconic packaging that spans generations. We plan to continue with this marketing strategy in FY2022, and more campaigns will be launched to further increase brand visibility.

A new service strategy for the Modern Trade segment was also developed in which Trade retailers were engaged with directly. This direct engagement allows MSM to quickly address any issues that arise on the retailing front and have direct access to all the hypermarkets for better oversight in ensuring product availability and visibility.

Moving forward as a market leader, MSM aims to aggressively increase our presence in the Hotel, Restaurant and Catering (HoReCa) sector of the food service industry which comprises establishments that prepare food and beverages. At the same time, efforts will be focused on aggressively penetrating the Modern Trade segment and increasing market share in East Malaysia.

Despite the challenges of the pandemic that presented many roadblocks in FY2021, the Group’s domestic wholesale segment and refined sugar export recorded growth over 11% and 5% respectively for FY2021. Furthermore, the export premium increased in FY2021.

STRIVING FOR CONTINUOUS GROWTH

The Group is focusing on developing our product sales domestically instead of overly relying on exports to China. This reduces single-country export risk and allows for more domestic premium gains. MSM plans to increase supply to domestic buyers as demand increases for value added products (VAP).

While maintaining resilience in the domestic market, opportunities in Southeast Asian countries such as Vietnam, Singapore, Philippines and Indonesia are being scouted. This has proven challenging as it means facing changes in socio-political policies such as Vietnam’s recent restriction on the importation of sugar. However, the long-term benefits still spur our steadfast commitment to this strategy and MSM has been engaging with several customers from Indonesia and Philippines to get them onboard as potential VAP customers.



There are opportunities to leverage on this front. With signs of global food inflation emerging, MSM's prices remain comparably low in the global market when it comes to sugar, and thus prices of our products will be comparatively lower and more attractive than our competitors.

The necessary expansion works to increase MSM Johor's production capacity for previously identified VAP have been initiated. The physical expansion of the premix line has been completed and all that is pending is the last stage of acquiring the necessary certifications and qualifications before production can commence. The plant is also ready to produce fine syrup to meet customer demand. Expansion of liquid sugar production is ongoing, with an estimated completion of second boiler works by April 2022.

ACHIEVING OPERATIONAL EXCELLENCE

MSM has secured major Industrial contracts as part of our strategy to maintain optimum operational efficiency within the Group's capacity.

Several emerging lifestyle trends such as decrease in demand for foods and beverages that contain high carbohydrates and sugar, and increased demand for lactose-free dairy and sugar substitute products are evident in the Department's analysis of upcoming trends and threats. This has spurred the Group's venture into VAP and exploration of opportunities in new Stock Keeping Units (SKUs).

GROUP BUSINESS REVIEW

SUPPLY CHAIN





OVERVIEW



In the Group’s drive towards enhanced productivity, cost efficiencies and timely delivery, further efforts were made to streamline and improve MSM’s Supply Chain processes in FY2021. These included the establishment of on-site supply chain planning teams; reassigning supply for East Malaysia volume to MSM Johor; streamlining logistics from source points for efficient cost to serve; and product rationalisation to enhance supply efficiency.



2022 PRIORITIES



Establish a demand driven and customer focused supply chain



Optimise sales and distribution cost



Enable and sustain supply chain processes through IR4.0



Build up talent capability through human resource development and deployment of best practices

GROUP BUSINESS REVIEW

	2021	2020	2019
 Sales & Distribution (RM)	28 million	26 million	25 million
 On Time in Full	83%	94%	93%
 Inventory Record Accuracy	99.32%	100%	100%
 Stock Cover	9 days	20 days	19 days



MAINTAINING MARKET LEADERSHIP

Focused on fortifying service reliability, the core objective for the Group Supply Chain Department in FY2021 was to enhance the Demand and Supply process to flatten inventory peaks and dips within the Group. On-site supply chain planning teams were established at MSM refineries and these worked closely with the commercial team to regularly monitor and review inventory build-up towards optimising stock levels at all times.

In addition, weekly collaboration with sales, finance and operation led to the customer service function being restructured by customer segment and more streamlined Order to Deliver (OTD) processes in sales and operation.

By transferring East Malaysia's volume supply to MSM Johor in October 2021, the Group has increased MSM Johor's domestic volume contribution and eased complexity at MSM Prai, allowing MSM Prai to focus on domestic volume for Peninsular Malaysia while maximising export. Another benefit of the transfer is that the relocation of East Malaysia's supply point from Penang Port to Pasir Gudang Port leads to a significant freight cost reduction of an estimated RM1.2 million per annum.

Efforts to streamline logistics from source points for efficient cost to serve have paid off. Freight cost has also reduced due to direct delivery to a few main industrial customers from the refinery, which has removed the need for multiple handling at the central distribution centre. A more efficient cost to serve is targeted through a new tactical strategy for centralised delivery that the MSM Logistics operation fleet will introduce in the fourth quarter of 2021.

STRIVING FOR CONTINUOUS GROWTH

Towards ensuring continuous growth, MSM is working on cost optimisation initiatives and this includes group volume consolidation negotiation, reduction of multiple handling, increasing direct to customer delivery (reducing touch points) and process control enhancement. In line with plans to develop new products to meet emerging lifestyle trends, MSM is committed to ensure supply chain readiness for value added products from sourcing to delivery execution.

The execution of demarcation strategy to increase MSM Johor's refining capacity by transferring East Malaysia distribution volume through Pasir Gudang Port is an important step towards growing the Group's capabilities. It frees up MSM Prai to focus on growing export and central business volume while ensuring MSM Johor starts sweating the refinery's underutilised assets.

On the service front, the kick-off of Service Level Agreement review with key suppliers for supply and service sustainability marks the Department's commitment towards meaningful engagements that can drive win-win benefits for our stakeholders.

Other than process control improvements in Supply Chain operation, achievements in cost efficiencies realised during the year include centralisation of tender processes to leverage on Group volume and bring cost benefits through better negotiation. Higher volumes have created opportunities for MSM in value added services from service providers which are similar to services received by other big industries in Malaysia.

ACHIEVING OPERATIONAL EXCELLENCE

Moving forward into FY2022, MSM will focus on introducing a customised customer distribution network model for northern, central and southern regions; harnessing digitalisation and IR4.0 technologies for the Group's planning module, warehouse management system and fleet management system; and exploring commercialisation of the logistics function and the centralising of inland transport planning.

Towards improved operational excellence, a benchmarking exercise on best practices with industry leaders will be conducted, and MSM intends to strengthen partnerships with reputed logistics peers within the FGV group, such as FGV Transport Services.

Internally, talent upscaling will be conducted via Supply Chain Operational Excellence workshop and a drive by MSM Logistics to attain certification on ISO 9001. Further engagements with customers will also be sought, such as through the planned launch of a Good Warehousing Practices (GWP) programme with key wholesale customers.



Sustainability Step-Up

Supply chain sustainability initiatives and monitoring schedule in FY2022 for CO₂ gas emission and biofuel.

HOW WE OPERATE





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OUR BUSINESS MODEL

VISION

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

OUR CAPITAL INPUTS



FINANCIAL CAPITAL

- Total assets: RM2.9 billion
- Deposits, cash and bank balances: RM195 million



MANUFACTURED CAPITAL

- Total refineries: 2
- Total warehouse and packing facility: 1
- Total capacity: 2.65 million tonnes



INTELLECTUAL CAPITAL

- Product brand: Cula Pro! & Premium Pro!
- IT infrastructure
- Product certifications and compliance



NATURAL CAPITAL

- Water consumption
- Diesel consumption
- Natural gas consumption
- Purchased electricity



HUMAN CAPITAL

- Total employees: 1,000
- Top & Senior Management: 22
- Total Executive Committee (EXCO) members: 7



SOCIAL & RELATIONSHIP CAPITAL

- Employee volunteer hours
- Spending on Corporate Social Responsibility (CSR) programmes
- Employee training
- Creating Occupational Safety & Health



Raw Sugar Sourcing & Procurement



Operations & Refining

BUSINESS VALUE CREATION



Supply Chain Management



Commercial & Distribution

OUR PRODUCTS



CORE VALUES



Strongly anchored to principles of governance,

MISSION

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

OUR CAPITAL OUTPUTS	HIGHLIGHTS	RELATED UN SDGs
<ul style="list-style-type: none"> • RM2.3 billion revenue with 2.3% return on equity • 17.63 sen earnings per share and 2.44 assets per share • Dividend of 3.0 sen per share amounting to RM21.09 million was declared for FY2021 	<ul style="list-style-type: none"> • Improved financial results and dividends to our shareholders • Better economies of scale to vendors 	<ul style="list-style-type: none"> • 8 Decent Work and Economic Growth • 9 Industry, Innovation and Infrastructure
<ul style="list-style-type: none"> • 888,222 million tonnes annual production output • Wholesale sales volume of 327,823 tonnes • Industry sales volume of 34,1825 tonnes • Export sales volume of 246, 101 tonnes 	<ul style="list-style-type: none"> • Our manufacturing processes are certified with ISO 9001:2015, FSSC 22000 - Manufacturing, HACCP and HACCP Certification 	<ul style="list-style-type: none"> • 8 Decent Work and Economic Growth • 9 Industry, Innovation and Infrastructure • 12 Responsible Consumption and Production
<ul style="list-style-type: none"> • Brand value of RM621.1 million • RM1.77 billion IT CAPEX expenses 	<ul style="list-style-type: none"> • Aggressive brand repositioning through the "Real Life Food" campaign • Completed 2Miles of the select and higher quality electric infrastructure of all relevant lanes and expansion • Market leadership position for data 4th year in Malaysia and total sales occur more in Malaysia, and record 3 times the national FMCG products 	<ul style="list-style-type: none"> • 3 Good Health and Well-being • 8 Decent Work and Economic Growth
<ul style="list-style-type: none"> • Water consumed: 1,778,819 m³ • Multiple waste: 19,898.83 tonnes • 48,763,488 kWh total purchased electricity • Own generated electricity: 55,894,399 kWh • CO₂ emission from electrical consumption: 291,098.2 tonnes • CO₂ emission from business travel: 1.51 tonnes 	<ul style="list-style-type: none"> • Reduction of Scope 1 emissions by 14% • Reduction of Scope 2 emissions by 77% • Recycle materials as fertilizer or animal feedstock 	<ul style="list-style-type: none"> • 6 Clean Water and Sanitation • 7 Affordable and Clean Energy • 12 Responsible Consumption and Production • 13 Climate Action
<ul style="list-style-type: none"> • 2.8:1 male to female ratio of managerial level • 8,164 training hours • 14% female representation in EXCO 	<ul style="list-style-type: none"> • Our investment in employee's training and development cost increased by 430% 	<ul style="list-style-type: none"> • 4 Quality Education • 8 Decent Work and Economic Growth • 5 Gender Equality
<ul style="list-style-type: none"> • Incident rate: 13.66% • > 1,500 volunteer hours • >RM100,000 was spent on CSR programmes 	<ul style="list-style-type: none"> • Committed to voluntary giving with target 20% from FY2019 to FY2021 as follows: <ul style="list-style-type: none"> • 10% for community and social welfare • 10% for environmental and sustainability • 10% for other social and CSR programmes 	<ul style="list-style-type: none"> • 8 Decent Work and Economic Growth • 9 Industry, Innovation and Infrastructure • 10 Reduced Inequalities • 11 Sustainable Cities and Communities • 12 Responsible Consumption and Production • 13 Climate Action • 14 Life Below Water • 15 Life on Land

MATERIALITY ASSESSMENT PROCESS

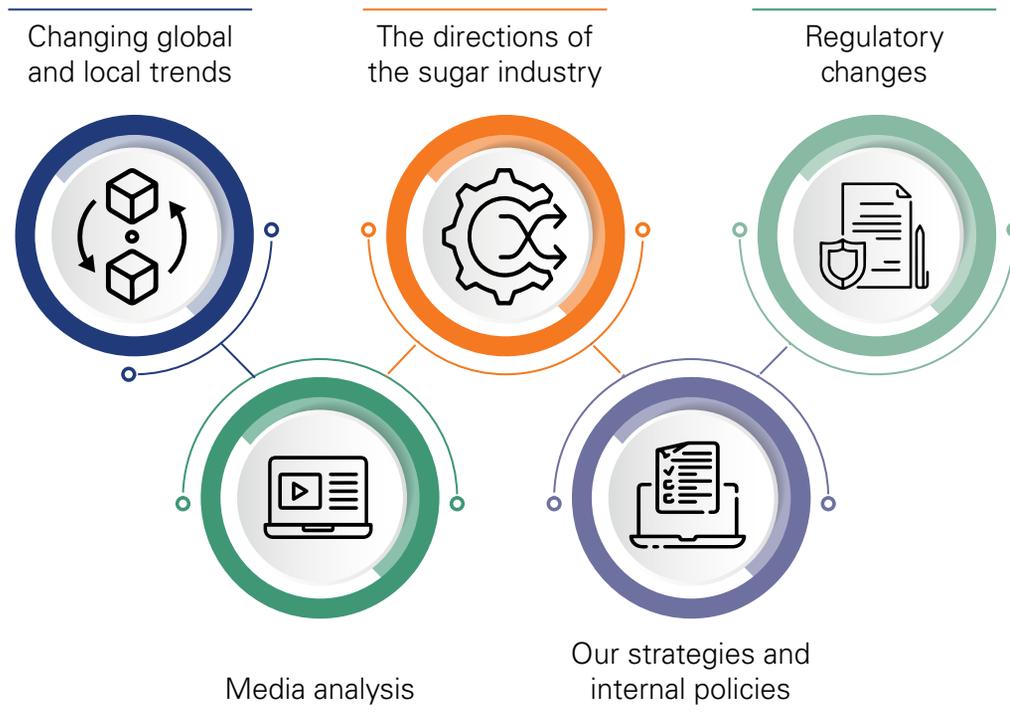
MSM'S 2021 MATERIALITY MATRIX

MSM's materiality matrix addresses key topics that have been identified as important to our business and stakeholders. We considered and prioritised significant business, operational, environmental, social and governance topics. These topics were positioned on the materiality matrix based on two axis - importance to MSM Group and its stakeholders.



Identify

We assessed if our concerns disclosed in last year's Annual Integrated Report are still relevant and if there are any new concerns to be raised based on:



In the course of the assessment, the Group has determined that the majority of material topics presented in FY2020 still remain relevant. Two of the material matters listed in the previous report were further consolidated and refined as Environmental Impact and Managing Regulators topics were already addressed in the other topics. This was to avoid repetition and to streamline disclosures.



Verify

Most material impacts on MSM were identified on a Materiality Matrix which was reviewed by our Board of Directors (BOD) and Group Chief Executive Officer (GCEO). They have validated these issues as carrying notable impacts and of high concern to our stakeholders.

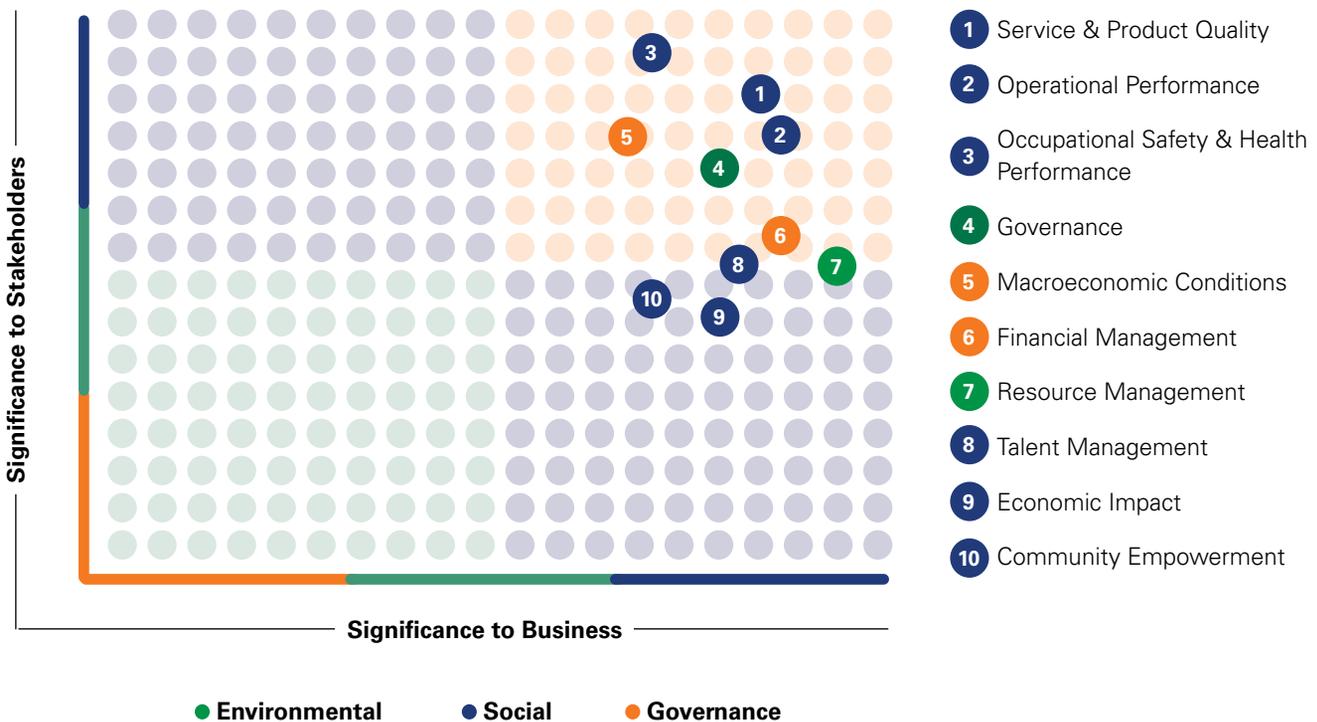


Prioritise

We engaged with internal and external stakeholders to prioritise our most material issues based on our business strategies as well as social, environmental and corporate commitments in FY2020. As part of the FY2020 exercise, surveys were sent to a cross-section of our customers, employees, suppliers, media analysts, investors and NGOs to provide us with a better understanding of their concerns and perspectives.

During FY2021, there were no significant changes to our business model or operating boundaries. Thus, the material concerns of FY2020 continue to be indicative of our journey to strengthen MSM’s performance.

Out of the 10 material issues, eight were prioritised as core sustainability issues. However all material concerns are important considerations to us and disclosure of our progress in addressing these concerns are made in our Strategic Review.



MATERIALITY ASSESSMENT PROCESS

MATERIAL ISSUES



Service & Product Quality

Impacts

- Customer service standards
- Food safety and quality certifications
- Reliable supply of products
- Protection of customer privacy and data

Our Response

- Event and engagement sessions with customers
- Customer complaint response form
- Ensure sufficient sugar supply for domestic market
- Improve customer service levels

Link to Strategy



Operational Performance

Impacts

- Optimised asset utilisation
- Unplanned factory shutdown time and production downtime
- Scalable and sustainable operations
- Consistent supply and product quality
- Improved manufacturing capability
- Efficient production and maintenance practices
- Business continuity to support stakeholders value delivery

Our Response

- Further efforts were taken to stabilise the MSM Johor refinery to achieve better results
- Completion of expansion plans for the value added facilities in Johor
- Strategic production planning between MSM Johor and MSM Prai to reduce refining costs
- Continue to improve the overall yield in all our refineries
- Balancing production capacity between MSM Prai and MSM Johor
- Discontinuing non-strategic operations
- Increase production yield and utilisation by producing value added sugar products

Link to Strategy



Occupational Safety and Health Performance

Impacts

- Provision of fair and decent work environment and wage policies
- Adhering to safety and health industry standards to reduce fatalities, injuries, accidents and illnesses of our employees, their families, contractors and customers

Our Response

- Focused safety programmes towards Zero Harm to People, Property and Assets
- Establishment of HSE Committee and Safety and Health Committees
- Continuous monitoring, measurement and reporting cycle of Health, Safety and Environment (HSE) performance to create and ecosystem of health and safety awareness
- Continuous engagement with Department of Occupational Safety and Health (DOSH)
- Audits for ISO 45001 certification

Link to Strategy

- MSM's Sustainability Initiatives on Social: Occupational Health & Safety Performance

S1 Improve MSM Johor's Production Capability, Yield and Refining Cost

S2 Improve Sales & Distribution through Territory Consolidation and Area Demarcation

S3 Increase Growth in Domestic Volume

S4 Growth in Value Added Segment Sales

S5 Strategic Capital Management

S6 Export via Strategic Partnership

S7 Monetise Non-core Asset



Governance

Impacts

- Compliance with laws and regulations
- Management of procurement policies and practices
- Management of Anti-Corruption policies and procedures
- Management of governance policies and issues
- Management of anti-competitive behaviour and monopoly practices
- Responsible sourcing practices

Our Response

- Active engagement, dialogue and briefings with MSM employees
- Enhance business framework to adapt to regulatory requirements
- Adopt and update relevant policies
- Improve governance, compliance and transparency framework
- Put in place adequate procedures such as Anti-Bribery Policy Statement and Whistleblowing Policy at MSM website in compliance with 15.29 (1), and (2) of Main Market Listing Requirements (Listing Requirements) guided by the Guidelines on Adequate Procedures, section 17A (5) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018)
- 100% Signing of Integrity Pledge

Link to Strategy

- MSM's Sustainability Initiatives on Social: Economic Impact and Governance



Macroeconomic conditions

Impacts

- Exposure towards fluctuations in commodity and raw sugar price
- Trading risks involved in futures market
- Adverse forex movements
- Raw sugar price influenced by global climate, economy and political factors
- Legal and regulatory changes
- Trade wars and protectionist policies
- Health pandemic & climate change

Our Response

- Constantly monitor the world sugar price at NY11, back-to-back hedging for industry and export sales and hedging lower than the budgeted for wholesale market
- Implementation of Just-In-Time mechanism to reduce working capital requirements, as well as having arrangements with suppliers to ensure sustainable supply of raw sugar is secured
- Improve margins by increasing Average Selling Price to industry
- Continuous engagement with the government and relevant ministries such as Ministry of Domestic Trade & Consumer Affairs (KPDNHEP), and Ministry of International Trade & Industry (MITI) to collaborate on APs, compliance, smuggling, safety and environmental matters
- Close monitoring of industry and regulatory developments worldwide
- In normal operation activities and in reaction to the COVID-19 pandemic, our Business Continuity Management plan sets strategies to actively increase corporate resilience. The objective is clear: to prevent suspension of operations or services

Link to Strategy



MATERIALITY ASSESSMENT PROCESS

MATERIAL ISSUES



Financial Management

Impacts

- Sustained financial, dividend and share performance
- Responsible investment in new business strategy, mergers and acquisition
- Strengthening risk and governance policies
- Optimising our funding strategy and gearing ratio
- Prudent capital expenditure (CAPEX) allocation
- Maintain healthy cash balance
- Business profitability to support stakeholders value delivery

Our Response

- Improve financial performance
- Improve governance, compliance and transparency framework
- Pursue value enhancing opportunities
- Minimise losses and improve overall MSM Group performance
- New investments and expansions were further rationalised and regulated to prioritise profitability and focus on business continuity and sustainability
- Further explore downstream into sugar related business unlocking value added income stream
- Monetise all non-strategic and non-productive assets

Link to Strategy



- MSM's Sustainability Initiatives on Governance



Resource Management

Impacts

- Responsible and efficient use of water and energy
- Recycling and reuse of materials, water and energy
- Reduction of direct and indirect GHG emissions
- Management of waste and effluents
- Impact on surroundings at all operational sites

Our Response

- Continuous monitoring of key environmental aspects such as energy optimisation, water usage, waste management and inventory of greenhouse gases
- Continuing to explore initiatives to lower refining cost at each refinery via installation of biomass boilers and solar photovoltaic systems
- Continuous engagement with Department of Environment (DOE)
- Waste stream management is outsourced to a supplier licensed by DOE to collect, transport, process and dispose waste in accordance with local regulations and standards
- Various environmental initiatives and collaborations such as Mangrove Tree Planting and participation in E-Recycling campaign

Link to Strategy

- MSM's Sustainability Initiatives on Environment, Social and Governance

S1 Improve MSM Johor's Production Capability, Yield and Refining Cost

S2 Improve Sales & Distribution through Territory Consolidation and Area Demarcation

S3 Increase Growth in Domestic Volume

S4 Growth in Value Added Segment Sales

S5 Strategic Capital Management

S6 Export via Strategic Partnership

S7 Monetise Non-core Asset



Talent Development

Impacts

- Sustainable talent pool for growth and expansion
- Becoming an attractive workplace of choice



Economic Impact

Impacts

- Infrastructure investments and services supported
- Indirect economic impacts
- Adhering to environmental, safety and health industry standards for good business continuity



Community Empowerment

Impacts

- Local community engagement and development programmes
- Impact to surrounding communities and mitigating actions

Our Response

- Continued investment in training and development
- Nurturing culture and shared values through internal engagements via townhall, intranet and newsletter
- Management dialogues with employees and union representatives
- Create a more conducive working environment through employee engagement and feedback
- Offer better packages based on performance and productivity of refinery
- Provision of unique employee value proposition and benefits
- Establishment of Prodigy Programme initiative

Our Response

- Employment opportunities
- Socioeconomic operational impact and initiatives
- Employ a diverse workforce from different backgrounds and professional expertise in operations and business support
- Transparent and open contract/ tender negotiations
- In ensuring readiness, we conduct BCM testing involving and/or taking into account the stakeholders and the surrounding community

Our Response

- Volunteerism to Social and Environmental causes
- Continued commitment to CSR programmes
- Tithe and alms giving through Zakat and Wakalah
- Responsive and viable contribution to community interest and needs
- Support for key community developments and activities
- Sponsorship and donations

Link to Strategy

- MSM's Sustainability Initiatives on Social: Talent Management

Link to Strategy

S3 **S4**

- MSM's Sustainability Initiatives on Social: Economic Impact

Link to Strategy

- MSM's Sustainability Initiatives on Social: Community Empowerment

STAKEHOLDERS ENGAGEMENT

Maintaining good relationships and rapport with our stakeholders has been the foundation for our turnaround success. Through the challenging year, alternative channels were harnessed to ensure continued engagement to gather feedback, as and when personal interactions were not viable. By listening to our stakeholders, we are able to gather invaluable inputs to shape our risk management and decision-making processes for business operations.

The following table highlights our various engagement platforms for diverse stakeholders and inks issues raised to the relevant material matters of the year. Our Consumers & Customers head the listing as they are placed as our top priority.



Consumers & Customers

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



Engagement Platform

- Online communications (e-mails, corporate website, social media)
- Sales representative
- Branding campaign
- Branding campaign
- Customer complaint response form
- Event and engagement sessions



Stakeholders Expectations

- Convenient, continuous and safe access to products & services during the pandemic
- Excellent customer service
- Long-term security of supply
- Consistent supply and quality of products
- Competitive pricing
- Improve manufacturing capability



Response to These Expectations

- Ensure sufficient sugar supply for the domestic market
- Development of new products
- Enhance touchpoints, physical or digital, to maximise customers' satisfaction
- Improve processes to deliver operational excellence
- Good SOPs during pandemic
- Key customer site visit by GCEO

Relevant Material Matters



M1 Service & Product Quality



M2 Operational Performance



M7 Resource Management

Impact to Capitals



Financial Capital



Manufactured Capital



Social & Relationship Capital



Employees

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



Engagement Platform

- MSM’s internal portal and emails
- Social and recreational activities
- Regular employee meetings, engagement events and programmes
- Onboarding programmes



Stakeholders Expectations

- A safe, healthy and conducive workplace supported by flexible work practices
- Career development opportunities
- Competitive benefits, remuneration and welfare packages
- Balanced work-life environment
- An environment that embraces diversity and enables employees to deliver quality work output
- Employment security



Response to These Expectations

- Enhance delegation of tasks and address the needs to improve employees’ performance
- Salary benchmarking exercise against market practice
- Continued investment through training and development
- Focused health and safety programmes
- Renewal and signing of the 17th Collective Bargaining Agreement with trade union in MSM Prai
- Internal engagements via townhall, intranet and newsletters
- Management dialogues with employees and union representatives
- Recreational and sports activities
- Support for youth employment via Prodigy Programme
- Financial aid and support for eligible employees in need

Relevant Material Matters



Operational Performance



Occupational Safety & Health Performance



Financial Management



Talent Management



Community Empowerment

Impact to Capitals



Intellectual Capital



Human Capital

STAKEHOLDERS ENGAGEMENT



Shareholders & Investment Community

Provide constant communications and provide a platform to receive a balanced view of MSM Group's performance and the challenges faced among investors and the public



Engagement Platform

- Annual reports
- Sustainability statements
- Quarterly financial announcements
- Annual meetings
- Annual roadshows (non-deal road shows/investor conferences/corporate days)
- Quarterly analyst briefings
- Online communications (e-mail, corporate website, social media)



Stakeholders Expectations

- Sustainable financial returns with prudent cost management
- Responsible investments
- Integration of ESG elements in business operations
- Ethical and responsible business conduct
- Strong and experienced management
- Strategic engagements with FGV to leverage on their expertise, knowledge, services
- Transparent reporting and disclosures
- Initiatives to mitigate effects of the pandemic
- Future growth for the business



Response to These Expectations

- Implementation of MSM BP23 for sustainable growth and a further long-term plan (See page 70)
- Re-prioritisation of strategies to adapt to the vulnerable market landscape due to the pandemic
- Activation of business continuity plan to ensure uninterrupted services
- Transparency in corporate reporting and disclosures through multiple platforms
- Appointment of directors and senior management with vast experience and knowledge
- Enhanced commitment to ESG practices Group-wide
- Audit and certifications
- Improve financial performance
- Improve governance, compliance and transparency framework
- Quarterly briefings and annual report
- Pursue value enhancing opportunities
- Enhancing media presence through promotional, diversity and unity campaigns

Relevant Material Matters



M4 Governance



M5 Macroeconomic Conditions



M6 Financial Management



M7 Resource Management



M9 Economic Impact

Impact to Capitals



Financial Capital



Intellectual Capital



Regulatory Agencies & Statutory Bodies

The Government's regulatory framework allows us to operate within a supportive environment and infrastructure as well other means of support to sustain our growth



Engagement Platform

- Regular updates, disclosures and reporting to regulators
- Actively participate in regulatory forums, briefings, meetings, conferences and consultation papers



Stakeholders Expectations

- Compliance with all legal and regulatory requirements
- Compliance with pricing structure
- Good corporate governance
- Transparent reporting and disclosures
- Active participation and contribution to industry and regulatory working group
- Sufficient sugar supply for the domestic market
- Compliance matters
- Environmental emissions and discharges
- Labour practices
- Healthy competition among business
- Occupational safety & health



Response to These Expectations

- Continuous updates on our systems, internal controls and processes to meet current compliance and risk requirements
- Effective compliance delivery, risk management and governance to meet regulatory requirements
- Timely and transparent disclosures and reporting to regulatory agencies and statutory bodies
- Engagement on industry issues such as Approved Permit (AP) issuance and sugar smuggling
- Active engagement, dialogue and briefing for continuous improvements in best practices
- Enhance business framework to adapt to regulatory requirements
- Promote UN SDGs through our initiatives
- Improve governance, compliance and transparency framework

Relevant Material Matters



Governance



Macroeconomic Conditions



Resource Management



Economic Impact

Impact to Capitals



Financial Capital



Manufactured Capital



Intellectual Capital



Natural Capital



Human Capital



Social & Relationship Capital

STAKEHOLDERS ENGAGEMENT



Vendors, Suppliers & Industry Partners

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



Engagement Platform

- Online communications (e-mail, corporate website, social media)
- Vendor site visits
- Vendor evaluation form
- E-Procurement system
- Formal and informal engagements



Stakeholders Expectations

- Convenient access to procurement systems
- Fair and equal evaluation of vendors and their proposals
- Communicate fair conditions that satisfy both suppliers and the MSM's needs
- Communicate new policies, guidelines or strategies to ensure optimal performance
- Transparent reporting and disclosures to ensure smooth collaboration with potential partners



Response to These Expectations

- Transparent and open contract/tender negotiations
- Support local vendors
- Conduct vendor site visits to ensure responsible practices are maintained
- Conduct engagement sessions to ensure vendors' understanding on the procedures, processes, guidelines, expectations of deliverables and quality
- Integrity assessments

Relevant Material Matters

M1

Service & Product Quality

M2

Operational Performance

M3

Occupational Safety & Health Performance

M4

Governance

M7

Resource Management

M9

Economic Impact

Impact to Capitals



Financial Capital



Media, NGOs & Communities

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



Engagement Platform

- Community engagement activities
- Online communications (e-mails, corporate website, social media)



Stakeholders Expectations

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



Response to These Expectations

- Volunteerism in community activities
- Collaboration with Penang DOE and fishermen community in October for Mangrove Tree Planting
- Continued commitment to CSR programmes
- Extension of financial relief assistance through Zakat and alms giving

Relevant Material Matters

- M1** Service & Product Quality
- M2** Operational Performance
- M7** Resource Management

Impact to Capitals



Natural Capital



Social & Relationship Capital

INVESTOR RELATIONS WITH A DIFFERENCE

MSM's Turnaround Plan prioritises a commitment to revitalise investor relations and boost investor understanding in the sugar business. MSM's newly restructured Corporate Strategy & Investor Relations team has been tasked to spearhead the Investor Relations function of the Group and act as a focal point with the investment community to communicate the Company's financial and operational performance, strategies and outlook, as well as addressing any inquiry and request from shareholders.

DRIVING INVESTOR RELATIONS THROUGH PURPOSEFUL SHAREHOLDER ENGAGEMENT

The team occasionally organised meetings with major institutional investors, individual shareholder groups and financial analysts to share insights of MSM's business strategies. The team also proactively answers questions posed by investors during the respective quarter. Our GCEO, Senior Management and Investor Relations team have taken part in these meetings. Meeting the leaders of MSM directly provides better insights and meaningful understanding to investors on the direction of the Group.

Active participation in roadshows and events for the investing community were also undertaken to ensure continuous communication and updates are provided to investors.

Investor Relations Calendar 2021

25 February

MSM 4Q 2020 Analyst Briefing

-  Virtual
-  Analyst/Fund Managers
-  Financial Results Briefing



February 2021

17 March

Engagement with Lembaga Tabung Haji (LTH)

-  Virtual
-  LTH Senior Management
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



March 2021

25 May

MSM 1Q 2021 Analyst Briefing

-  Virtual
-  Analyst/Fund Managers
-  Financial Results Briefing



May 2021

3 June

MSM 10th AGM Pre-Engagement with Permodalan Nasional Berhad (PNB)

-  Virtual
-  PNB
-  MSM 10th AGM Pre-Engagement



June 2021

17 June

MSM 10th Annual General Meeting (AGM)

-  Virtual
-  Shareholders of MSM
-  Resolutions





Location



Parties



Purpose

28 June

Discussion with PNB

- Virtual
- PNB
- AGM Post-Engagement



June 2021

19 July

Engagement with Federal Land Development Authority (FELDA)

- Virtual
- FELDA
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans



July 2021

26 July

Private Roadshow with Employee Provident Fund (EPF)

- Virtual
- EPF
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans

27 July

MSM Corporate Day with AmlInvestment - Hitting the Sweet Spot

- Virtual
- Shareholders & Investment Community
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans



6 August

Interview with Stockbit - Hitting the Sweet Spot (Youtube Live)

- Virtual
- Live session Stockbit
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans



August 2021

25 August

MSM 2Q 2021 Analyst Briefing

- Virtual
- Analyst/Fund Managers
- Financial Results Briefing

2 September

Pre-Engagement with PNB

- Virtual
- PNB
- Pre-Engagement and Questions received from PNB



September 2021

6 September

Engagement with United Overseas Bank (UOB)

- Virtual
- UOB Kay Hian
- Introduction of MSM/Updates on MSM Business operation/Moving forward plans

INVESTOR RELATIONS WITH A DIFFERENCE

Investor Relations Calendar 2021

9 September

Pre-Engagement with Minority Shareholder Watch Group (MSWG)

-  Virtual
-  MSWG
-  Pre-Engagement and Highlights Questions received from MSWG

15 September

Extraordinary General Meeting (EGM)

-  Virtual
-  Shareholders of MSM
-  Proposed Disposal of Equity Interest in MSM Perlis to FGV Integrated Farming Holdings Sdn Bhd



September 2021

27 October

Engagement with FELDA

-  MSM Malaysia Holdings Berhad Head Office, Kuala Lumpur
-  FELDA
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



29 October

Non Deal Roadshow Engagement with Lembaga Tabung Angkatan Tentera (LTAT)

-  Virtual
-  LTAT
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



October 2021

7 October

Engagement with Kenanga Investment Bank

-  Virtual
-  Kenanga Investment Bank
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



October 2021

 **Location**
 **Parties**
 **Purpose**

8 November

Engagement with EVLI GROUP

-  Virtual
-  EVLI Group
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

10 November

Engagement with Pheim Asset Management Sdn Bhd (Pheim)

-  Virtual
-  Pheim
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



10 November

CLSA Malaysia Boleh Corporate Day: Food for Thought

-  Virtual
-  Shareholders & Investment Community
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

25 November

MSM 3Q 2021 Analyst Briefing

-  Virtual
-  Analyst/Fund Managers
-  Financial Results Briefing



November 2021

10 December

Best of Asia Discovery Conference 2021

-  Virtual
-  Shareholders & Investment Community
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

22 December

Engagement with SIRIM Berhad (SIRIM)

-  MSM Malaysia Holdings Berhad Head Office, Kuala Lumpur
-  SIRIM
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



December 2021

21 January

Engagement with EPF

-  Virtual
-  EPF
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans

28 January

Engagement with Urusharta Jamaah Sdn Bhd (UJSB)

-  Virtual
-  UJSB
-  Introduction of MSM/Updates on MSM Business operation/Moving forward plans



January 2022

INVESTOR RELATIONS WITH A DIFFERENCE



Location



Parties



Purpose

Investor Relations Calendar 2021

22 February

MSM 4Q 2021 Analyst Briefing



February 2021



Virtual



Analyst/Fund Managers



Financial Results Briefing

All announcements, published information and presentation of the company is available at our Investor Relations section of our website at



www.msmsugar.com

BOOSTING INVESTOR CONFIDENCE THROUGH ACTION & CHANGE

The following are the various topics highlighted and presented to our investors:



ESG and Sustainability

From feedback received from stakeholders and investors, MSM recognises the growing importance of sustainability and ESG in investors' portfolio.

The Group has responded by identifying gaps in the current ESG and sustainability framework and initiatives towards better ESG disclosures aligned to globally recognised standards such as UN's Sustainable Development Goals (SDGs) and Global Reporting Initiative (GRI), as well as the Bursa's FTSE4Good Index standards.

MSM is also looking into renewable energy such as solar and biomass in an effort to reduce carbon emission, as well as improve waste management.

MSM greatly values its employees in the communities it serves by giving back to society through channels such as the Prodigy programme aimed to help alleviate young graduate unemployment, Skilling & Employment Opportunity programmes and community outreach during the COVID-19 pandemic.

MSM places a high priority on proper governance and integrity at all levels of its operations, with Anti-Bribery and Corrupt Practices procedures in place, establishing enhanced transparency and disclosure measures.



Average Selling Price

Refined sugar is a controlled-price item with a government-fixed ceiling price for the domestic market at RM2.85/kg. This is among the lowest sugar retail ceiling price in the world.

MSM keeps the government informed on the global sugar market movement. The increase of sugar and forex increases production costs significantly, revisions on ceiling price set by the government will be brought up and discussed.

In early 2022, the gazetted wholesale ceiling price is RM2.69/kg. MSM has increased its Average Selling Price (ASP) towards limit to realise a better margin.



Non-Core Asset Disposal

Disposal of MSM Perlis to FGV Integrated Farming Holdings Sdn Bhd (FGVIF) was completed on 29 September 2021 and deconsolidated from MSM Group on 30 September 2021.

Proceeds of the disposal amounted to RM181.11 million, of which a portion is to be used to further pare down borrowings.



Price of Raw Sugar (NY11)

NY11 increased in FY2021 in response to lower raw sugar supply globally which was mainly due to suboptimal weather conditions.

NY11 strongly correlated to Crude Oil prices which surged in July 2021. Higher crude oil price incentivises sugar mills to produce more ethanol than sugar.

MSM manages its raw sugar hedging by purchasing managed lots and by avoiding long-term contracts.



Operational Performance

MSM provides operational parameters such as yield, utilisation rate and production volumes for FY2021. These parameters have been reviewed and shared with analysts during the quarterly result announcements.

Production volumes in FY2021 were affected following disruptions due to planned shutdown for repairs and maintenance works in MSM Prai, and boiler issues in MSM Johor.



Financial Performance

MSM disclosed its financial quarterly results with detailed explanations on the performance of the Group and its subsidiaries.

In addition, the Group has recognised a positive result in FY2021 despite the COVID-19 pandemic dragged by the prolonged Movement Control Order (MCO).

Navigating through the social distancing requirements, MSM had leveraged on virtual meetings and applications for 2021 Annual General Meeting (AGM) and Extraordinary General Meeting (EGM). Nonetheless, MSM frequently conducted virtual engagements with analysts, shareholders and interested investors.



Strategic Partnership and Expansion Plans

MSM has to consider the strategic fit of any potential partners with the Group’s aspirations such as to consider the strategic Johor refinery turnaround and improvement plans, including growing its inherent export footprint for long-term sustainability whereby MSM is already serving Vietnam, China, South Korea, Singapore and other countries in the region.

Should there be interest from any potential party pertaining to MSM Johor, it shall be evaluated with prerequisite of an offtake guarantee based on specific destination market(s) towards reinforcing business sustainability.

ANALYST COVERAGE

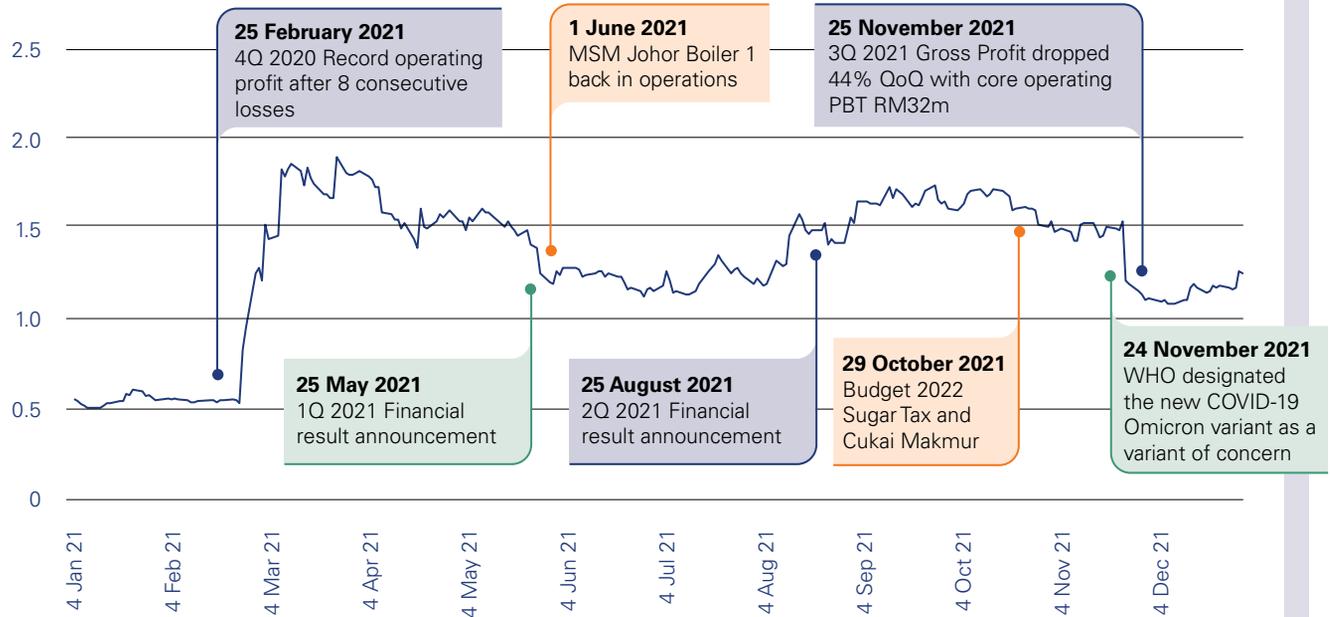
As the largest sugar producer in Malaysia listed on the Main Market of Bursa Malaysia, MSM garnered a fair share of coverage and attention from the investment community. A total of four analysts and research houses had actively covered MSM in FY2021.



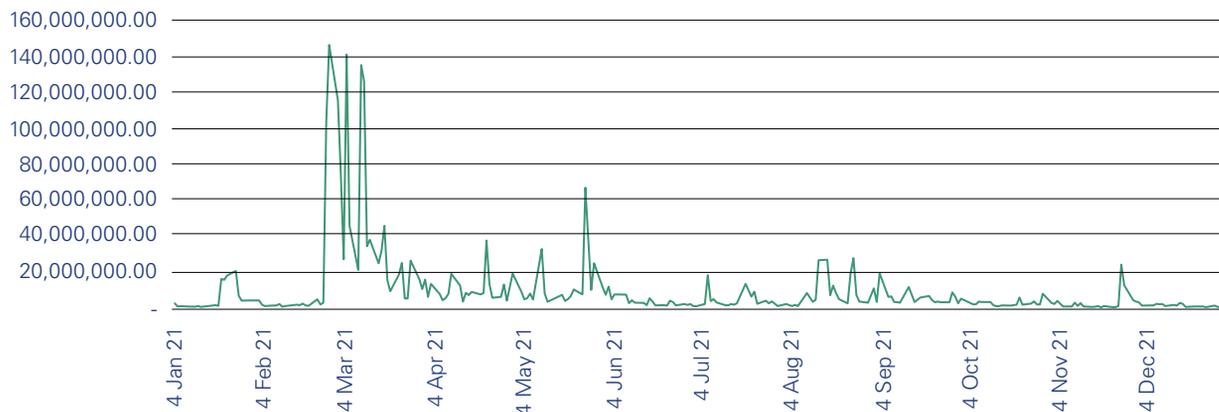
INVESTOR RELATIONS WITH A DIFFERENCE

SHARE PRICE MOVEMENT

Share Price (RM)



Volume



Shareholder Information as at 21 March 2022:

FGV Holdings Berhad remained as our largest shareholder with 51.00%, with a direct shareholding of 10.97% and an indirect shareholding of 40.03% via FGV Sugar Sdn Bhd. The other significant shareholders are Koperasi Permodalan Felda Malaysia Berhad holding 15.28% and Amanah Trustees Berhad with 7.49%. The balance 26.23% are held by other local corporations, Malaysian retail and foreign shareholders.



To see further shareholder information, refer to Analysis of Shareholdings as at 21 March 2022 on page 372

FINANCIAL CALENDAR



ANNOUNCEMENT ON UNAUDITED CONSOLIDATED RESULTS

2020

 4 th quarter ended 31 December 2020	: 25 February 2021
 1 st quarter ended 31 March 2021	: 25 May 2021
 2 nd quarter ended 30 June 2021	: 25 August 2021
 3 rd quarter ended 30 September 2021	: 25 November 2021

2021

 4 th quarter ended 31 December 2021	: 22 February 2022
--	--------------------



DIVIDENDS

2020

 No dividend was declared and paid for the FY2020
--

2021

 Announcement on declaration of a final single-tier dividend of 3.0 sen per share for the financial year ended 31 December 2021	: 10 March 2022
Date of Entitlement	: 29 March 2022
Date of Payment	: 7 April 2022



ANNUAL GENERAL MEETING



10th Annual General Meeting

Notice of meeting	: 27 April 2021
Issuance of Annual Report	: 27 April 2021
Meeting date	: 17 June 2021



11th Annual General Meeting

Notice of meeting	: 27 April 2022
Issuance of Annual Report	: 27 April 2022
Meeting date	: 8 June 2022

SUSTAINABILITY JOURNEY





118	Board Statement on Sustainability
122	Our Sustainability Commitment
124	Our Sustainability Governance
128	Our Way Forward in Our Sustainability Journey
130	Environment Initiatives
142	Social Initiatives
175	Governance Initiatives

BOARD STATEMENT ON SUSTAINABILITY

SWEET SUSTENANCE IN A RESPONSIBLE, SUSTAINABLE AND MINDFUL WAY

The MSM Group is advancing a significant step-up of the Environmental, Social and Governance (ESG) framework in business and operations to reset our sustainability journey. The step-up action signifies our firm commitment in infusing sustainability in our operations and strategies which coincides with our strategy to broaden our global exposure. Additionally, the COVID-19 pandemic has made us realise the importance of steadfastly withstanding unforeseen challenges. While we actively engage in sponsoring and supporting various charity programmes, food banks, and individuals impacted by COVID-19, staying safe also encompasses the safety of business resilience and sustainability in the present business environment.

We are remapping the material matters to be more relevant to current business operations and future strategy. We target to improve our sustainability reporting and disclosures this year and emerge with a more fortified sustainability framework and targets from FY2022 onwards.

As part of this step-up plan, as of this year's reporting, we are committed to work towards meeting FTSE4Good Bursa Malaysia Index standards; align our disclosures with internationally-recognised Global Reporting Initiative (GRI) standards; as well as focus on promoting relevant United Nations (UN) Sustainable Development Goals (SDGs) into our long-term strategies.

A key achievement this year was the establishment of a dedicated sustainability working group within the Corporate Strategy and Investor Relations department that will henceforth take the lead in expanding our sustainability efforts. Working with an external consultant, a culture of Review, Reflect and Respond (3R) has also been initiated within the Group to inculcate sustainability in our strategies and in our operations. At the same time, we are remapping the material matters to be more relevant to current business operations and future strategy. We target to improve our sustainability reporting and disclosures this year and emerge with a more fortified sustainability framework and targets from FY2022 onwards.

We are escalating the Group's commitment to providing safe, conducive and healthy workplaces. To date, MSM Prai and Sungai Buloh Warehouse have been issued the ISO 45001: Occupational Health & Safety System certificate, and MSM Johor is in the process of being certified.

Awareness for green initiatives is also being ramped up, especially at MSM Prai, with the signing of a certificate of collaboration (COC) with Penang's Department of Environment (DOE) enabling green initiatives in preserving and conserving the environment. Participation in a household e-waste recycling competition and Mangrove Tree Planting programme are some initiatives towards the Company's



MSM Group's turnaround plan focuses on a high performance culture anchored on integrity as a key to sustaining our performance.

long-term commitment in preserving the environment, restoring the natural ecosystem as well as supporting the surrounding community.

Besides a stronger sustainability framework, MSM Group's turnaround plan focuses on a high performance culture anchored on integrity as a key to sustaining our performance. It is everyone's role and duty not to deprive potential benefits to the Group and staff through misconduct on business ethics. We are proud to announce 100% signing of the Integrity Pledge following a successful Group-wide Anti-Bribery and Anti-Corruption (ABAC) campaign initiated by MSM's Corporate Governance and Risk Management (CGRM) Department.

During the year, we conducted three Disciplinary Inquiries (DI) as a result of consequence management of misconducts reported. These steps will ensure greater corporate and financial outcomes, and such positive outcomes will eventually translate into key benefits to shareholders and employees alike.

Stay safe always!

**Board of Directors
MSM Holdings Berhad**



BOARD STATEMENT ON SUSTAINABILITY

MSM GROUP'S SUSTAINABILITY JOURNEY AND ENVIRONMENTAL, SOCIAL & GOVERNANCE (ESG) STEP-UP INITIATIVES AND DISCLOSURES



The COVID-19 pandemic has made us realise the importance of having a sustainable business operations to remain resilient in facing the unforeseen challenges. Further, the world today is also experiencing **Environmental** crises, mainly on climate change where we must act upon as a responsible corporate citizen. Concurrently, the **Social and Governance** aspects of our business shall continue to be strengthened as we review our ESG elements holistically. It is worth to note that ESG has become an important criteria to the regulators and investing community in assessing a company's sustainability position.



OUR SUSTAINABILITY COMMITMENT

We strive for best practices in the way we conduct our business improve livelihoods across our value chain, commit to become the employer and partner of choice providing opportunities for advancement and development, play a leading role in community development, and demonstrate environmental responsibility and leadership.

As the leading sugar refiner and brand ambassador for Malaysia, we aspire to achieve excellence in sustainability by integrating sustainable practices into every business activity in line with our promise of **“Sweet Sustenance in a Responsible, Sustainable and Mindful Way”**. We continue to make positive strides to strengthen our approach in managing sustainability topics that are material to our business, demonstrate our constant commitment to incorporate sustainable practices into all segments of our business, and show leadership with the sustainability challenges we face. Working together in collaboration with partners, customers, regulators and other stakeholders, we focus on maximising our long-term positive impact.

We are working towards revising and updating these policies to align with our current practices and business strategies and to take into account constructive input on the concerns and expectations from our stakeholders.

The Group Sustainability Policy establishes MSM’s commitment to work towards a future that creates a positive impact on our environmental, social and governance responsibilities for our stakeholders. This Policy is applicable to all the Directors and the employees of the MSM Group.



MSM’s Sustainability Policy can be viewed on our website at www.msmsugar.com

We report on our sustainability practices and performance annually, with our last report published as part of MSM’s 2020 Annual Report. This year’s statement summarises the key highlights of our efforts towards achieving sustainable development through our ESG initiatives for the reporting period from 1 January 2021 to 31 December 2021.

In the development of our approach towards improving our sustainability reporting, we have improved on the way we document the measurements for our material matters for the disclosures of this year’s Sustainability Report. As the Group makes further traction within our sustainability journey, we will consider the adoption of an external assurance for our disclosures in the near future.



100%

Signing of Integrity Pledge

Signing of

Collaboration Agreement with Wilmar

Certificate of Collaboration with Penang DOE enabling green initiatives in preserving and conserving the environment

3rd

Place Winner in E-Waste Competition

Mangrove Tree **Planting programme**

2021 SUSTAINABILITY HIGHLIGHTS

ACCA

Scholarships worth RM209,721 awarded

Achievement

of ISO 45001:2018 for MSM Prai and Sg Buloh Warehouse

3R

Recycling Programme

Launch

of Prodigy Programme

Reduction of Scope 1 GHG Emissions by

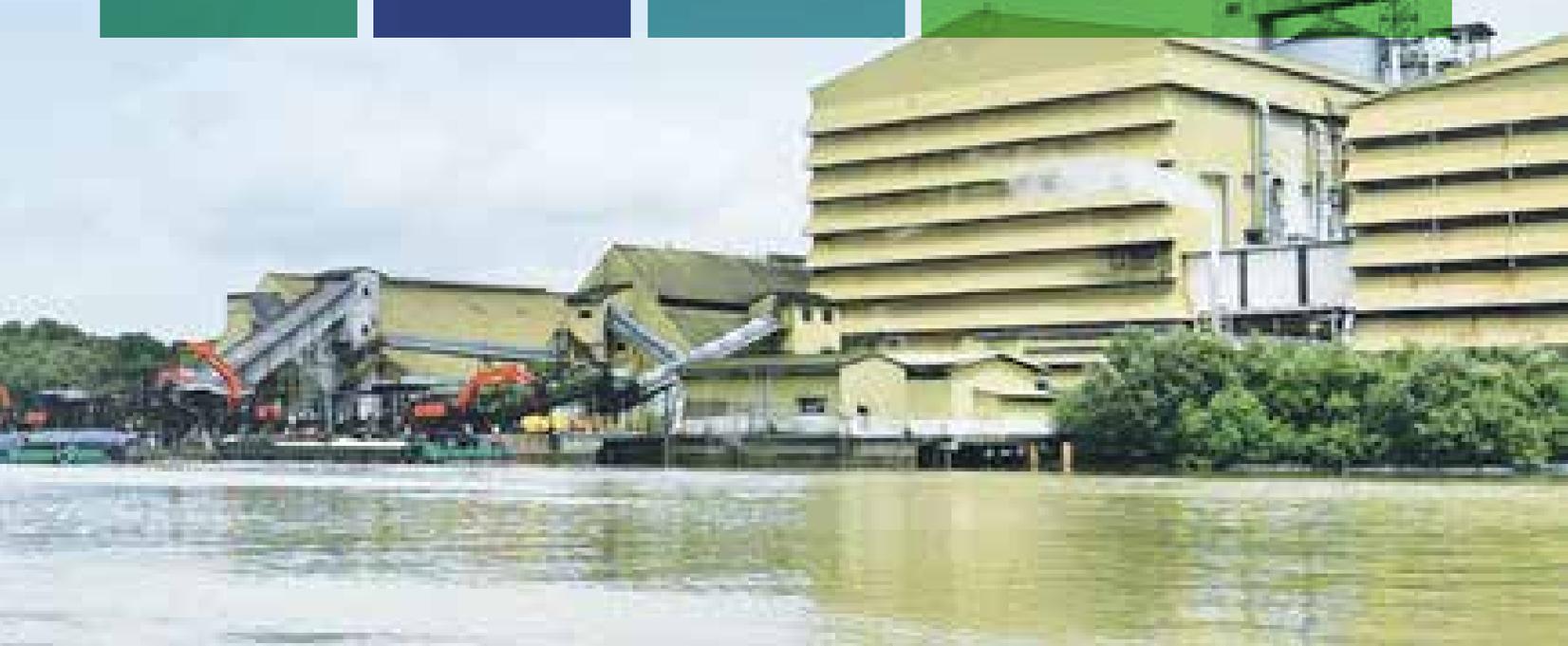
14%

Reduction in Scope 3 GHG Emissions by

77%

“Janji...Gula Peket Hijau”

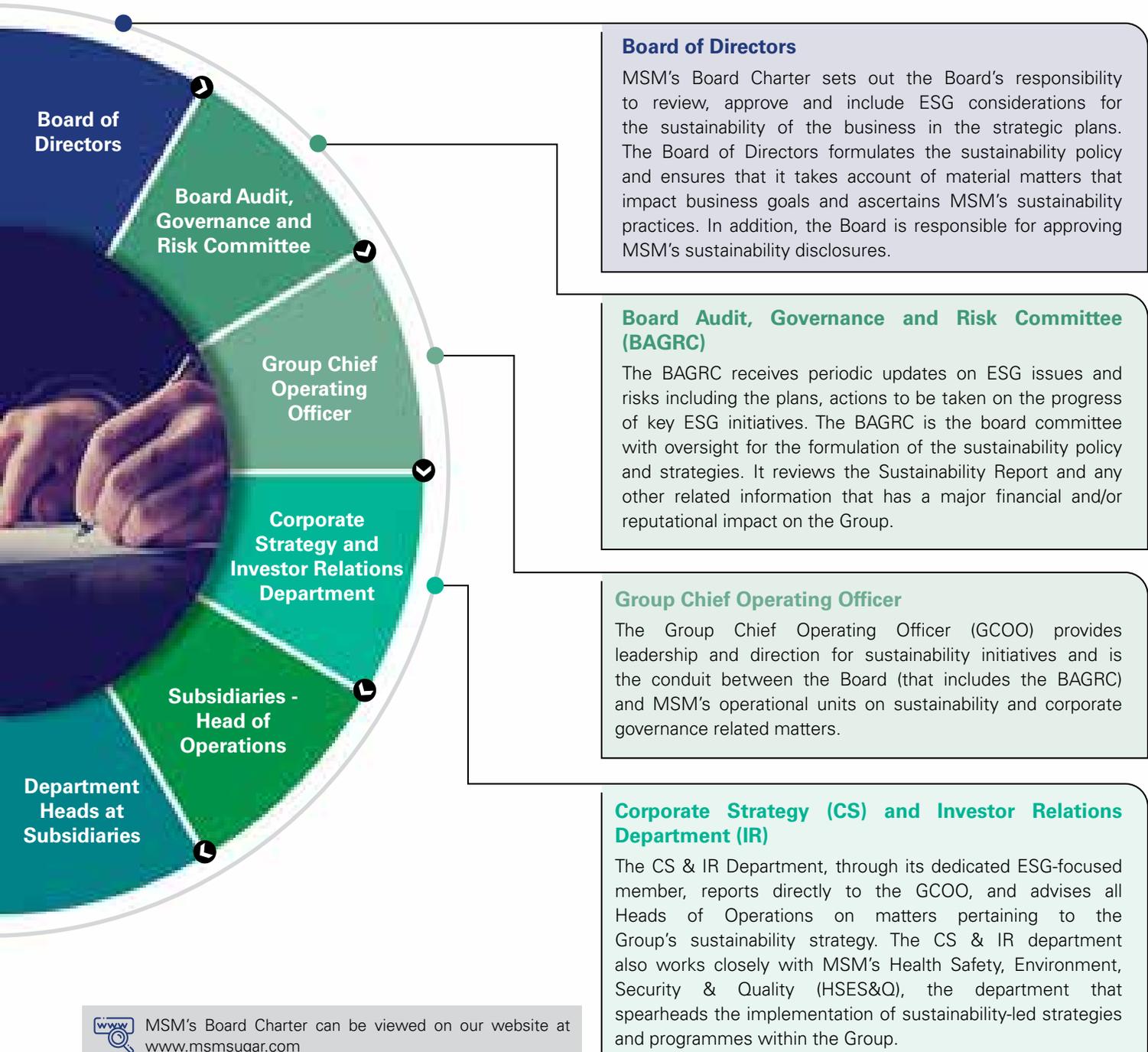
campaign to promote unity



OUR SUSTAINABILITY GOVERNANCE

MSM's sustainability strategy is overseen by the Board of Directors. With commitment from the top and a robust governance structure, all matters related to sustainability are effectively managed at various levels across the Group setting a culture of integrity, accountability and transparency. Reporting structures of the sustainability governing body are clearly defined to ensure clear demarcation of roles and responsibilities, as described below:

OUR SUSTAINABILITY GOVERNING BODY



MSM's Board Charter can be viewed on our website at www.msmsugar.com

Risk Management

MSM’s structured risk management framework established under the Risk Management Policy enables MSM to facilitate risk assessment process and mitigation plans to achieve a strategic vision and aspirations to be amongst the top sugar-business companies globally. The framework is designed to identify, assess and prioritise risks and opportunities, including ESG risks that impact our business.

To ensure effective oversight of risks at enterprise-wide level, risk management is embedded into our key processes and activities. The Enterprise Risk Management Framework is designed in accordance with the ISO 31000:2018 Risk Management-Guidelines.

The CGRM Department is the custodian of Group’s risk profile. The Board, assisted by the BGRC, has the overall responsibility to review the effectiveness and adequacy of MSM’s risk management and internal controls.

With a structured risk framework, potential risks are tracked in the risk registers of each operating company and are reviewed on a quarterly basis by CGRM jointly with the respective risk owners from the operations to assess the analysis and mitigation measures, and where applicable, ensure action plans are effective and adequately documented. CGRM publishes its quarterly risk report to the Management, Board Committees and Board on the key risks horizon covering the top 10 and other key risks.

 Further details on the Key Challenges & Mitigations are covered on page 74, and further details on MSM’s Risk Management are disclosed in the SORMIC section on page 251



Stakeholder Engagement

MSM Group strives to engage actively with the following six categories of stakeholders to manage their expectations by providing adequate information in appropriate forms for effective communication. We place Consumers & Customers first as our top priority stakeholder group.

- | | |
|---|--|
|  1 Consumers & Customers |  4 Regulatory Agencies & Statutory Bodies |
|  2 Employees |  5 Vendors, Suppliers & Industry Partners |
|  3 Shareholders & Investment Community |  6 Media, NGOs and Communities |

During the year, the Group emphasised on-ground and face to face engagement with key customers and industry players to fortify relationships and create better value delivery synergies. However, due to the pandemic and movement restrictions, virtual engagement channels were employed to reach out to the community and authorities such as the DOE.

 Details on our engagements with our stakeholders are covered on page 102

Materiality Assessment

Our approach to ESG is currently aligned to our business strategy and this approach is informed by our understanding of the issues that are most material to us as a business and to the communities we touch, and in turn by the priorities we are setting for ourselves along our value chain.

In FY2021, we continued to internally assess and review our material matters for their relevance and changes to the risks and opportunities impacting our business. We have streamlined the material matters, as reported on page 126 and in our previous report in 2020. This year we highlight those that remain relevant and important to us while we progress to refine our priorities in the coming year. We have also enhanced our disclosures on our material topics, and where applicable, aligned these with the relevant GRI standards and identified the UN SDGs most relevant to our sustainability effort in FY2021.

 Details on our Materiality Assessment are covered on pages 96 to 101

OUR SUSTAINABILITY GOVERNANCE

Below is a summary of our key material topics that have had the most impact on our ESG practices and performance in FY2021:

Material Matters	Material Topics	GRI Topic Standards	UN SDGs
Environment linked to   			
Resource Management	Waste Management	GRI 306 : Waste 2010 Refer to page 130	 6 Clean Water and Sanitation Ensure availability and sustainable management of water and sanitation for all  7 Affordable and Clean Energy Ensure access to affordable, reliable, sustainable and modern energy for all  12 Responsible Consumption and Production Ensure sustainable consumption and production patterns  13 Climate Action Take urgent action to combat climate change and its impacts
	Water Usage & Effluents	GRI 303 : Water and Effluents 2018 Refer to page 136	
	Energy Optimisation	GRI 302 : Energy 2018 Refer to page 137	
	Climate Change & GHG Emissions	GRI 305 : Emissions 2018 Refer to page 138	
Social linked to     			
Economic Impact	Economic Performance	GRI 201 : Economic Performance 2018 Refer to page 144	 8 Decent Work and Economic Growth Ensure access to affordable, reliable, sustainable and modern energy for all  12 Responsible Consumption and Production Ensure sustainable consumption and production patterns
	Procurement Practices	GRI 204 : Procurement Practices 2018 Refer to page 145	
Operational Performance	Plant Efficiencies	Non-GRI Refer to page 148	
Service & Product Quality	Product Quality	GRI 416 : Customer Health and Safety 2018 Refer to page 147	
Talent Management	Employee Value Proposition	GRI 401 : Employment 2018 Refer to page 152	 1 No Poverty End poverty in all its forms everywhere  3 Good Health and Well-Being Ensure healthy lives and promote well-being for all at all ages
	Labour Standards & Best Practices	Non-GRI Refer to pages 162 and 163	



Financial Capital



Intellectual Capital



Human Capital



Manufactured Capital



Natural Capital



Social & Relationship Capital

Material Matters | Material Topics | GRI Topic Standards | UN SDGs

Social linked to

	Diversity & Equal Opportunity	GRI 405 : Diversity and Equal Opportunity 2016 Refer to page 154	4 Quality Education Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
	Talent Development	GRI 404 : Training and Education 2016 Refer to pages 156 and 158	5 Gender Equality Achieve gender equality and empower all women and girls
Community Empowerment	Uplifting the Community	GRI 413 : Local Communities 2016 Refer to page 161	1 No Poverty End poverty in all its forms everywhere
			8 Decent Work and Economic Growth Ensure access to affordable, reliable, sustainable and modern energy for all
Occupational Health & Safety Performance	HSES & Quality (HSES&Q)	GRI 400 : Occupational Health and Safety 2016	3 Good Health and Well-Being Ensure healthy lives and promote well-being for all at all ages
	Training & Awareness	Refer to pages 165 to 171	8 Decent Work and Economic Growth Ensure access to affordable, reliable, sustainable and modern energy for all
	Enhancing COVID-19 Management	Non-GRI Refer to page 172	

Governance linked to

Governance	Ethical Business Practices & Integrity	GRI 205 : Anti-Bribery 2016 Refer to page 177	16 Peace, Justice and Strong Institutions Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
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OUR WAY FORWARD IN OUR SUSTAINABILITY JOURNEY

Our commitment to our sustainability journey will be progressively accelerated in a meaningful and transparent manner. As part of our transformative plans to step-up our sustainability practices and with the support of our independent consultant, we are headed towards delivering on the promise of **“Sweet Sustenance in a Responsible, Sustainable and Mindful Way”** as our new sustainability framework.

Our concerted efforts aim to enhance our sustainability framework with clearer medium to long-term goals and measurable progress on our “high” priority issues. We target to remap our materiality topics with better defined ESG priorities that align with the changing business landscape and current market conditions.

As a first step, we are disclosing our sustainability performance for FY2021 with additional disclosures on our policies and practices, heightened analysis on our impacts, understanding present gaps. We aim to reflect our sustainability roadmap and our “ambitious” goals in our next report.

At the global front, the manufacturing sector is evolving towards a more efficient, faster and flexible future through greater technology adoption as part of the Fourth Industrial Revolution.

MSM aims to catalyse growth through key technology pillars that are identified in the country’s Industry4WRD: National Policy on Industry 4.0.

By infusing higher value added process of manufacturing through the application of advanced digitisation, advanced manufacturing technologies and efficient resource utilisation, manufacturing issues such as hazardous environments, health and safety of human labour, efficiency in managing supply chains, and reduction in wastages are addressed. It also paves the way to enhanced productivity, job creation, innovation capacity, high-skilled talent pool and ultimately economic prosperity and societal well-being.

Thus, moving forward, MSM intends to collaborate and venture into possible schemes, research and development, and studies on the following:





Climate Action & Net Zero Ambition

As part of MSM's commitment to operate responsibly through our positive actions, MSM is accelerating its ambition to strengthen its strategy and commitment on reducing its carbon footprint in line with Malaysia's aim of achieving carbon neutrality by 2050 (as announced under the 12th Malaysia Plan in September 2021). We are exploring alternative energy reduction initiatives to improve our energy efficiencies and will review our own GHG inventory comprehensively, set baselines and enhance our goals towards the net zero ambition. With the recent announcement by the Environmental and Water Minister in December 2021, Malaysia is making way for a voluntary carbon market and a domestic emissions trading scheme, MSM will also consider opportunities on carbon trading within the FGV Group.



Refer to page 139 for details on our Climate Change and Greenhouse Gas Emissions and on page 138 on our Near Future Energy Initiatives



Promote Consumer Benefits and Good Health Practices

As part of MSM's aim to enhance its business priorities from FY2022 onwards, MSM aims to focus on promoting healthier lifestyle options and be steadfast on its promise to deliver mindful practices. On the consumer front, expanding on the existing "Go 1/2" and "Go Natura" products for its health conscious customers are on the horizon. MSM is also exploring initiatives via various platforms to encourage and educate its consumers on the benefits and use of "Sugar in Mindful Ways".

The next sections of this report provide the overview and analysis on how we currently approach each of the topics on the respective topics ESG topics in FY2021.

ESG Material Topics



Environment

- Resource Management



Social

- Economic Impact
- Operational Performance
- Service & Product Quality
- Talent Management
- Occupational Health & Safety Performance



Governance

- Governance





ENVIRONMENT INITIATIVES



The way forward on the world stage is taking positive climate action towards a net zero future. We have to accelerate sustainable actions, and capitalise on early wins.

In alignment to the Group's Sustainability Policy and Environmental Policy, MSM pledges to comply with all applicable environmental legislation, regulation and requirements that pertain to our receiving, manufacturing and distribution practices. The Group prioritises the effective use of resources, energy and fuel, and also waste reduction. This commitment goes beyond the Group's direct impact and includes effort to ensure good practices across our supply chain. We also encourage our value chain partners to embrace sustainable practices sustainable environmental practices at their work sites and educate our staff on environmentally friendly practices. The Board has oversight over the environmental sustainability matters including the management of climate change risks.



The Group Sustainability Policy is available at the corporate website at www.msmsugar.com/sites/default/files/group_sustainability_policy.pdf

The Group is strongly committed to:

- Meeting the requirement of all applicable legislations as well as other best practices and sustainability commitments that we subscribe to
- Engaging our stakeholders in promoting sustainability practices
- Assisting our external suppliers in meeting the requirements of our policies

2021 Environment Step-Ups



**Mangrove Tree
Planting in Prai**



**Conversion of
molasses to
value added
products**



**Water use
efficiency and
care**



**Converting mudcake
by-product,
into fertiliser and
cement**



**Reviewing
opportunities in
recycling general
waste**



**Participation
with Government
Bodies in E-waste
Competition**

ENVIRONMENT INITIATIVES



SDG 6
CLEAN WATER AND
SANITATION



SDG 7
AFFORDABLE AND
CLEAN ENERGY



SDG 12
RESPONSIBLE CONSUMPTION
AND PRODUCTION



SDG 13
CLIMATE ACTION

ENVIRONMENTAL

As a business highly dependent on natural resources, we are cognisant of the need to protect the natural environment and contribute to climate action. We actively study technological solutions to optimise energy usage, and emissions such as solar and biomass. We have invested in state of the art technology and equipment to ensure improvements in the efficiency of energy usage, prevention of pollution as well as to be in compliance with relevant requirements and legislations.

Both MSM refineries use boilers which generate steam to be used in the process. MSM Johor's plant was built based on an Environmental Impact Assessment Report with consultation from the Department of Environment (DOE). We continue to monitor key environmental aspects such as energy optimisation, water usage, waste management and inventory of greenhouse gases to measure our progress in minimising our environmental impact. We have also initiated collaborative arrangements such as the signing of

the Certificate of Collaboration with the Penang DOE to work on green initiatives in preserving and conserving the environment.

As MSM expands on a global platform, we are escalating our commitment to minimise the environmental impacts from pollution, waste, resource use, from our business operations.

Total environmental fines and penalties incurred by MSM across the Group during the year was RM73,000 for 43 summonses issued by the DOE. There were no summonses the previous year.

We have commenced our journey towards establishing the ISO 14001: Environmental Management System with awareness building and audits to begin early 2022 and targeted for completion in the same year. We are in the midst of updating our Environmental Policy as we are moving forward with ISO 14001 certification in FY2022.



Note:

As of FY2021, the Group is no longer tracking data for MSM Perlis.

MSM is working on improving all tables for FY2022, to ensure all data is tracked and measured accurately and consistently throughout the Group.

RESOURCE MANAGEMENT



Waste Management

MSM's approach in dealing with waste reduction and the process flow of inputs, activities and outputs that impact waste production are guided by the Group Sustainability Policy, the Environmental Policy and respective waste management control procedures established under each the MSM operations in order to comply with the relevant regulations such as the Environmental Quality (Scheduled Waste) Regulations 2005 (Scheduled Waste Regulations 2005).

We record the hazardous waste generated in our operations as Scheduled Waste and all other non-hazardous waste, including by-products, are categorised as Non-Scheduled Waste. This categorisation determines how waste is stored, handled and disposed, in the value chain from production to packaging to distribution stage. Some of the types of Scheduled Waste generated and tracked from MSM's own activities at each of its operations include waste containing materials such as mercury, metal with copper, zinc and chromium as well as containers, bags or equipment contaminated with chemicals, pesticides. Scheduled waste is strictly tracked and monitored at our operations, by competent certified persons, with pertinent details recorded in the internal database as well as at the DOE website, as per the Scheduled Waste Regulations 2005. Scheduled Waste is outsourced to a supplier licensed by the DOE to collect, transport, process and dispose waste in accordance with local regulations and standards. Non-Scheduled Waste includes materials such as plastic, paper boxes, office and general waste, spillage and refining by-products such as mudcake and molasses. To minimise disposal and to divert Non-Scheduled Waste from being sent to landfills, MSM is looking at more efficient recycling and reselling opportunities with appropriate third party partners.

The total waste generated and tracked by the MSM Group as Scheduled Waste (Hazardous) and Non-Scheduled Waste (Non-Hazardous Waste) in FY2021 is 20,109.57 metric tonnes. Out of which, a total of 146.83 metric tonnes of hazardous waste were generated from our operations.

Actions Taken to Mitigate Waste Reduction:

Mudcake: Turning Waste to Fertiliser

Replicating the success achieved in the sale of molasses by-product as animal feed, MSM is making inroads turning mudcake waste into useful fertiliser. Mudcake is a compressed sugar refining waste by-product that is produced in both MSM refineries. The DOE previously categorised mudcakes as Scheduled Waste which was required to be handled, stored properly and to be removed from site by a licensed DOE contractor. In FY2021, the DOE had agreed and approved that mudcakes generated as by-products by the refineries are no longer termed as Scheduled Waste.

Research was conducted on MSM's mudcake waste and it was discovered that it reduces acidity in soil making it viable for use as fertiliser. This led to a trial programme between MSM Johor and FGV Fertiliser in October 2021 to turn mudcake into fertilisers. Based on the trial, the parties are in discussions on whether all of the mudcakes generated by MSM Johor and MSM Prai can be taken up by FGV Fertiliser and if successful, a joint venture on this initiative is in the pipeline.

Potential collaborations with third party to supply mudcakes for the cement industry are also being explored at this stage. The possibilities are exciting not just for MSM but for the refining industry and environmental authorities at large. MSM is also exploring opportunities to work with higher education institutions to conduct research on other potential benefits and use of mudcakes.



ENVIRONMENT INITIATIVES

Reducing Waste in the Community

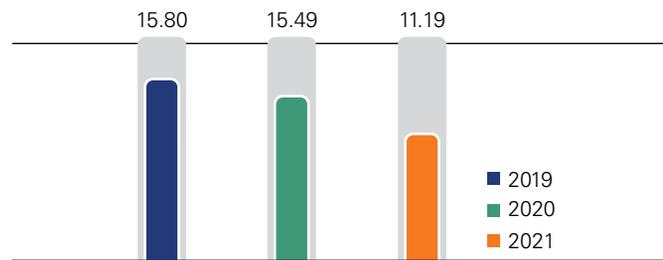
As part of MSM's 2021's sustainability journey and a step-up of our ESG framework, MSM has taken a more active role in participating in initiatives and action to reduce pollution, waste and resource use. In November 2021, MSM Prai took part in a Household E-Waste Collection Hero Competition organised by the Penang DOE and in collaboration with Majlis Bandaraya Seberang Perai and Majlis Bandaraya Pulau Pinang.

MSM Prai took it as an opportunity to raise awareness for staff on ESG topics while fortifying ties with the DOE. In conjunction with the National Environmental Day themed Environment: Our Responsibility, MSM Prai bagged third place in the Industry category with approximately 500kg of electric and electronic waste (e-waste) collected within five days from 7 November until 12 November 2021 by more than 400 MSM Prai employees via the strategic promotion of environmental awareness programme. MSM Prai took its own initiative to participate in the competition and the team effort and commitment shown by its employees demonstrate that everyone in MSM is playing an active role in contributing to MSM's ESG agenda.

To further drive the ESG initiatives for a better and greener environment, MSM launched the 3R: Reduce, Reuse and Recycle Programme in early January 2022. More measures are in the pipeline to promote the 3Rs across the Group and reduce environmental impacts of our products throughout their lifecycles. Further details of the initiatives and activities planned in FY2022 will be disclosed in our next report.

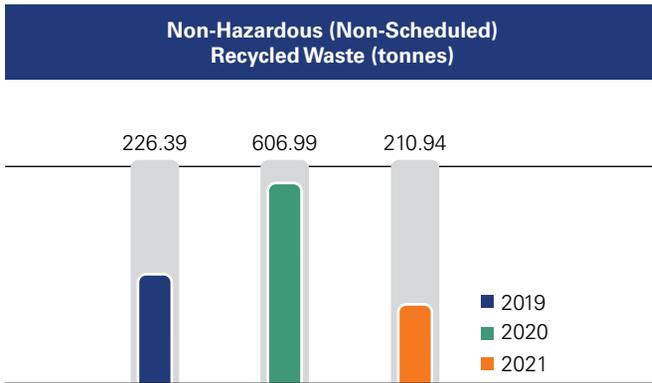
The diagrams provide an overview of the aspects of waste management we have monitored and tracked over the last three years. We recognise that there are still gaps on how waste generation data has been collected and tracked in the respective operations and we are stepping up how we track and measure our progress on waste generation data from FY2022 onwards as we continue to improve our data analysis and tracking methods for more consistency moving forward.

Hazardous (Scheduled) Waste collected by licensed contractor for recovery (tonnes)



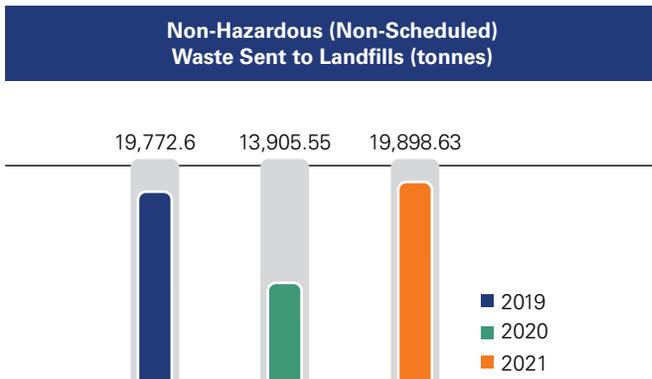
As previously reported, we continued to track the hazardous waste collected by our licensed contractor for recovery and observed a 28% decrease in FY2021 from FY2020. The remaining hazardous waste from our operations were disposed and handled through other methods such as recycling, chemical treatment, incineration, or sent to landfills.

More measures are in the pipeline to promote the 3Rs across the Group and reduce environmental impacts of our products throughout their lifecycles. Further details of the initiatives and activities planned in FY2022 will be disclosed in our next report.



Note:
Only tracked by MSM Prai to date.

Recycled waste generally cover materials such as scrap metal, paper, plastic and empty drums. Higher recycled waste at MSM Prai in year FY2020 was due to the plastic pallet write-off.



Note:
Data based mostly on disposal of mudcakes.

MSM recorded a 43% increase in the amount of non-hazardous waste such as mudcakes sent to the landfills in FY2021. This is largely due to MSM Johor’s tracking of its mudcakes since 2021. Mudcakes were initially classified as Scheduled Waste and hence, the data for non-hazardous waste sent to landfills was not consistently tracked across the Group previously. MSM is currently in discussion with FGV on disposal of mudcakes to be used as fertiliser and this number is expected to reduce going forward. See story on page 133.

Target **Activities**

Key Activities in 2021

Seek ways to reduce, recycle or recover generated waste

Initiated study with FGV Fertiliser for future collaboration on mudcake conversion to fertiliser



Water Usage & Effluents

Vast water quantities are used in the sugar refining process. Sustained water management measures have been adopted to ensure the efficiency of water usage within our operations. The amount of water used and reused in our daily operations are constantly measured and monitored, as is the water effluent discharge from our processes. The data is shared with the MSM headquarters on a quarterly basis for them to monitor progress. MSM’s commitment to reduce water use and improve wastewater treatment capabilities at sites or throughout the Group are reflected in the Group Sustainability Policy and Environmental Policy.

MSM refineries purchase water from the respective local water companies and measures its water consumption from the invoices received on a monthly basis. In the event of water shortages, there are water tanks with capacity of 3,200 m³ in MSM Johor and 1,344 m³ in MSM Prai.

The amount of water consumed daily is related to the daily raw sugar melting activity. For MSM Johor, average water consumption was around 1,400 m³ per day in FY2021. Meanwhile, for MSM Prai daily water consumption ranged from about 2,800 m³ to 4,500 m³ per day. This means that the respective water tanks can serve as back up supply for MSM Johor operations for two days, and around 7 to 8 hours for MSM Prai.

MSM Johor possesses its own waste water treatment plant (WWTP) with enough capacity to handle all wastewater discharged. Wastewater is released to the sea after treatment at the refinery’s WWTP. MSM Johor is currently upgrading its WWTP to optimise the process.

ENVIRONMENT INITIATIVES

MSM Prai does not have an effective WWTP currently but will be constructing a new system targeted to commence in FY2022. As required under the Environmental Quality Act, an independent third party does the monitoring and water sampling on a monthly basis and reports to DOE as well as the local authorities to ensure compliance with all parameters. Water quality checks are conducted on the discharge, the surface and boundary water.

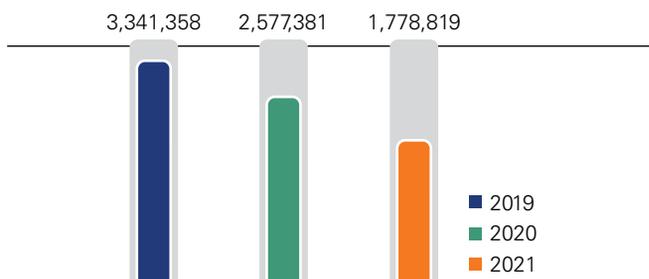
During the year, MSM Prai was fined by DOE when higher than the permissible level of effluent was detected in water discharged. MSM Prai constantly engages with the Penang DOE to regularly update them on the progress on MSM Prai's WWTP plans as well as to clarify and reassure DOE on its commitment to improve processes. MSM Prai also maintains a close relationship with the nearby fishermen community and this can also be seen through the collaboration on the Mangrove Tree Planting.

MSM Johor also encountered issues with its WWTP during the year and has been in regular communication with the Johor DOE on the problems they faced. The respective refineries have taken steps to mitigate these issues by ensuring their competent persons are well trained and prepared to handle these issues, third party consultants are engaged as well as repair works and proper maintenance are carried out to mitigate the risks of managing treated water and continuous engagement with the DOE to demonstrate the operations commitment to resolve issues quickly.



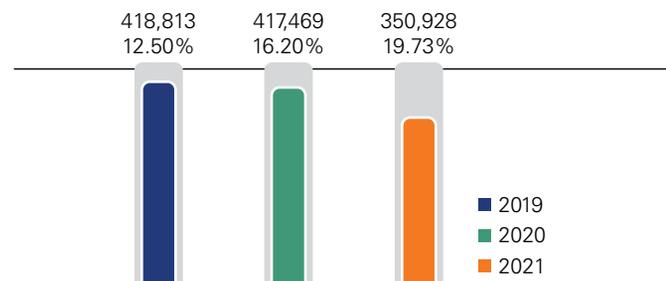
Read more about MSM Prai's Mangrove Tree Planting activity on page 141

Total Water Consumption in Our Operations (m³/year)



MSM individual operations track their water consumption separately. The total water consumption for MSM Group reduced from 2,577,381 m³ in FY2020 to 1,778,819 m³ in FY2021. We are working on improving the tables moving forward to ensure all the data are tracked and measured accurately throughout the operations.

Volume of Water Recycled and Reused (m³/year & %)



Note:

Only MSM Prai recycles and reuses water back into the process, and tracks this data to date. FY2019 and FY2020 numbers included data from MSM Perlis.

Although a slight increase was seen in MSM Prai in FY2021, the overall performance reduced by 16% in FY2021 from FY2020, as data from MSM Perlis has been excluded for the year after its disposal.

The amount of water used and reused in our daily operations are constantly measured and monitored, as is the water effluent discharge from our processes. The data is shared with the MSM headquarters on a quarterly basis for them to monitor progress. The total water consumption for MSM Group reduced from 2,577,381 m³ in FY2020 to 1,778,819 m³ in FY2021.

Total Effluent Discharge (m³) for FY2021

1,580,162.

Note:

Data is available for only MSM Prai and MSM Johor.

There were issues with MSM Johor's WWTP in FY2021 which resulted in high effluent discharge in the first half of the year. The problem was addressed and figures for MSM Johor's effluent discharge normalised in the second half of the year. We will aim to track our effluent data closely from FY2022 onwards to enable us to monitor and measure our effluent discharge more accurately.



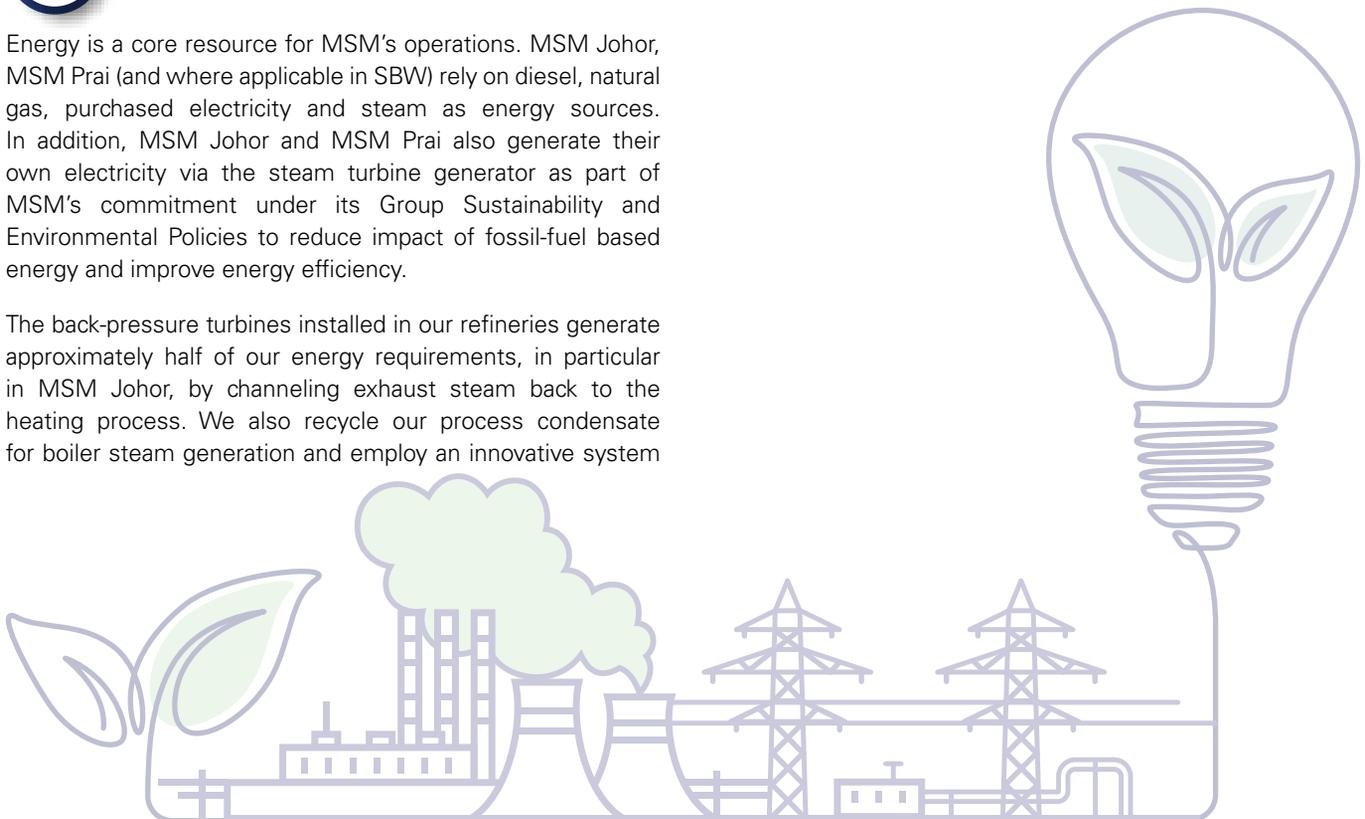
Energy Optimisation

Energy is a core resource for MSM's operations. MSM Johor, MSM Prai (and where applicable in SBW) rely on diesel, natural gas, purchased electricity and steam as energy sources. In addition, MSM Johor and MSM Prai also generate their own electricity via the steam turbine generator as part of MSM's commitment under its Group Sustainability and Environmental Policies to reduce impact of fossil-fuel based energy and improve energy efficiency.

The back-pressure turbines installed in our refineries generate approximately half of our energy requirements, in particular in MSM Johor, by channeling exhaust steam back to the heating process. We also recycle our process condensate for boiler steam generation and employ an innovative system

that combines functionalities of our Mechanical Vapour ReCompressor (MVR) evaporator and Vertical Crystallisation Tower (VKT) to dramatically reduce the amount of steam required during the sugar-boiling processes. Where necessary, we use clean natural gas as an energy source at both refineries.

It is important for MSM to maximise energy efficiencies for long-term sustainability. Initiatives towards reducing energy in our operations are being implemented progressively for instance, switching to energy efficient LED lighting at the warehouses, using of inverters in the pumps and continued strive for energy efficiency. For purchased electricity, we monitor cost savings, if any, based on monthly electricity bills. For MSM Logistics, a GPS tool tracking system to monitor fuel consumption is being considered for FY2022. There are also discussions to consider biogas as an alternative green energy. Once we have clearer long-term goals set and measures in place, we will provide more detailed disclosures in our FY2022 report.



ENVIRONMENT INITIATIVES

Near Future Energy Initiatives

Energy Audit

Plans are underway to establish a comprehensive Sustainable Energy Management System (SEMS) in FY2022 to cover all sites including MSM Prai, the SBW and MSM Johor. This will involve a preliminary energy audit to ascertain the current overall energy management status. Subsequently, we will work on preparing the group-wide energy policy, establishing energy management organisation, establish the documentation system and targets as well as conduct audits to monitor the progress. We are targeting to achieve the Energy Management Gold Standard 1-star rating, awarded by ASEAN Energy Management Scheme by the second quarter of 2023.



Solar Energy

Both MSM Prai and SBW are identified as viable locations to install the Solar Photovoltaic (PV) system. Preliminary visits to these sites have been conducted by interested vendors to ascertain the feasibility and capacity of the PV system. The estimated allowable capacity for MSM Prai and MSM SBW is up to the range of 2.3MWp and 0.7MWp, respectively.

Upon successful engagement of appropriate vendors via an open tender process, installation and commissioning is expected to be completed by the third quarter of 2022. We foresee a possible reduction of 10% of current purchased electricity cost.



Biomass

Biomass is an alternative energy source which we are considering for our operations. Feasibility studies were conducted by consultant and experts in FY2020 to install a biomass plant at MSM Johor. The environmental effects of locating a biomass plant in the vicinity of a food grade plant was identified as a major concern, along with other logistics issues.

We are now studying the prospects of locating the biomass plant at an external site, and have initiated a joint study with FGV R&D on the prospects of utilising their resources to materialise the biomass plant using empty fruit bunch as the fuel source to commercially produce electricity and supply to the grid. Alternative renewable energy source such as biogas is also being discussed and considered for green energy.



The tables below provide an overview of our energy consumption via various energy sources:

	2019	2020	2021
Natural Gas (mmBTU)	4,858,897	4,704,522	4,013,625
Diesel (litres)	360,800	604,551	1,225,054

Note:
The diesel consumption is based on usage for the logistics fleet, forklifts, excavators and the generator sets. Since FY2021, diesel consumption at MSM Logistics has been tracked and included in our FY2021 data.

	2019	2020	2021
Own Generated Electricity Consumption (kWh)	86,232,467	72,345,310	55,556,395
Total Purchased Electricity (kWh)	47,788,573	47,407,844	49,763,468

A 14.7% reduction in Natural Gas was recorded by MSM in FY2021, as compared to FY2020, as there was less consumption in MSM Johor due to its boiler breakdown issues. No data from MSM Perlis was also recorded during the year after its disposal in FY2021.

Diesel consumption was higher in FY2021 due to the inclusion of diesel consumption by the logistics fleet under MSM Logistics. This was not tracked in the previous years.

There was overall 23.21% reduction in Own Generated Electricity Consumption in FY2021 as a result of the breakdown of the boiler in MSM Johor in second quarter of 2021. The figure is also lower as there is no data from MSM Perlis in FY2021 after its disposal.



Further details on the boiler breakdown are discussed on page 82

Purchased Electricity consumption was higher by 4.9%. A high increase was recorded by MSM Johor in FY2021 as it was unable to generate its own electricity due to the boiler breakdown issues. There was also increase in demand and production in the other operating companies during the year.



Key Activities in 2021

- Seek ways to optimise energy reduction throughout operations**
- Embarked on feasibility studies on energy reduction initiatives such as biomass and solar panel installations



Climate Change and GHG Emissions

The impact of climate change presents a significant risk to MSM’s business as it introduces unpredictability in the supply of natural resources it depends on. We also see an opportunity in taking leadership of climate change initiatives as a global player in the sugar industry and therefore we have a strong determination to achieve carbon neutrality along with the ideals of Net Zero as we step up our sustainability journey. As part of our commitment to address climate change under our Group Sustainability Policy, we are actively making efforts and initiatives to minimise our climate change impact including reduction of Greenhouse Gas (GHG) emissions.

With MSM’s GCEO as a main member of the CEO Action Network (CAN), MSM will explore CAN’s agenda towards climate change objectives and a commitment towards playing its part in the global community to achieve SDG 13 on Climate Action as well as supporting Malaysia’s Nationally Determined Contribution (NDC) to the Paris Agreement to reduce GHG emissions by 45% by 2030. Through our participation and learnings from this network, this network, we hope to help steer the MSM Group towards an effective climate transition strategy, taking into account the need for financial stability, increased resilience and sustainability.

ENVIRONMENT INITIATIVES

Concerted energy management plans such as the alternative energy initiatives, and improving on energy and production efficiencies across our operations need to be optimised to contribute to not just help us reduce costs but towards reducing our carbon footprint as well.

By FY2022, we intend to initiate a comprehensive review of our GHG inventory that would identify and capture key emissions from all entities across the Group that come directly under MSM's operational control as part of our upcoming Climate Action and Environment Protection initiatives. We intend to incorporate climate action measures into our business strategy and action plans, and will continue to adapt the way we conduct our businesses to avert the adverse impacts of climate change.

In FY2022, MSM will actively seek to join and participate with other organisations such as the United Nations Global Compact Network Malaysia and the Climate Governance Malaysia that support climate change related initiatives, to demonstrate MSM's support and commitment in mitigating climate-related risks. MSM is also considering alignment of our GHG emissions with commitments to the Science-Based Targets initiatives as well as aligning our disclosures to the recommendations of the Task force on Climate-related Financial Disclosures (TCFD) in the near future.

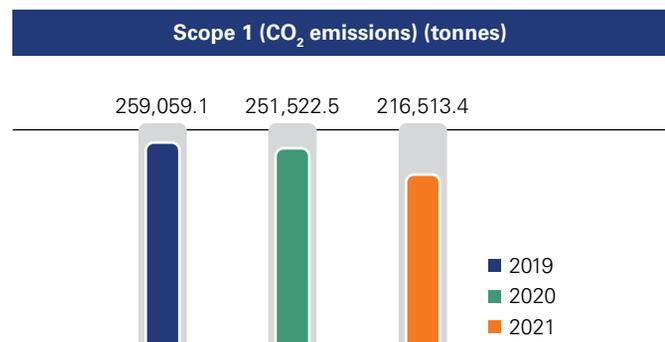
Review and update of GHG inventory

**Upcoming
Climate
Action
Plan**

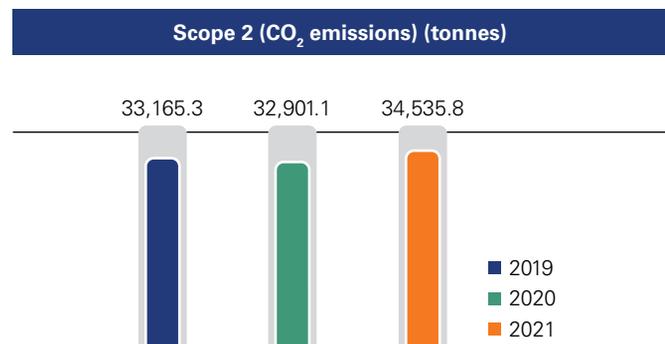
Commitment to reducing carbon emissions

MSM's GHG Emissions

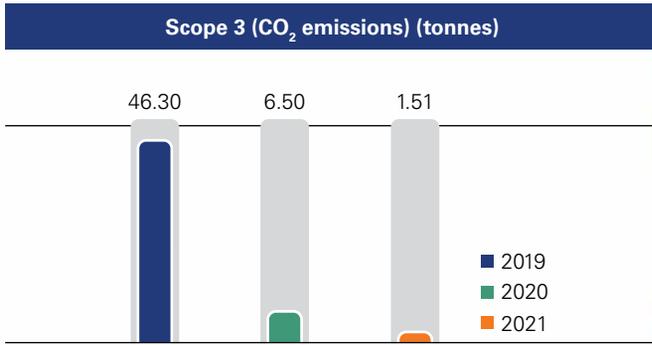
As we work to enhance our GHG inventory and develop a climate change framework, we are also assessing our standards on GHG disclosures to apply a consistent approach in consolidating our data. For this year's report, we compiled our GHG emissions data as follows:



Scope 1 includes direct GHG CO₂ emissions generated from our own generated electricity, diesel used for own production, logistics fleet and natural gas consumption. Scope 1 GHG CO₂ emissions reduced by 14% in FY2021 due to the reduction in natural gas usage and self-generated electricity in the production.



Scope 2 covers indirect GHG CO₂ emissions generated from total purchased electricity. Scope 2 GHG CO₂ emissions increased in FY2021 as MSM recorded an 5% rise in purchased electricity due to more intensive production during the year.



Scope 3 includes indirect GHG CO₂ emissions from business air travels. The limits posed on travel during the Movement Control orders, as well as Group-wide encouragement to choose teleconferencing, virtual meetings and car pooling alternatives, has contributed to the 77% reduction of air travel emissions during the year. Business Air Travel fell from 115 flights in FY2020 to only 46 in FY2021.

Note:
Our calculation method for Scope 1 GHG emissions is based on the GHG protocol calculator - <https://ghgprotocol.org/ghg-emissions-calculation-tool>, while Scope 2 is based on <http://www.greentechmalaysia.my/carboncalculator/> and Scope 3 is based on the International Civil Aviation Organisation (ICAO).



Future Forward Plans

- Key activity: Seek ways to reduce GHG CO₂ emissions throughout our operations**
- Carry out product life cycle assessment to determine gross product's carbon footprint
- Achieve ISO 14067 (Carbon Footprint), ISO 5001 (Energy Management) certification
- Reduce employees carbon footprint through job rotation for every plant
- Obtain green energy from a solar farm probably in 2025-2026 to offset 50% of TNB purchased electric
- Manage plastic waste more efficiently in tandem with Malaysia Plastics Sustainability Roadmap 2021-2030
- Continuously improve employees understanding of climate change and their roles via roadshows, training and campaigns



EVERYONE IN MSM PLAYS AN ACTIVE ROLE IN BALANCING THE NEED BETWEEN BUSINESS OPERATIONS AND PRESERVING THE ENVIRONMENT. BY ENHANCING THE ESG FRAMEWORK WITHIN MSM GROUP, WE AIM TO BRING POSITIVE SUSTAINABILITY IMPACT THROUGH A WIDE RANGE OF INITIATIVES

MANGROVE TREE PLANTING

In conjunction with the National Environment Day 2021 on 13 October, and as part of MSM's step-up of our ESG framework, MSM Prai signed a Certificate of Collaboration (COC) with the Penang DOE, towards realising green initiatives in preserving and conserving the environment. This was accompanied by the launch of a Mangrove Tree Planting programme along the coastal mouth of a river from which the refinery draws water for cooling purposes.

A total of 700 mangrove saplings were planted alongside MSM Prai refinery to help rehabilitate the wider ecosystem and improve the surrounding environment scenic landscape. Ecological benefits include protection of water quality, stabilisation of the riverbank and protection of fish habitats. A hundred more saplings are to be planted as part of this activity. Mangrove trees are also known to absorb more carbon than other land-based forests so an increase in mangrove population mitigates climate change too.

The planting benefits MSM Prai's refining operations as a denser network of mangrove roots can better filter sediments, heavy metals and other pollutants from entering the injection of water pump at the refinery, which is essential in maintaining the water quality.

A proper monitoring on the health and growth of the planted mangrove trees will be carried out to ensure the long-term viability and sustainable value of the programme.

SOCIAL INITIATIVES



Today, having steadfastly progressed our sustainability journey and continuously echoing our step-up commitment towards the ESG framework, we are progressing as 'Keluarga MSM', forging stronger ties with our communities and emerging in the radar of investors beyond Malaysia.

MSM is mindful that well-run operations cascade a multitude of positive impacts through society. Sustainable businesses strengthen the national economy and meet societal needs. Since our establishment, MSM has contributed towards national socio-economic development. The Group's steadfast expansion into activities throughout the sugar value chain provides employment opportunities, expands business possibilities for local vendors as well as supports the development of secondary industries. MSM has also taken responsibility in shaping a progressive and sustainable economic landscape by ensuring accountability and transparency in procurement activities, and complying with relevant quality standards.

Through organisational excellence and recognised brand value, MSM aims to deliver greater returns for our shareholders, drive better benefits for our employees, satisfy consumer demands, create more opportunities for our vendors and enable greater contributions to the community.

2021 Social Step-Ups

 <p>Sustainable raw sugar sources</p>	 <p>Vendors and suppliers subscribing to shared values and practices</p>	 <p>Welfare and well-being of employees (including COVID-19 SOPs)</p>	 <p>Skilling and Employment Opportunity Programmes</p>
 <p>Charity and education via wakalah and CSR budget</p>	 <p>Youth support e.g. Prodigy programme in alleviating graduate unemployment</p>	 <p>Diversity and Women Empowerment</p>	
 <p>Fair Labour Practices</p>	 <p>Improve communities' socio-economy</p>	 <p>Staff volunteerism</p>	

SOCIAL INITIATIVES



SDG 8 DECENT WORK AND ECONOMIC GROWTH



SDG 12 RESPONSIBLE CONSUMPTION AND PRODUCTION

ECONOMIC IMPACT

MSM Group's aspiration to grow market share domestically and on the export front is anchored on quality operations that optimises long-term stakeholder value and maintains the highest standard of food safety and quality. It is vital for us to achieve sustainable economic excellence by operating in a safe and environmentally sustainable manner with integrity and transparent business practices within a challenging business landscape.



Economic Performance

In FY2021, MSM recorded total revenue of RM2.3 billion due to better operational performance and the disposal of MSM Perlis. Profit after tax amounted to RM125.35 million and a dividend payout of 3.0 sen per share is offered to our shareholders.

MSM's economic values generated, retained and distributed by the Group for the year ended 31 December 2021 are as follows:

Economic Value Generated^(a) RM2.42 billion

Economic Value Distributed^(b) RM2.29 billion

Economic Value Retained^(c) RM125.35 million

Notes:

(a) Refers to the revenues and other income generated by MSM.

(b) Refers to operating costs, employee wages, payments to providers of capital, payments to government and community investments.

(c) Refers to Economic Value Generated minus Economic Value Distributed.



Further details of MSM's economic performance can be found in the Financial Statements of this Annual Integrated Report

2021

2020





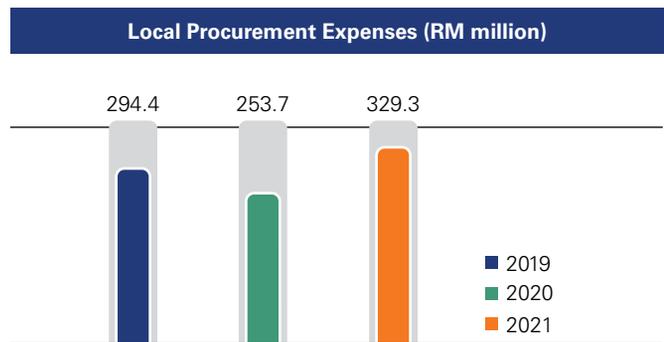
Procurement Practices

MSM is committed to ethical procurement practices that ensure a sustainable value chain to improve traceability of raw materials sourced, utilised and distributed. The Group Procurement Policy sets out procurement principles based on efficiency, effectiveness, transparency and accountability, internal control, best value, vendor performance, open competition and smart partnership.

We register our vendors, under the system managed by the FGV Group Procurement, based on their commitment to responsible practices and employment rights, safety, quality and sustainability. We monitor the performance of our vendors and business partners via the vendor performance evaluation process to assess their performance at a standard level and maintain a strong vendor base with competitive price and high quality service levels. However, purchase of raw materials or commodities for production of goods sold (for example: raw sugar, refined sugar, cocoa) are excluded and are not managed through this vendor registration system.

All our vendor relationships are based on principles of good governance without conflict of interest and zero tolerance towards bribery and corruption. Our procurement process supports fair and equal treatment of all suppliers and business partners and separation of technical and commercial assessments. This is accompanied by clear communication on any new policies, guidelines and disclosures to our vendors and business partners to ensure smooth collaboration.

Where possible, MSM employs locally based vendors and suppliers to play our national role in supporting a stable local economy. Procurement expenses from local vendors was RM329 million in FY2021, an increase from FY2020.



The data tracked on the local suppliers and the local procurement expenses referred to in the above diagrams apply to suppliers in Malaysia only. It excludes the raw materials procurement for the production and items or services related to the supply chain.



SOCIAL INITIATIVES

Supplier Management process

Supplier Selection Process	Contracting Process
Market Survey ✔	Supplier Selection ✔
Screening ✔	Specification Design ✔
Evaluation Criteria (including ESG data) ✔	Tender Evaluation and Negotiation ✔
Manpower ✔	Contract Award ✔
Experience ✔	Supplier Performance Assessment
Price	



In December 2021, MSM concluded an agreement with Wilmar, a Singapore-based agrobusiness company for MSM to participate in a Sustainable Sugar Programme, based on a No Deforestation, No Peat and No Exploitation (NDPE) Policy. Under the Sustainable Sugar Programme, we aim to collaborate with Wilmar to establish a sustainable sugar supply chain and to participate in sourcing raw sugar that meet sustainability requirements as we continuously strive towards ethical sourcing practices and a supply chain free of deforestation and conflict. This collaboration demonstrates MSM's and Wilmar's commitment to protect the environment, labour and communities while promoting progress in operational efficiencies and best practices. We expect to actively roll out this programme in FY2022.

OPERATIONAL PERFORMANCE



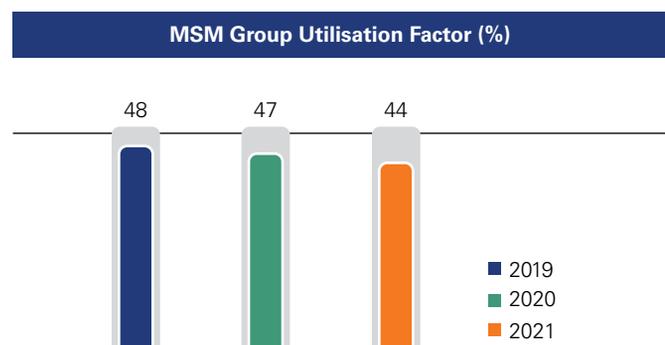
Plant Efficiencies

The Utilisation Factor (UF) of our plants measure the efficiencies achieved during the year under review. This is impacted by scheduled maintenance to upgrade operational efficiencies as well as unexpected disruptions due to equipment breakdowns or plant closures. For higher plant reliability and efficiency, we strive to ensure our scheduled maintenance and plant upgrades, where required, are on track during the year.

However, in FY2021, MSM Johor's UF was hampered when it lost 65 days of operations in the first half of 2021 due to a breakdown of boilers. Though MSM Prai's plant also experienced a shutdown in June due to detected COVID-19 cases, the period was much shorter and the plant still delivered on yield expectations.

The Group took the opportunity to conduct annual shutdown maintenance and extensive production and reliability improvement programme for MSM Johor during its extended shutdown period.

To improve yield performance in MSM Johor, we consulted an external consultant to propose process optimisation improvements. Yield performance is important to determine how much raw sugar is used to generate the final product as well how much raw sugar is lost during production.





Target **Activities**

Key Activities in 2021

MSM Prai

Improve Utilisation Factor

Proactive steps were implemented at all operational locations to avoid business disruption and ensure the supply of sugar to consumers was not interrupted

Improve Yield Performance of >96.6%

Continuous efforts by production team in sustaining yield above 96.5% and minimise sugar losses throughout the refining process

MSM Johor

Improve Utilisation Factor

Task team on Ramp Up was established to execute improvements towards increasing production capability. A third party i.e Sugar Specialists was engaged for technical consultation on the refinery’s overall process optimisation

Improve Yield Performance

MSM Johor’s production capabilities in Liquid Sugar and Flavoured Syrups was completed as part of the momentum to step up creation of value added products and optimise on the plant’s capacity and capability. Task team on Yield Improvement was established to focus on maximising output as well as minimising sugar losses.

MSM Johor achieved a yield performance rate of 91% in FY2021.

SERVICE & PRODUCT QUALITY



MSM IS CAPABLE OF PRODUCING COCA-COLA SPECIFICATION SUGAR, AND MEETING STANDARDS SET BY JAKIM HALAL CERTIFICATION STANDARDS OF MALAYSIA, MS1500:2009, FOOD SAFETY SYSTEM CERTIFICATION (FSSC 22000 - MANUFACTURING), HAZARD ANALYSIS AND CRITICAL CONTROL POINT (HACCP) CERTIFICATIONS AND GOOD MANUFACTURING PRACTICES, AMONGST OTHERS THAT ARE RELEVANT TO THE INDUSTRY.

Quoted in The Edge Markets 7 January 2022



Product Quality

MSM’s key competitive strength has always been our consistent delivery of the highest quality of sugar products to our customers, both locally and abroad. As established under our Food Safety Policy, we are committed to provide the safest and highest quality standards preferred by our customers, and comply to all relevant laws and regulations. We have in place a Halal Policy to ensure that we produce halal sugar products in accordance with the all the relevant statutory and regulatory requirements. Our management periodically reviews the Group’s established quality objectives to ensure its suitability, adequacy and opportunity for continual improvement.

This has built our market leading position for our Gula Prai brand - the number one best-selling sugar brand in Malaysia, and 3rd brand listed among the nation’s top FMCG products (based on Kantar’s Brand Footprint 2021). 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.

Systematic efforts are taken to address health and safety across the lifecycle of our products. We have in place a comprehensive spectrum of product quality processes and controls by certified bodies which are audited on an annual basis. These are regularly monitored through performance indicators that drive continuous improvement and are in line with industry expectations for transparency and accountability.

SOCIAL INITIATIVES

Our refineries are constantly audited to ensure that our processes are in full compliance and certified with the following:

- Quality Management System (ISO 9001:2015)
- Food Safety System Certification (FSSC 22000 - Manufacturing)
- Food Safety Management System (ISO 22000)
- Good Manufacturing Practice (GMP) **For MSM Johor only*
- Hazard Analysis and Critical Control Point (HACCP) Certification from the Ministry of Health, Malaysia

As a global exporter, MSM complies with international standards such as the Halal and Kosher certifications. All our products are:

- Halal-certified under Halal Jabatan Kemajuan Islam Malaysia (JAKIM)
- Kosher-certified by the London Beth Din Kashrut Division



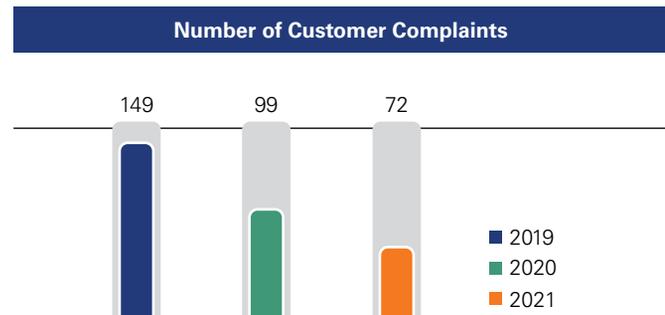
Full list of certifications available on page 26

Based on the audits and with the relevant certifications in place, we did not encounter any incidents of non-compliance with the regulations and the standards on the health and safety of the products during the reporting year.

We provide a range of feedback channels for our customers such as our corporate website, official phone line, email and social media channels. During the reporting year, our Group CEO visited key customers to obtain customer feedback from the ground, fostering closer ties as well as adding a personal touch in the relationship with the customer. Customer survey forms are also provided by our sales representatives to collect customer feedback based on the quality of the products, availability of stock, performance of delivery, image of company, ease to do business, and after sales service given against services provided by other competitors.

The Group is dedicated to reviewing and responding to all customer feedback, including product or service-related complaints. Any received complaint will be investigated once details are received which include batch code, sugar grade, quantity affected and request for sample for investigation.

In FY2021, the total number of customer complaints reduced from FY2020. Generally, we receive complaints from our customers on packaging or process related issues which are addressed promptly. The percentage of return product was on par with the previous year, sustained at a lower level than in FY2019.



Note:

Total return product (%) is computed based on total return product out of total sales.



Target



Activities

Key Activities in 2021



We managed to maintain the target for returned product as per previous years.



Thorough quality checks are conducted before the product is delivered to the customer, and every complaint from the customer will be investigated to make sure that all orders are fulfilled successfully



Gula Prai was ranked 3rd most chosen Fast-Moving Consumer Goods (FMCG) brands in Malaysia for FY2020 after Nestle's brands, Maggi and Milo.

Source: Kantar's Asia Brand Footprint 2021



SDG 1
NO POVERTY



SDG 3
GOOD HEALTH AND WELL-BEING



SDG 4
QUALITY EDUCATION



SDG 5
GENDER EQUALITY



SDG 8
DECENT WORK AND ECONOMIC GROWTH

TALENT MANAGEMENT AND COMMUNITY EMPOWERMENT



STRENGTHENING HUMAN AND SOCIAL CAPITAL, MSM GROUP IS COMMITTED TO BUILD AND EMPOWER THE EMPLOYEES THROUGH JOB CREATION, UPGRADING OF SKILLS, ACCESS TO EDUCATION AND OVERALL ENHANCEMENT OF LIVELIHOOD. WE ALSO CONTINUALLY SEEK OPPORTUNITIES TO CONSULT AND ALIGN WITH THE INTERESTS OF LOCAL COMMUNITIES.

Extract from MSM Group Sustainability Policy

As a responsible employer, MSM upholds the principles of fair wages and non-discrimination and is committed to equality, talent development and employee welfare. We value our employees as the drivers of our growth and development and provide equal opportunity in recruitment and career growth regardless of race, caste, gender, religion, age, physical condition, marital status, union membership or political affiliation. We define the way we work, interact and respond based on the following values and all employees are encouraged to embody the Group's SWIIT values in their daily activities:

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

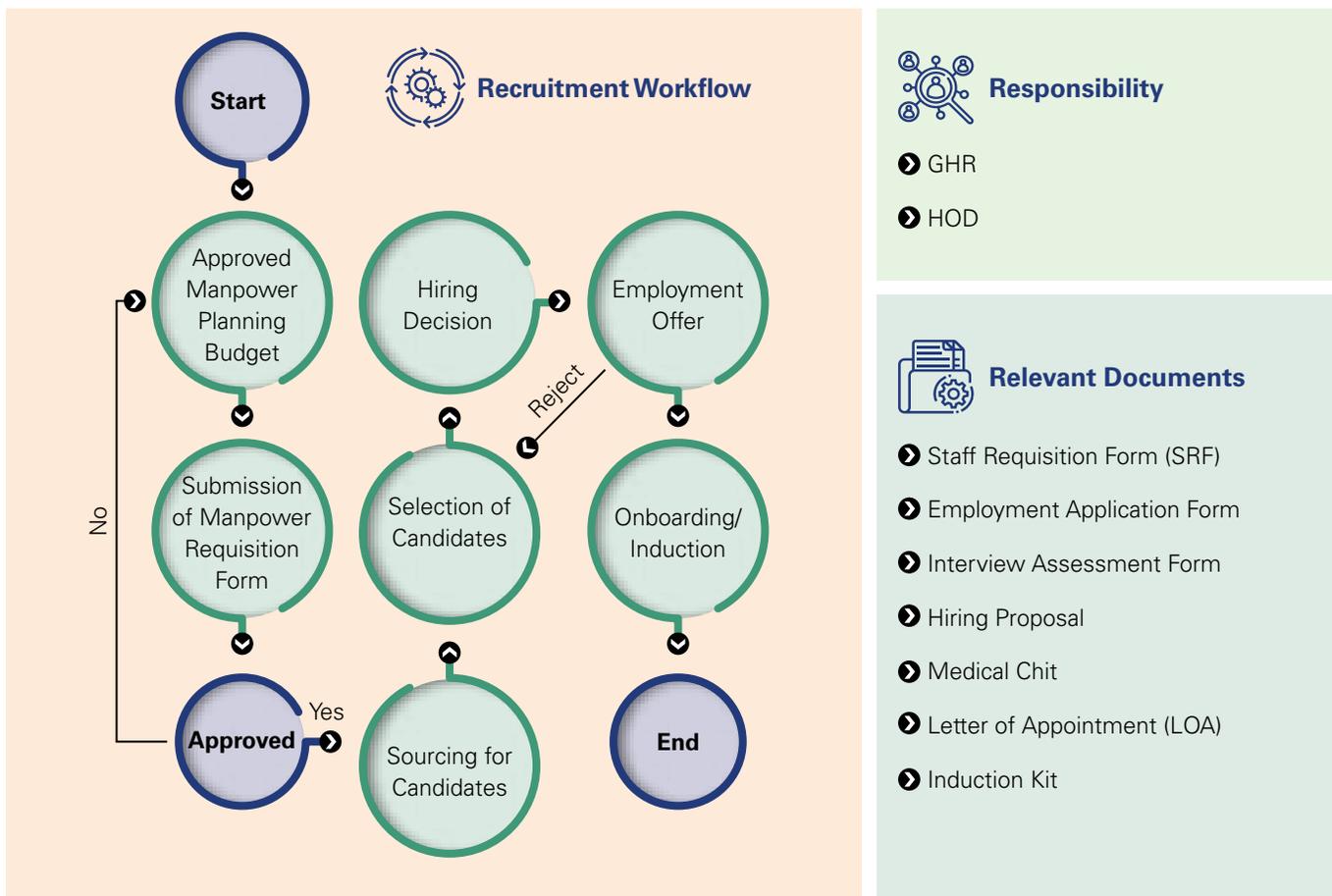


SOCIAL INITIATIVES

In FY2021, MSM hired 153 new employees and has 1,033 employees working in different capacities within the Group. We constantly review our recruitment, promotion and remuneration principles to ensure they are aligned to industry standards, local laws and regulations. In all our recruitment offers we strive to provide salary and remuneration packages competitive with the market.

Our Recruitment Policy provides a sound framework to attract best talents available, and use the most effective methods to select, hire and assign the right person for the role. The recruitment process starts with proper manpower planning, to the sourcing and selection of candidates. This Policy applies to permanent employees, being in full-time or in contractual senior positions.

In FY2021, the Group actively and successfully recruited individuals in strategic roles with expertise in ESG and Digitalisation to ensure we have the right expertise and team to progress sustainably. These included a Senior Manager and Digital Scientist for Digitalisation, and an Assistant Manager for ESG projects.



We engage third party contract workers including migrant workers, who make up a part of our workforce involved in the processing and warehousing activities in our operations. To ensure our commitment to fair labour practices, we are exploring to align our labour policies and practices with third party labour associations and external social audits in the near future.

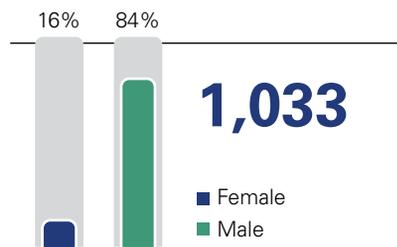
Our employment policies and procedures are also encompassed in the Executive Employee Handbook, Training Policy, Learning & Development Policy and the Code of Business Ethics and Conduct (CoBCE). These policies cover relationships under which work is performed, the extent work is performed as well as issues of discrimination, compensation, promotion, privacy and human resource development. These policies and procedures are made available on the intranet and some are available in both English and Bahasa Malaysia for all employees to access and read.

MSM's Workforce Profile



Total Employees

Total number of employees in FY2021

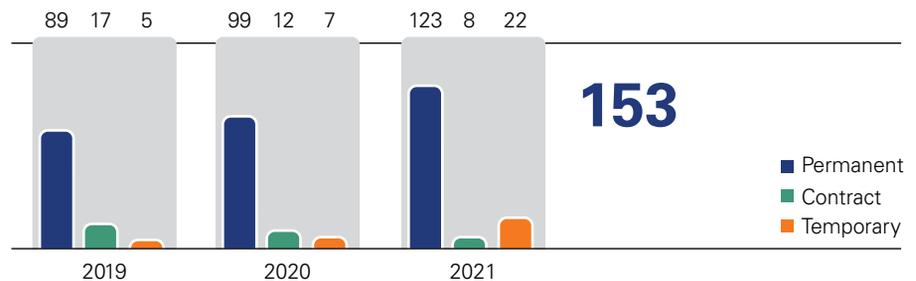


Note:
Employees refer to employed individuals of MSM Holdings, MSM Prai (including SBW operations), MSM Johor, and MSM Logistics.



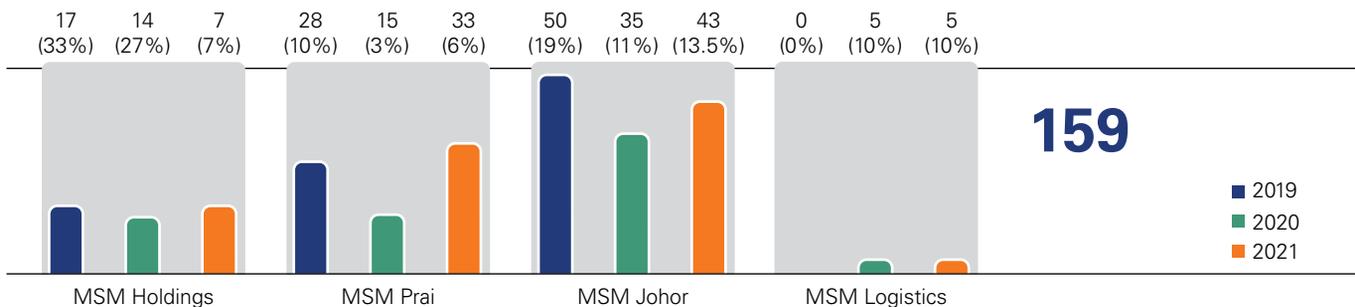
New Employee Hires

Total number of new employee hires in FY2021



Employee Turnover

Total number of turnovers in FY2021



Note:
Total employee turnover includes retrenchment due to cessation of MSM Perlis operations.

SOCIAL INITIATIVES



Employee Value Proposition

In times of need, MSM commits to look after the welfare of our employees as a responsible and caring employer and in line with MSM's value of "People First". In FY2021, employee welfare and benefits were focused on employees to ensure they were supported through the unprecedented impacts of the pandemic. Initiatives included upgrade in medical insurance, food baskets delivered to staff undergoing home quarantine, back-to-school assistance for non-executive officers, financial assistance through zakat wakalah as well as funds for sports and healthy lifestyle activities. MSM also extended assistance to staff affected by the major flash floods in December 2021, with financial assistance, cleaning services and courtesy leave. In this case, MSM even established a rapid task force comprised of People Partner and HSES representatives, to monitor, communicate and aid our employees' situation closely with established hotlines of contact persons at any time required.

To retain our employees and nurture loyalty, we offer a value proposition of being part of an extended family which we describe as "Keluarga MSM". Treating our employees as family, we continuously improve the quality of benefits for permanent employees, and extend welfare support beyond the conventional. Regular engagement activities are prioritised throughout the year through townhalls and to kickstart the respective Sports Clubs and recreational activities in our operations (with the uplifting of the COVID-19 restrictions) to build a shared sense of purpose and camaraderie.



Key Welfare and Benefits for 'Keluarga MSM'



Maternity and Paternity Leave

60 employees benefitted in FY2021



Special Two months financial assistance for non-executive employees

September and November 2021:
639 non-executive employees

Total contributed:
RM766,800



Medical Care Insurance

Upgrade of medical care insurance introduced in FY2021:

- ✓ Room and board upgrade
- ✓ Annual limit increase
- ✓ Extended coverage to working spouse



Back to School subsistence for children of low-income employees

Payout in December 2021
RM59,000 for **259** eligible staff

Primary: **RM100** per child
Secondary: **RM150** per child



Emergency Relief Aid

Total amount extended to employee affected by December 2021 flash flood:

RM3,000

Total amount extended to employee whose house was destroyed in a fire:

RM3,000

Total amount extended to employee for medical treatment of premature child:

RM18,815



Sports and healthy lifestyle funds

Sports Club Budget

MSM Johor **RM20,000**

MSM Prai **RM20,000**

Sungai Buloh Warehouse (SBW):
RM10,000

A **Foldies Cycling Club** was established at MSM Holdings in FY2021 for Folding bicycle enthusiasts within the MSM Group.



Family care for deceased employees

Financial contribution of **60** times base salary to beneficiary

In FY2021, in the case of employee deceased due to COVID-19, MSM initiated an unprecedented employment offer to the child of the deceased breadwinner.



Food and PPE subsidy to employees undergoing COVID quarantine

Subsidy in FY2020 during first MCO up to 12 May 2020 totalled **RM356,000**

Subsidy in FY2021 (up to October 2021) amounted to

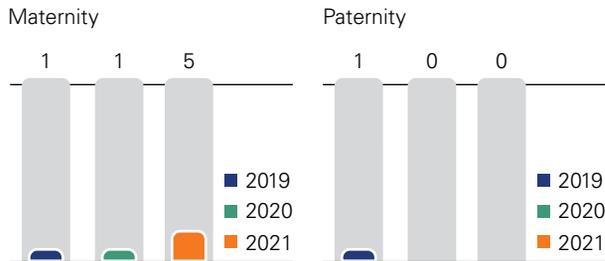
RM168,756 (MSM Prai)

RM121,202 (MSM Johor)

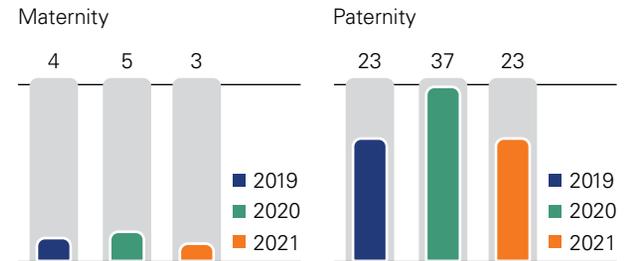
SOCIAL INITIATIVES

No of Employees Returning to Work after Maternity & Paternity Leave

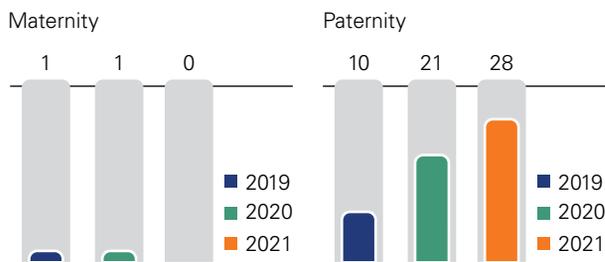
MSM Holdings



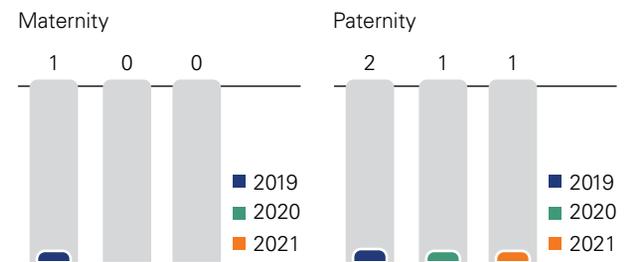
MSM Prai



MSM Johor



MSM Logistics



Diversity & Equal Opportunity

MSM is committed to a safe and inclusive workplace that embraces and promotes diversity and equal opportunity. Our Employee Handbook, outlines an overview and summary of MSM's HR policies and procedures which includes clear guidelines towards nurturing a workplace that is fair, inclusive and free from all forms of discrimination and sexual harassment. Our policies also offer both maternity and paternity leave as part of our employee welfare benefits.

We recognise workforce diversity as an organisational strength and competitive advantage in retaining and attracting the best people to improve our business performance. We value, respect and leverage the unique contributions of people with diverse backgrounds, experiences and perspectives to enhance understanding of the needs of our customers and provide innovative solutions and exceptional customer service to an equally diverse community.

Towards this end, we have also established feedback channels for employees to raise concerns, identify amiable solutions and report instances where they feel violated, disrespected

or treated unfairly via grievance mechanism established under the Employee Handbook. As part of our Whistleblowing Policy, we have in place a structured grievance and complaints framework to encourage employees to report these potential violations without fear of reprisal.

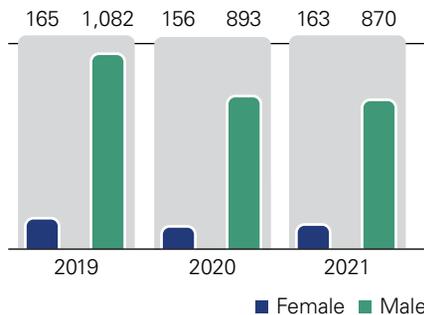


Further details on our Whistleblowing Policy and mechanism are highlighted in the Governance topic of this Annual Integrated Report on page 180

Though MSM's workforce within our refineries tends to be male dominated, in light of factory, machinery and work shift demands; we are on a journey to balance out gender diversity from executive level onwards. Towards this end, in FY2021:

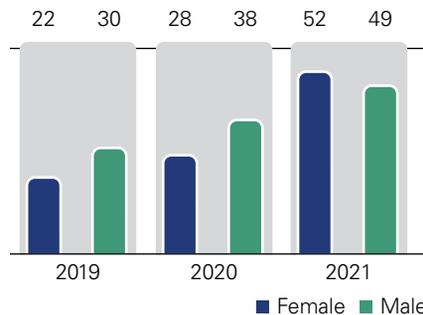
- MSM introduced the Executive Committee (EXCO) with the inclusion of one female representative making up 14% of the gender ratio. This move is a step forward in recognising the growing contribution of women in MSM.
- We recorded a 3.4:1 male to female ratio at Top Senior Management level compared to 5:1 in FY2020.
- At Manager level ratio for FY2021 is 2.8:1 compared to 5:1 in FY2020.

Total Employees by Gender

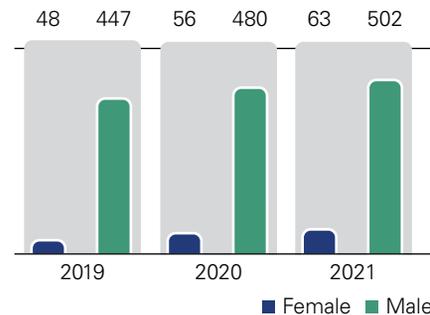


Total Employees by Gender in each Entity

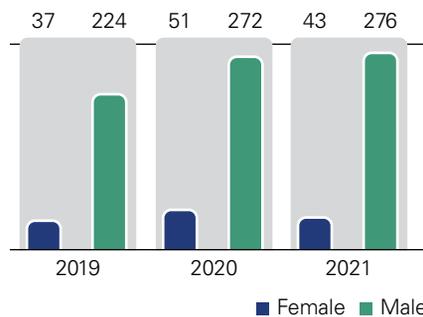
MSM Holdings



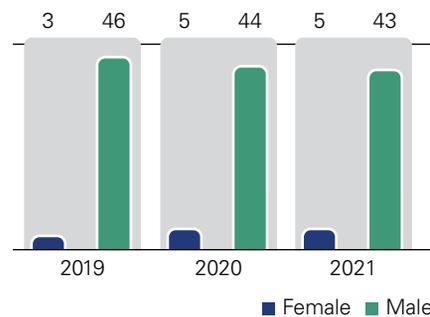
MSM Prai



MSM Johor

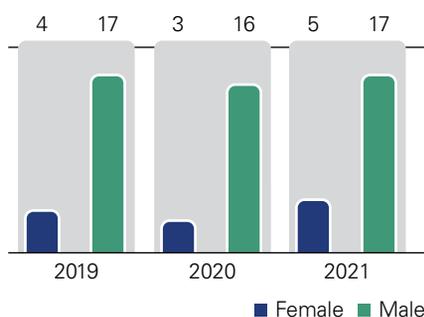


MSM Logistics

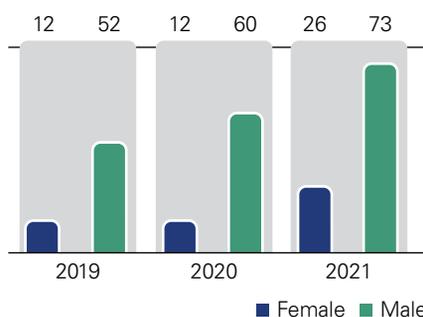


Total Employees by Category

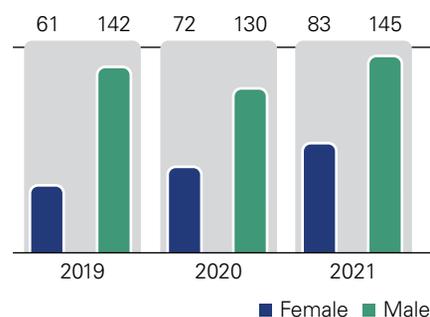
Top & Senior Management



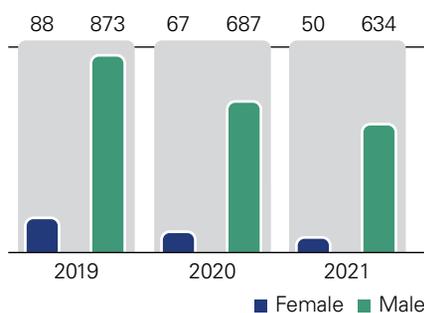
Manager



Executive



Non-Executive



Note:
MSM Perlis input in FY2019 and some categories of FY2020 have been removed for fairer comparison, as there is no data for FY2021 due to disposal of MSM Perlis.

SOCIAL INITIATIVES

Trade Union

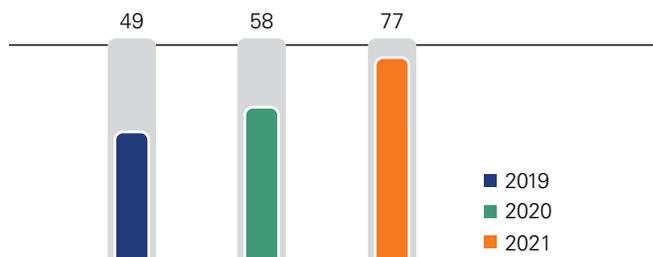


THE GROUP RESPECTS THE RIGHTS OF EMPLOYEES AND WORKERS TO JOIN AND FORM ASSOCIATIONS OF THEIR OWN CHOICE AND TO BARGAIN COLLECTIVELY SUBJECT TO THE PROVISIONS OF RELEVANT REGIONAL OR NATIONAL LEGISLATIONS.

MSM supports the employees right to exercise freedom of association and collective bargaining with unions as expressed under the Group Sustainability Policy. Employees of MSM Prai have established an internal union since 1973 while employees of MSM Johor are members of a national union, which was recently formed in FY2021.

We have worked to establish the collective bargaining agreement (CBA) with the union at MSM Prai, representing our employees. The CBA is the result of an extensive negotiation process between the parties regarding topics such as wages, hours, and terms and conditions of employment. MSM Prai signed and successfully renewed their CBA with their internal union in December 2021. MSM Prai has maintained good relationship with its union members throughout the years with no major grievances raised. As the trade union was only recently formed in MSM Johor, MSM Johor is in the midst of negotiating acceptable terms for a fresh CBA with its trade union.

Employees Covered by the CBA



As of 31 December 2021, the CBA negotiation for MSM Johor is yet ongoing.



Target



Activities

Key Activities in 2021

Forge a stronger alliance and renew CBA with MSM Prai employees' union

MSM Prai's management engaged with the union at least once a month throughout FY2021 with renewal of CBA signed in December 2021



Talent Development

MSM has established a Learning and Development Policy to improve employee performance by committing to raise the capabilities of our employees and provide them with opportunities to participate in training and development activities.

Types of training offered to employees range from sessions to upgrade individual skills towards improved performance to a variety of training courses for technical, non-technical and leadership programmes. There are various platforms available to meet individual training needs, such as online learning using the LinkedIn Learning platform, in-house training addressing fire-fighting, first aid, emergency response and other ad hoc, external and internal training courses are also available upon request or recommendations from the managers.

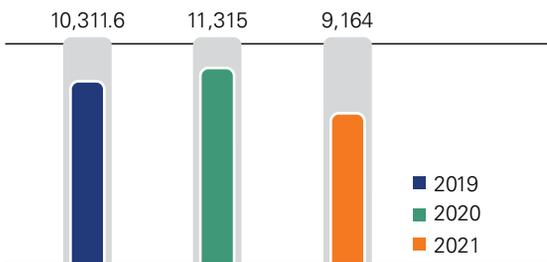
A talent pool of loyal and skilled employees is vital to our future expansion plans. In building loyalty and workforce strength, we have established a Staff Mobility programme anchored on staff training and development for career progression and organisational effectiveness.

This enables accelerated learning curves for new employees. MSM also employs local graduate trainees under the Graduate Management Trainee Programme. With on-job engineering and management training, our graduate trainees are quickly upskilled to allow for ready deployment when required.

Onboarding training is provided for new employees to inculcate them into the Group's philosophy, vision, guiding principles, culture, policies, procedures and focus on safety.

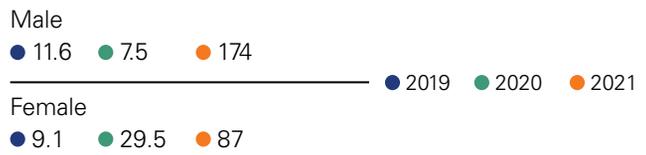
Regular performance reviews are held to appraise employee performance and identify training needs required to enhance the personal development and skill sets of MSM employees.

Total Number of Training Hours

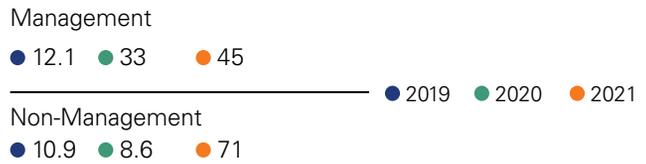


Average Training Hours by Gender & Employee Category

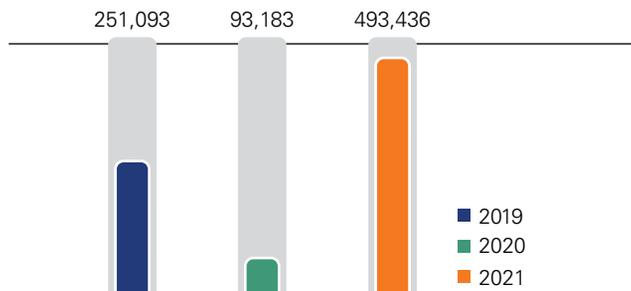
By Gender (Hours)



By Employee Category (Hours)



Total Spent on Training & Development (RM)



SOCIAL INITIATIVES

Nurturing Future Leaders

MSM is passionate about promoting educational and employment opportunities for the youth. Towards alleviating the current issues of graduate unemployment caused by the current economic situation, MSM launched its Prodigy Programme in FY2021 as a way to give back to the community and nurture better future leaders. This is a six months structured experiential learning and career development programme that provides selected graduates a platform for continuous development via on-the-job training, soft skills training, and expert coaching to improve their future marketability and opportunities. At the end of the programme, successful Prodigy candidates also stand a chance to be absorbed as full-time MSM employees.

In nurturing the potential of future talent, MSM Prai contributed RM209,721 of its zakat and wakalah towards offering three worthy underprivileged students post-graduate ACCA Scholarships that can ensure their future career success.

MSM's Prodigy Programme in FY2021 provided **14 candidates** a platform for continuous development via on-the-job training, soft skills training, and expert coaching to improve their **future marketability and opportunities**. At the end of the programme, successful Prodigy candidates stand a chance to be absorbed as **full-time MSM employees**.



ANIS NABIHAH

Food Technology Graduate from UiTM Shah Alam

Assigned to the Packaging Process Department at MSM SBW.

After several unsuccessful attempts in securing a job upon graduation, Anis was thankful to receive the offer to join MSM as a Prodigy. The packaging process is a new experience for Anis and a good opportunity for her to extend her knowledge on end-to-end food line processing.



IT WAS DIFFICULT TO FIND A JOB DURING THE PANDEMIC PERIOD AND I AM VERY THANKFUL FOR MY OPPORTUNITY AS A PRODIGY TO EXPAND MY KNOWLEDGE AND EXPERIENCE WITH MSM. I WAS SO EXCITED TO GET A CHANCE TO VISIT MSM JOHOR. SEEING THE WHOLE SUGAR PACKING PROCESS WAS A VALUABLE EYE-OPENING EXPERIENCE.



Life philosophy

There is no turning back. Life must go on!



NURUL AIN

Economics graduate from the University of Manchester, United Kingdom

Attached to MSM's Corporate Strategy and Investor Relations Department.

For Nurul Ain getting chance to work in MSM is like a stepping stone for her since it was difficult for her to secure a job due to the COVID-19 outbreak. MSM is a company that she knows well through the well-known Gula Prai brand of sugar that she grew up with.



I HAVE LEARNT SO MUCH UP TO THIS POINT AND AM DELIGHTED TO SEE WHAT THE NEAR FUTURE WILL LOOK LIKE FOR ME AFTER THIS PRODIGY PROGRAMME.



Life philosophy

Take risks and get out of your comfort zone!



KAMEL AFLAH

Bachelor of Business Administration (Hons.) Finance graduate from UiTM

Attached to MSM's Group Finance Department.

Kamel Aflah chose to join MSM's Prodigy Programme because he wanted to have entry-level training across multiple sectors of a business that would allow him to develop greater knowledge of the industry and gain wide skillsets and experiences.



I WANT TO LEARN FROM THE GROUND LEVEL AND SLOWLY CLIMB UP THE LADDER TO ACHIEVE MY FUTURE CAREER GOALS.



Life philosophy

Everything must take time to create the best results.

SOCIAL INITIATIVES



Labour Standards and Best Practices

Human rights issues are embedded into MSM's corporate practices, manuals and policies and include key areas covering social performance, safety, human resources and contracting and procurement. In accordance with the Group Sustainability Policy, MSM recognises its responsibilities to respect and aspires to meet the requirements of human rights of its employees and workers as expressed in the Universal Declaration for Human Rights, the United Nations Guiding Principles on Business and Human Rights and International Labour Organisation Core Conventions. As a responsible organisation, we adhere to Malaysian Employment Laws, that amongst other requirements, ensures fair minimum wages and fair working hours. The Group Sustainability Policy provides for MSM to continuously monitor recruitment process to ensure no incidents of forced, bonded, compulsory or child labour occurs in its operating units.

MSM will not condone any irregularities in this aspect and moving forward, MSM is exploring ways to strengthen its labour standards and aims to seek guidance in any areas of improvement by involvement in initiatives or commitments with frameworks or associations relating to fair labour standards.

During the reporting year, there were no incidences of any non-compliance of labour standards involving the Group.



Industry Memberships

As a member of recognised industry-led federations such as Malaysian Employers Federation (MEF) and the Federation of Malaysian Manufacturers (FMM), MSM engages with various stakeholders including our supply chain, regulators and policy makers, government, as well as our peers across various sectors to forge partnerships that are committed to responsible business practices and sustainable development.

MEF is the central organisation of private sector employers in Malaysia recognised nationally, regionally and internationally. Established in 1959, MEF promotes and safeguards the rights and interests of employers with services that include advising on industrial relations issues and workplace practices assisting them to meet their statutory Labour and Industrial Relations obligations.

FMM, since its establishment in 1968, has consistently led Malaysian manufacturers in spearheading the nation's growth and modernisation. FMM represents over 3,500 manufacturing and industrial service companies of varying sizes and is the officially recognised and acknowledged voice of the industry.

In January 2022, Tuan Syed Feizal Syed Mohammad, Group Chief Executive Officer of MSM Malaysia Holdings Berhad was accepted as one of the 54 members of CEO Action Network or CAN, a peer-to-peer informal network of CEOs and Board members focused on sustainability advocacy, capacity building and performance. Through a dedicated Working Group, Workstreams and active members driving bespoke initiatives, CAN aspires to catalyse its members towards future-ready and ESG-integrated business models and ecosystems.

MSM has confirmed our active participation in two of the workstreams, Policy Advocacy and Awareness & Capacity Building. In the process, we will exchange industry best practices, and share proven strategies and future-proof ideas with CAN participants. MSM is currently assessing our position to be able to join other CAN members to pledge and publicly announce 14 Collective Commitments to be achieved under three categories, namely environment, people and governance by FY2023 or within 3 years of signing up with CAN. In our next report, we will outline our progress as well as the specific initiatives rolled-out to drive tangible outcomes from our collaborative efforts.



Uplifting the Community

MSM engages with local communities through steadfast commitment to aid the disadvantaged and underprivileged through contributions of sugar essentials, financial aid and volunteerism. In optimising our impact, we actively collaborate and support existing programmes with various government agencies, welfare institutions and Non-Governmental Organisations (NGOs).

MSM’s guiding principle for sponsorships and donations, as stated in its Sponsorship and Donations Policy, emphasises on enhancement of humanity, including considerations on risks and opportunities to the economy, environment and society. Activities deemed suitable for achieving and granting sponsorships or donations are:



Corporate Contributions in 2021



Sponsorship & Donations
RM127,148



Zakat & Wakalah Contributions
RM307,252



Volunteer Hours
1,693

CSR Sponsorship

In FY2021, MSM contributed more than 27,000kg of sugar products to aid communities and employees impacted by COVID-19 pandemic and flood disasters. MSM also contributed cash and in-kind to various CSR programmes in collaboration with local government agencies and NGOs; providing support and assistance to underprivileged segments of society and victims of natural disasters. A contribution was also made to Wakaf Felda Foundation which caters to the welfare of over 2,000,000 FELDA settlers and to the public at large. During the flash floods in December 2021, MSM extended assistance of over 5,000kg of Gula Prai refined sugar to the Yayasan Food Bank Malaysia to be distributed to flood victims in the Klang Valley, Pahang, Kelantan and Terengganu through several temporary relief centres. A further 483kg was also handed over to Masjid Al Madaniah, USJ 18 in Selangor, which helped 281 families of all races and religions, affected by the floods.



SOCIAL INITIATIVES

Zakat & Wakalah

At MSM, we view our zakat and wakalah contributions as a fundamental way in which we can contribute towards uplifting “Keluarga MSM” in need and underprivileged members of our community. Zakat or alms giving is based on the Islamic principle that Muslims should ease the economic burden of the less fortunate by sharing our earnings and wealth.



Assistance & Volunteerism

MSM encourages employees to engage in programmes and activities to help uplift marginalised groups and provide avenues of engagement on how our employees can assist communities. As in FY2020, our progress on this front in FY2021 has been quite restricted due to the MCO lockdowns. Despite that, MSM Prai employees continued to chalk up 1,264 man-hours performing volunteer services to clean up a community park in Taman Tunku, Seberang Prai, helping at community PPV centres, and providing cleaning and sanitisation for the local library in Kampung Manis. The park clean-up is an annual commitment based on MSM Prai’s ongoing Community Programme with Seberang Prai Municipal Council, established since 2013. As per the previous year, activities included maintaining the cleanliness of the recreational public park, mowing the lawn, as well as cleaning the area and its facilities.

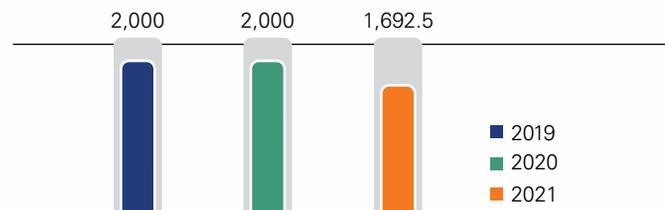
A key highlight for FY2021 on the volunteerism front was a further collaboration by MSM Prai with the Penang Department of Environment, in conjunction with the National Environment Day 2021, enabling green initiatives in preserving and conserving the environment. To date this covers participation in an e-waste recycling campaign and mangrove replanting with community partners.

Towards the end of FY2021, employees of SBW volunteered services to their nearby community for flood relief assistance, food contribution and disinfection of a home and a surau.

Taking up the mantle of volunteerism, teams from MSM Holdings Berhad have also stepped up, the Legal Affairs team volunteered with Free Tree Society at both its Bangsar and Taman Tugu nurseries and collaborated with CGRM to contribute to the planting of 25 trees at the Lower Kinabatangan Wildlife Sanctuary. This is done through APE Malaysia’s R.O.A.R initiative. The Group Finance team organised food distribution for the homeless at Pusat Transit Gelandangan KL and participated in a plogging activity at Taman Tasik Titiwangsa.

At MSM Johor, five volunteers also helped purchase, pack and deliver meals and hand sanitisers to 70 hardworking frontliners on duty at a Vaccination Centre as part of the company’s CSR activity.

Volunteer Hours (Man-Hours)



Note:

Previously, hours measured only covered MSM Prai’s volunteer hours. From FY2022, the Group has started tracking volunteer activities of staff at MSM Holdings too. Volunteer hours of staff from MSM Johor are not tracked yet.

Mangrove Tree Planting

As part of a strategic collaboration between Penang DOE and Penang Inshore Fisherman Welfare Association (PIFWA), MSM Prai initiated a mangrove tree planting event towards conservation of a wide ecosystem including protecting water quality, stabilising the riverbank, and fostering the fish habitat which is a source of livelihood for the local fishery sector. A fishing community is located directly across the refinery and thus the well-being of the mangrove ecosystem is essential for their livelihood. This is a long-term programme whereby quarterly maintenance (every three months) will be conducted. To date, 700 saplings have been planted, and a hundred more are being planned.

Through this collaboration, MSM Prai has forged a stronger relationship with local fishermen and the DOE by showing our commitment to work in partnership to improve our care for the environment and the surrounding community.



Promotion of National Unity Campaign

Deciding to uplift brand awareness with community wellbeing, MSM launched a “Janji...Gula Peket Hijau” campaign that flooded public media channels and social media through advertisements during Merdeka and Hari Malaysia. Advertisements promoting “Unity” with the sweetness of our Gula Prai products showcased and celebrated all Malaysian states and all dialects. This is planned as an 18-month programme that will continue until December 2022.



SOCIAL INITIATIVES



SDG 3 GOOD HEALTH AND WELL-BEING



SDG 8 DECENT WORK AND ECONOMIC GROWTH

OCCUPATIONAL HEALTH & SAFETY PERFORMANCE

MSM Group is committed to providing a healthy and safe working environment and actively driving accident prevention efforts across all our operations. MSM's group safety approach aims to create a no-harm, risk-free working environment for all our employees and for anyone working at or visiting our premises. We believe that taking care of people is fundamental to the success of the business. To achieve this, we operate with a set of standards, including principles and processes, while encouraging a culture of respect and compliance.

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. **NO HARM TO ANYONE AT MSM**, is our goal to create a no-harm-to-anyone working environment at MSM companies. We commit to do whatever is necessary to eliminate accidents at the workplace.

Towards achieving this, MSM has an established Safety and Health management system that priorities high standards of occupational safety and health for our employees and third parties in line with our

Occupational Health and Safety Standards. These adhere to international and local health and safety industry standards by fulfilling the requirements with the Occupational Safety and Health Act 1994 and Factory & Machinery Act 1967.

The Group is fully committed to ensuring the organisation is able to provide a safe, conducive and healthy workplace by preventing work-related injuries, near-misses, and occupational ill health by proactively enhancing and further improving occupational safety and health processes and performance.

Goals and Aspirations

Our goals are simply stated. No accidents, no harm to people, and no damage to the environment. We will operate our facilities safely and reliably, and care for all those on our sites or impacted by our activities. Everybody who works for any MSM company is responsible for getting HSSE right. The health, safety and security of everyone who works for us are critical to the success of our business. We will continue to mitigate the environmental and health impact of our operations by reducing waste, emissions and discharge, and using energy efficiently. We will produce quality products that can be used safely by our customers.



Below are few of our key initiatives for FY2021 to achieve our objective of **'NO HARM TO ANYONE AT MSM'**:

U See U ACT

Implemented at all our locations in the course of FY2021, and this is reflected in the safety numbers of FY2021. There is a significant decrease in the number of incidents that might result in a potential fatality in a context of high-risk related activities. That is exactly where the U SEE U ACT focuses on. The safety incident rate dropped by 24% in FY2021, compared with FY2020.

Enhanced on Permit to Work Implementation

A Permit to Work is an on-the-job document that authorises specified people to carry out non-routine hazardous work that is not described in a standard operating procedure. We have a Group-wide standard procedure Permit to Work that all plants need to follow. Examples of activities that require a Permit to Work are, among others, working at height, working in a confined space, and energised electrical work.

Implementation of Safety Toolbox Talk

Safety toolbox talk was implemented at all MSM locations. Toolbox talk is an informal way to educate workers overall about safety, and is the easiest way to ensure that employees are taught to recognise and avoid unsafe conditions in their work environment. Toolbox talks are focused on a particular safety issue, and are meant to raise awareness for workers to keep safety top of mind. They also help our employees stay compliant to OSHA and Occupational Health and Safety. Toolbox Talks are the easiest way to ensure that your employees are taught to recognise and avoid unsafe conditions in their work environment.

Hand Safety Campaign

Injuries related to hands and fingers represent the highest number of accident reports at MSM Group, and are often hard to fix and heal. As hands are critical to everyday life and work tasks, MSM introduced a Hand Safety Campaign in FY2021 to highlight the importance of avoiding hand injuries by wearing the right gloves for the job.

The campaign was launched by the Group HSES of MSM at all MSM locations. The campaign reminded all employees on the importance of protecting our hands while at work, and building a culture of prevention in the workplace so that everyone can work in a safe environment.

MSM Prai is currently restructuring and improving the existing Hand Safety campaign by initiating a "I Glove You" programme. This programme will emphasise the importance of wearing proper PPE to protect our employees' hands. "I Glove You" is scheduled to be launched on April 2022 and will involve employees from all departments.

ISO 45001 Certification

A Surveillance Upgrading Audit - Standard: ISO 45001:2018 was held at MSM Prai and SBW as an additional site. The audit was conducted from 25 till 29 October 2021 by SIRIM QAS International Sdn Bhd.

Since the above exercise was done during the COVID-19 pandemic, the new normals applied. The audit was conducted online as a Remote Audit. Eventually both MSM Prai and SBW were issued with ISO 45001 certification by SIRIM QAS International as our Occupational Health and Safety management system met all required compliances.

Meanwhile, MSM Johor successfully completed the 1st and 2nd stage audit and now awaits pending issuance of ISO 45001 certification.

MSM's team is fully committed to ensure the organisation is able to provide a safe, conducive and healthy workplace by preventing work-related injuries, near-misses and occupational ill health by actively enhancing and further improving our OH&S performance.

SOCIAL INITIATIVES

Restructured Health, Safety, Environment & Security Department

MSM has improved the existing safety reporting structure by establishing Health, Safety, Environment and Security (HSES) as a new department at Group level, monitoring safety and health issues across all locations. A HSES Lead was appointed to monitor all HSES procedures and the department recommends Group-wide strategies to avoid accidents and safety hazards and drive health and safety action plans.

The HSES Department reports to the Head of Group Health, Safety, Environment & Security and Quality (Group HSES&Q). This restructuring provides more synergy and oversight for an improved safety culture.



HSES & Quality (HSES&Q)

Our occupational health and safety performance is managed by the Group HSES&Q Committee. There are 21 members in the committee in Johor, Prai has about 25 members and SBW has its own HSE committee too.

The Group HSES&Q Committee maintains a continuous monitoring, measurement and reporting cycle of HSES&Q performance to create a standardised ecosystem of health and safety awareness for operations to follow through for consistent practices. The Group is determined to further enhance the safety culture and systems across all our operations and influence cultural change with our contractors to prevent incidents.

Our process of shared incident information across the Group, including shared corrective and preventative actions and positive confirmation of actions, strengthens our mitigation of risks. It is further supported by recognised investigative techniques to address and mitigate causes through corrective and preventative actions, for significant actual and potential incidents.

Each MSM subsidiary has its own HSE and Safety & Health Committee, headed by a Chairman, at their respective sites. Employees from various departments, Trade Union representatives, and contractors also participate in the Safety and Health Committee meetings at the

operations level. The primary purpose of this committee is to facilitate cooperation between departments, managers, and employees to identify, address, and resolve health and safety concerns.

The Monthly Safety performance for each location will be reported through the HSES dashboard to Group HSES&Q and this will be followed with presentations to the EXCO members during monthly exco meetings.

Safety awareness is a constant realisation that every employee should have at all times. It involves being constantly aware of how they are working, and being able to recognise the hazards they face. Safety awareness is absolutely essential in mitigating safety-related risks. MSM Safety awareness programmes are communicated through monthly newsletters, safety inductions, HSE meetings, Daily Toolbox talk, townhall messages via the whatsapp platform.

Processes on Reporting, Identification & Eliminating Work-Related Hazards

A structured framework of responsibility has been put in place to manage occupational health services' functions that contribute to the identification and elimination of hazards and minimisation of risks at our refineries. MSM ensures the quality of these services and facilitates workers' access to them. The following list provides an overview of the responsibilities and tasks in place to minimise work-related hazard risks in our operations:

Workplace conditions

We monitor workplace conditions such as noise, dust and temperature, and are defining and implementing a roadmap to make further improvements. Our new investments take into account strict standards with regards to all working conditions.

Handling and storing chemicals

Throughout the company, we pay special attention to the safe handling and storage of chemicals. A database records all chemicals used in our plants and strict health and safety guidelines apply to our employees. Employees who are exposed to potentially hazardous materials go through a medical check-up once a year. We are developing and optimising techniques and processes that eliminate the need for hazardous chemicals for the operations.

Environmental compliance

In line with the ISO 14001 requirements, a company-wide process for lifecycle (3R) management has been developed. The process aims to identify potentially significant environmental impacts in the entire supply chain and considering all the stages of the lifecycle of our finished products and how to address them in an appropriate way.

Systemised processes are used to identify work-related hazards and assess risks on a routine and non-routine basis. A hierarchy of controls are then applied in order to eliminate hazards and minimise risks, including how the organisation ensures the quality of these processes as well as the competency of persons who carry them out as follows:

- ✓ Safety and Health Officer (SHO) Monthly Report - The Mechanism for capturing what is happening on site so that safety teams, engineers and management can understand what is happening and make decisions on how and what to improve
- ✓ Safety & Health Committee Workplace Inspection - The workplace is inspected to identify potential hazards by the committee
- ✓ Conduct Hazard Identification, Risk Assessment & Risk Control (HIRARC) - To identify potential hazards in a company to assess the probability of an accident or financial loss
- ✓ Safety Toolbox Talk - An informal safety meeting that is part of an organisation-wide safety programme

The following lists the processes for workers to report work-related hazards and hazardous situations:

- ✓ Submission of U SEE US ACT to HSES&Q Department upon any findings of unsafe acts, conditions or near-miss accidents
- ✓ Highlight during Safety and Health Committee Meeting
- ✓ Highlight any new risks, new hazards or any safety issues during Safety Toolbox Session
- ✓ Employee to directly or verbally raise any issue to HSES&Q personnel

The findings and results from these processes are used to evaluate and continually improve the occupational health and safety management practices through the following methods:

- ✓ Discuss in weekly meeting with Group Chief Operating Officer (GCOO)
- ✓ The inspection findings will be communicated to the person in-charge through email for corrective action to mitigate the risk
- ✓ Conduct Hazard Identification, Risk Assessment & Risk Control (HIRARC) - To identify potential hazards in a company to assess the probability of an accident or financial loss
- ✓ All the Permit to Work (PTW) will be recorded and shared to all HOD and person in-charge for better monitoring

SOCIAL INITIATIVES

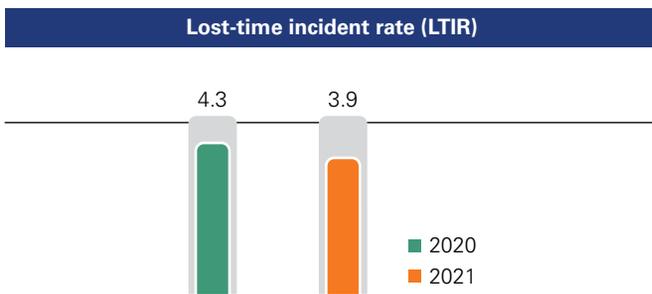
Incident Reporting & Mitigation

In cases of accidents or incidents leading to injuries or fatalities, steps are taken to immediately investigate and then disclose the following:

-  Investigations and findings of reported incidents
-  Actions taken following reported incidents

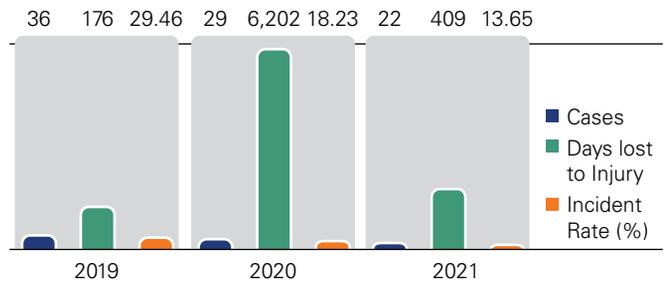
In FY2021, we made an impressive breakthrough in safety performance. The efforts and dedication to improve safety have been successful. While every accident or life-altering risk that occurs on our premises is one too many, we are proud of the progress we have made with our teams.

- In FY2021, MSM achieved a lower Lost-Time Incident Frequency Rate as compared to FY2020.
- The Lost-Time Incident Frequency Rate was decreased from 4.3% to 3.9% lower than last year, driven by the reduction in incidents that led to lost time.
- The number of cases decreased by 24% from FY2020, of which one work-related contractor fatality was recorded.



Note:
LTIR is calculated by number of lost time injuries x 1,000,000 divided by employees' total hours worked.

Accident Statistics



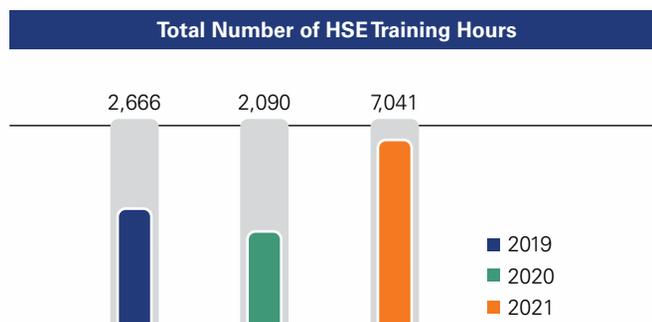
Training & Awareness

In order to keep abreast with current regulatory requirements and equip employees with new skills, various training programmes are offered for our employees and contractors to carry out their respective tasks safely and effectively.

Areas of Training	Training Programmes
Emergency Preparedness Trainings	<ul style="list-style-type: none"> • Refresher SCBA Training • Mock Drill Spillage • Fire Drill • Hose Drill
HSE Awareness & Trainings	<ul style="list-style-type: none"> • Permit-to-Work (PTW) System • Safety Induction Training on PPE • Chemical Awareness Training • Housekeeping & Cleanliness S.O.P • Working at Height • Scheduled Waste Management • Welding Safety • HIRARC Training • Handling Hot Water Washing • "U See U Act" • Forklift Safety • MKN S.O.P My Sejahtera & Health Declaration Internal Training

Areas of Training	Training Programmes
Competency Trainings	<ul style="list-style-type: none"> Forklift Driver Competency Training How To Install & Dismantle The Modular Scaffolding Type
Emergency Response Team (ERT)	<ul style="list-style-type: none"> 'Line Of Fire' Training 'Hand Safety' Training First Aid Training
Noise Pollution Control	<ul style="list-style-type: none"> Noise Risk Assessment

In FY2021, a majority of MSM employees and contractors attended the training modules and programmes (listed on the left) conducted across the Group. Over 7,000 HSE training hours were conducted during the reporting year.



SOCIAL INITIATIVES



HSE Activities, Initiatives and Campaigns

MSM constantly carries out and promotes activities aimed at preventing work injuries from occurring and the creation of a safe and healthy work environment.

2021 HSE Activities

"No Harm to Anyone at MSM".

"U See U Act" - a channel for employees of MSM Prai and MSM Johor to report the following via Google forms:

- Unsafe Acts
- Unsafe Conditions
- Near-Misses

Hand Safety Campaign - to tackle issues related to hand safety based on inspections and audits on routine practice and machinery used inside the operations area.

Addressing COVID-19 with mitigation action plan.

- Developed COVID-19 SOPs
- Weekly RTK test
- Workplace sanitisation
- Health Talk for Vaccination Awareness
- COVID-19 Vaccination Awareness
- PIKAS Vaccination Programme

Emergency Preparedness & Response

- Close working relationship with surrounding local agencies, fire department and nearby hospital facilities.
- MSM Prai has an on-site clinic at Prai with a full-time nurse available.
- MSM Johor established a clinic with medical support and facilities available during working hours to deal with any medical emergencies. The appointment of a doctor and nurse is ongoing, pending negotiations with the Vendor.
- Defibrillator provided on site.
- Training is provided for the ERP team to ensure that they are First-Aid certified.

Note: List of training is provided on previous page.

Promoting Employee Health & Healthy Lifestyles

- As part of the DOSH requirements, pre-employment and annual tests for eye and ear by an OHD (Occupational Health Doctor) are carried out.
- Stress Relieve Tips on HSES&Q newsletters to promote mental health and well-being.
- Foldies Cycling Club in MSM Holdings to encourage a healthy and fit lifestyle.
- Revival of Sports Club activities in MSM Prai and MSM Johor as restrictions slowly eased up.

It goes without saying that we don't ever want fatalities or accidents with life-altering injuries to occur. We are proud to see the impact of the many safety trainings, awareness campaigns, safety standards and risk assessments on our safety results. We will continue our efforts in making MSM a safe place to work.



Target



Activities

Key Activities in 2021



Strengthen the safety culture across MSM Group through awareness programmes and training



7,041 hours of HSE training and awareness conducted across the Group

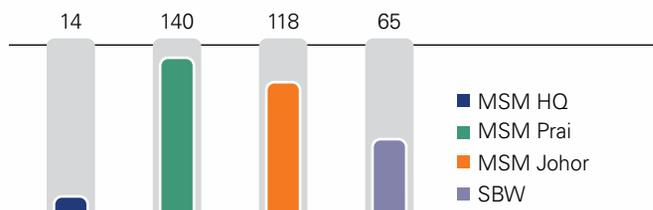
SOCIAL INITIATIVES



Enhancing COVID-19 Management

Last year the MSM Group lost four co-workers as a result of COVID-19. Though all were contracted through community and not on site, MSM Prai faced a week-long closure to avoid any spread of the virus at site. This exemplified to the Group the importance in steadfastly enhancing COVID-19 management to safeguard our operating procedures.

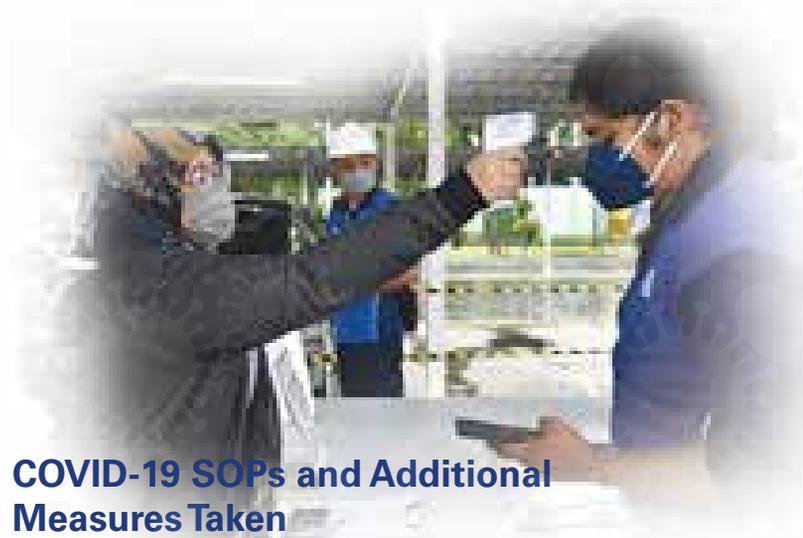
Total Positive Cases as at 31 December 2021



Note:
Total number of cases include employees and contractors.

	Recovered	Deceased
MSM HQ	14	0
MSM Prai	136	4
MSM Johor	118	0
SBW	65	0
Total	333	4

With tireless and continuous efforts in ensuring and protecting the employees health and working environment, the Management continued to invest in ways to curb positive cases of COVID-19 and at the same time protect the workforce of MSM. Some of these initiative and measures surpass requirements set by the authority (MITI).



COVID-19 SOPs and Additional Measures Taken

1 Appointing Medical Doctors and Healthcare Nurses for Daily Screening and Entrance Control

A team of medical doctors and health nurses have been appointed to conduct screening of all workers before they enter the factory. This is to ensure that employees who come to work are in good health and fit to work. The below categories of employees are not allowed to come in and work:

- ▶ Body temperature of more than 37.5°C
- ▶ Shows any sign of symptoms i.e. fever, cough, sore throat, headache, stomachache, flu
- ▶ MySejahtera status is not updated everyday
- ▶ MySejahtera status shows MEDIUM or HIGH RISK (Only LOW RISK status are allowed)

Those with the above symptoms are not ALLOWED and will be required to visit a clinic and get medically checked. They will then be advised to stay at home and return to work only when they are free from the above symptoms or illness.

2 RTK-Antigen Swab Test

RTK Antigen Swab Tests are conducted almost on a daily basis for all suspected cases with symptoms, and immediately for close contacts. It is also conducted for all the employees on a weekly basis. This is to ensure that any positive carriers can be traced and eliminated at the earliest stage, and close contact tracing can be done immediately.

5 Face Mask

Every month, a box of face masks is provided to all employees including contracts workers. The Safety and Health team monitors the compliance for both the wearing of face mask and face shield.



3 Sanitisation and Disinfection by External Party

An external party has been engaged to conduct sanitisation and disinfection at all the common areas of MSM work sites. This is conducted monthly at MSM headquarters, and three times per week at our refineries, without fail, to ensure a safe workplace for all employees and contract workers. Sanitisation at surrounding areas outside the refineries are also conducted three times a week.

6 Hand Sanitisers

Hand sanitisers are provided at every entry point of the factory, toilets, meeting rooms and common places.



4 Daily Sanitisation by Every Department and Employees

Hand sanitisers and sanitiser spray guns are made available to all departments for daily sanitisation and records are kept to ensure this is executed.



7 Physical Distancing and Online Meetings

Physical distancing is very well managed by the Security team to ensure no physical touching occurs at any time.

Face to face meetings are not encouraged and only Online meetings are allowed. This is to avoid physical contacts and being in a confined space.

All meeting rooms are also reduced in capacity and extra chairs are removed or strapped to strictly avoid any unauthorised usage.

SOCIAL INITIATIVES

GUIDELINES BEFORE ENTERING MSM GROUP'S PREMISES

1

All staff, contractors and visitors who enter MSM premises must **always wear a face mask**

**2**

All staff, contractors and visitors entering MSM premises must comply with **1 meter physical distancing**

**3**

Self-report, record attendance and **check body temperature** at the guard house

**4**

Check in using **MySejahtera**

**5**

Fill in Google form **'Health Declaration Form'** for company references

**6**

Always **wash your hands** using soap or hand sanitiser provided



**STOP
COVID-19!**

GOVERNANCE INITIATIVES



We will always be connected with ESG when we conduct our business. In protecting stakeholders interests, decent returns must be provided with proper risk management and governance. These are prerequisites for value creation, trustworthiness and for access to capital.

MSM's Group Sustainability Policy ensures that MSM integrates holistic sustainability approaches in its business strategies and decision making as recommended in the Malaysian Code on Corporate Governance 2021 (MCCG 2021), and in compliance with Bursa's provisions relating to sustainability disclosures and reporting.

2021 Governance Focus and Step-Ups



GOVERNANCE INITIATIVES



SDG 16 PEACE, JUSTICE AND STRONG INSTITUTIONS

GOVERNANCE

A continuous effort on embedding good governance and inculcating a culture of high integrity are priorities. MSM Group's turnaround plan focuses on a high performance culture anchored on governance and integrity. It is everyone's role to ensure proper governance, integrity and adopting best practices at all times to ensure our success and safeguard our businesses. Strong and adequate controls have been put in place to manage all aspects of our business and ensure that our employees feel supported to do the right thing.

The Board anchors the Group's strong corporate governance culture to support sustainable and successful execution of MSM's strategy and strengthen trust and confidence among our investors and stakeholders. The Board's Audit Governance & Risk Committee (AGRC) supports the Board in fulfilling its statutory and fiduciary responsibilities, especially in the areas of financial reporting, governance, risk management

and sustainability practices. In FY2021, we have strengthened our Board and governance structures through the appointment of two new members. They are:



Nik Fazila Nik Mohamed Shihabuddin
appointed on 18 October 2021



Azman Ahmad
appointed on 18 October 2021

MSM is confident that diversity in our leadership teams will create and deliver value and drive MSM forward towards creating a resilient and sustainable business.

Note: The approach taken by the Group and information about the Group's corporate governance principles, structure and practices; Board of Directors, roles and board committees; risk management; internal and external control can be found in the Corporate Governance Overview Statement and Committees' Report of this FY2021 Annual Integrated Report, on page 208.

GOVERNANCE



Ethical Business Practices & Integrity

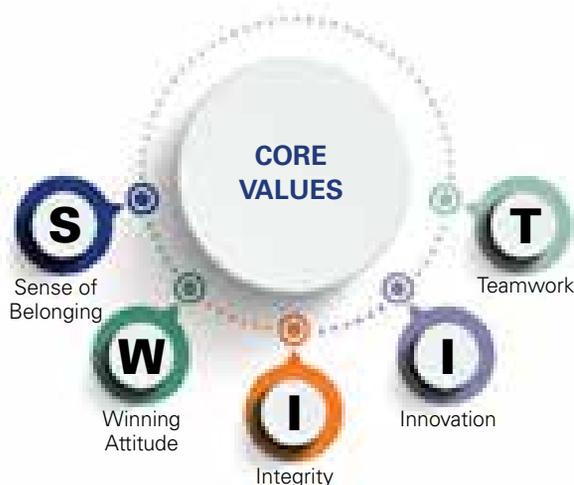


GREAT COMPANIES OPERATE WITH GREAT INTEGRITY. THAT IS MY EXPECTATION AND THAT IS HOW WE WILL KEEP GROWING, WINNING, AND ACHIEVING OUR BOLD ASPIRATIONS FOR MANY YEARS TO COME

DATUK SYED HISHAM SYED WAZIR
MSM CHAIRMAN

MSM is committed in conducting business legally, ethically, and with integrity. We have in place policies that communicate our principles on bribery, gifting, corruption, code of business conduct, which are available to all our employees on MSM’s internal portal. We continually work to inculcate a culture of integrity through awareness programmes, such as periodic communication, training workshops and integrity talk that focuses on good governance & integrity and anti-corruption.

MSM’s governance culture is defined through our Constitution, Board Charter, MSM Governance Framework, Code of Business Conduct and Ethics (CoBCE) and our SWIIT Core Values. We also have policies, practices and procedures adopted throughout our value chain to ensure ethical business conduct. The Corporate Governance and Risk Management (CGRM) department oversees the ethics and compliance function and works to promote a culture that is committed to ethical business conduct across the MSM Group.



To elevate and uphold good governance, MSM has established and implemented policies on the following:

- 
 Anti-Bribery Policy Statement
- 
 Governance of Policies & Procedures Policy
- 
 Code of Business Conduct and Ethics
- 
 Whistleblowing Policy
- 
 Conflict of Interest Policy
- 
 Referral Policy
- 
 External Gift, Entertainment & Hospitality Policy (GEH)
- 
 Sponsorships & Donations Policy
- 
 Asset/Personal Interest Declaration Policy (APID)

The Governance of Policies and Procedures Policy provides a framework to ensure a structured formulation, standardisation and management of all policies and procedures for the MSM Group. All policies must be approved by the MSM Board and are kept in a Central Depository System (CDS) managed by the CGRM department. These processes are in place to ensure a proper internal control system through adequate policies and procedures in directing and managing the business operations.

INTEGRITY STARTS WITH YOU

ANTI-BRIBERY POLICY STATEMENT

In promoting ethical business practices, MSM is committed in applying the highest standards of ethical conduct and integrity in its business activities.



GOVERNANCE INITIATIVES

Ethical Business Conduct

MSM has recently launched the refreshed CoBCE which establishes clear expectations for employee compliance with MSM's policies, and applicable laws and regulations related to lawful and ethical business practices. These reflect a culture of trust, integrity, transparency, holds employees accountable for their behaviour and helps employees determine when and where to seek advice. The CoBCE applies to all employees of the MSM Group. For all new employees, the contents of the CoBCE are covered under their onboarding programme and are expected to be signed and acknowledged for Human Resources department's record.

The CoBCE applies the following six universal principles on business practices following the Malaysian Business Code of Ethics (Rukun Niaga):

- 1 Honesty in Business Dealings
 - 2 Responsible Towards Customers, Society and Environment
 - 3 Generality Towards Fellow Humans
 - 4 Moderation in Business Conduct
 - 5 Fair Treatment Towards Suppliers and Customers
 - 6 Zeal in Making the Business a Success
- 

Anti-Bribery & Anti-Corruption

Over the reporting year, MSM has been focusing on improving its anti-bribery measures and compliance. The Board has oversight over the Groups Anti-Bribery & Anti-Corruption initiatives captured through the various approved anti-bribery related policies which is summarised in the Anti-Bribery Policy Statement (4th October 2021), which aims to uphold MSM's commitment to prevent corruption and bribery and mitigating the risk of bribery and corruption within the Group, as prescribed by Bursa's Main Market Listing Requirements & Guidelines on Adequate Procedures for Corporate Liabilities as provided under the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018).

The Anti-Bribery Policy Statement is a general statement addressing corruption including bribery comprehensively in seven specific policies and code: CoBCE, APID, Whistleblowing, Referral, Conflict of Interest, Sponsorships & Donations and the GEH. Some examples of related bribery and corruption activities are covered under the GEH, a Policy which aims to eliminate solicitation and bribery that may arise in the cause of giving and receiving of gift, entertainment and hospitality. Sponsorship and Donations Policy provides guideline on the framework by which corporate sponsorships and donations shall be evaluated and the procedures by which decisions regarding corporate sponsorships and donations shall be made.

7 Policies in the Anti-Bribery Policy Statement



Training is provided for staff and suppliers to build awareness and necessary capacity to identify and counter relevant forms of bribery and corruption activities in our business dealings. For new business counterparties, employees must ensure due diligence is conducted to understand the business and background and to determine the origin and destination of money, property, and services as required under the CoBCE.



The MSM Anti-Bribery Policy Statement is available on the Company's website at www.msmsugar.com

In addition, a Corruption Risk Management (CRM) exercise was conducted for the Group. This is to ensure we continue to identify potential corruption risks in our operations.

As defence against corporate liability for corruption offences committed by person associated with MSM, as defined under Section 17A of the MACC Act 2009 (Amendment Act 2018) MSM is putting in place measures as per Guidelines on Adequate Procedures.

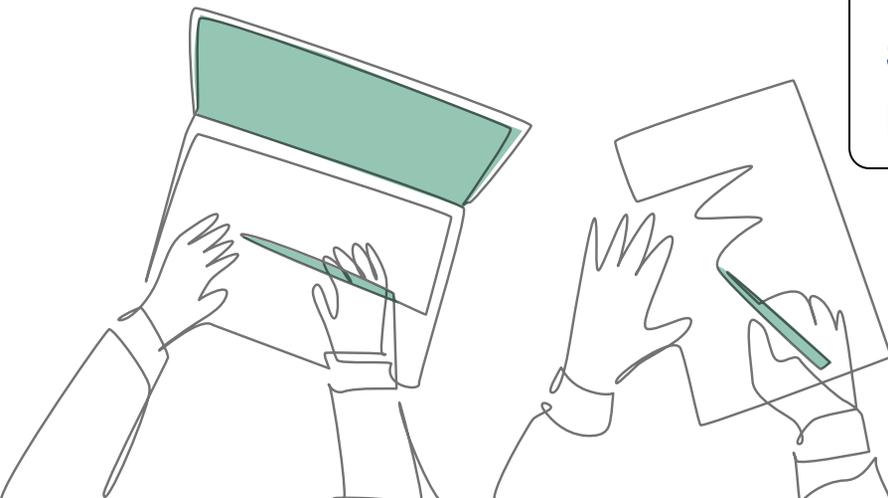
The performance of our anti-corruption initiatives is reviewed every quarter by our Management, Board Committee and Board. We evaluate the progress and success of our initiatives through a number of channels, including obtaining stakeholder feedback, benchmarking and performance tracking. We pay particular attention to the yearly assessments conducted by corporate governance watchdogs such as the Malaysian Institute of Corporate Governance (MICG) and Minority Shareholders Watch Group (MSWG).

MSM has taken a holistic approach to develop and implement adequate procedures by adopting the following principles (T.R.U.S.T):

- T** Top Level Commitment by Board, Executive Leadership & Management
- R** Risk Management through Corruption Risk Management (CRM)
- U** Undertake Control Measures via the establishment and review of policies and procedures
- S** Systematic Review, Monitoring and Enforcement which includes regular review on performances, efficiency and effectiveness of the anti-corruption programme, and ensure the enforcement
- T** Training and Communication on Governance, Integrity & Risk education, awareness and periodic communication



ONE SUCCESSFUL INITIATIVE UNDER ANTI-BRIBERY AND ANTI-CORRUPTION WAS THE QUICK TAKE UP AND 100% SIGNING OF THE INTEGRITY PLEDGE.



GOVERNANCE INITIATIVES

MSM has conducted the Corruption Risk Assessment exercises throughout the Group in collating and comprehensively assessing the significant risks and potential incidents of corruption to combat corruption more effectively. MSM has zero tolerance for fraud, abuse of power and corruption and takes all incidents reported very seriously.

Whistleblowing

MSM's Whistleblowing Policy provides a framework to facilitate and encourage any disclosure of corruption, fraud, improper conduct without fear of punishment or unfair treatment and aims to protect any whistleblower's identity from being victimised or harassed. This mechanism provides an avenue for any employee or any member of the public to raise any complaints of any improper business conduct in a confidential manner. Although the whistleblower is encouraged to provide his or her name in order to be protected by the Policy, all anonymous whistleblowing allegations are accepted.



MSM Whistleblowing Policy is available on the Company's website at www.msmsugar.com

The Whistleblowing Committee (WBC), headed by Head of the CGRM, receives all complaints reported through any of the established whistleblowing channels that includes a dedicated email address, helpline, letter or directly to the Whistleblowing Secretariat.

IF YOU SEE ANY WRONG-DOING OR MALPRACTICE, SPEAK UP SO WE CAN ALL CHANGE IT

INFORMATION & IDENTITY OF WHISTLEBLOWER WILL BE PROTECTED



WHO can whistleblow?

- Employees
- Board of Directors
- Shareholders
- Members of the public
- Any parties involved in business relationship with MSM Group



HOW to report?

- Email your concern to MSMW@msmsugar.com
- Call hotline at 03-21816827
- Send letter to
MSM WB Secretariat
Level 44, Menara Felda, Platinum Park, No. 11
Persiaran KLCC 50088, Kuala Lumpur, Malaysia



WHAT to whistleblow?

- Breach of Company's policies and code of conduct
- Improper conduct
- Unethical behaviour
- Actual/suspected fraud
- Abuse of power

Conflict of Interest

The Conflict of Interest Policy guides employees of the MSM Group in avoiding any potential conflict of interest situations by requiring timely disclosures and declarations on any conflict of interest situations. The CoBCE also prohibits employees from putting themselves in a conflict of interest situations or allowing personal interest to take precedence over an employee’s work commitments and allowing such conflict of interest or personal interest to hinder their duties to the Group.



CONFLICT OF INTEREST POLICY

- ✓ **Responsibility of employee to disclose and declare** his/her potential situation of Conflict of Interest
- ✓ **Responsibility of every employee to report** any Conflict of Interest upon their knowledge
- ✓ **Failure to comply with this requirement subject to disciplinary action** as prescribed in the CoBCE

Compliance with Laws and Regulations

MSM endeavours to adhere to all applicable laws and regulations in the areas of its operations.

The Management is uncompromising in upholding the highest standards of integrity and will investigate violations of business conduct reported and, if found true, will take stern measures accordingly without fear or favour. In addition, the Management will not hesitate to extend the full reach of the laws in the country i.e. SPRM (Malaysian Anti-Corruption Commission) and PDRM (Royal Malaysia Police) for such violation of business conduct including acts abetting such violations.

The Management also will not tolerate any abuse of MSM Group’s policies, procedures, and any conducts that is not aligned with MSM Group’s values, which potentially risks the integrity of our business, the reputation, and image of MSM Group, and the Gula Prai brand.



Key Activities in 2021

-  **Uphold anti-corruption and ethical behaviour across the MSM Group**
 -  Anti-Bribery Policy Statement (4 October 2021)
 -  Organised Anti-Bribery and Anti-Corruption campaign
 -  100% Integrity Pledge achieved and signed by all employees
 -  Conducted Corruption Risk Management (CRM) Workshop to identify potential corruption risks in MSM Group
-  **Preparedness in meeting the requirements of Section 17A of the Malaysian Anti-Corruption Commission Act 2009**
 -  Developing and implementing adequate procedures under the principles of T.R.U.S.T

We Value Your Feedback



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

HOW WE ARE GOVERNED





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BOARD OF DIRECTORS DIVERSITY

INFORMATION AS AT 21 MARCH 2022

A FOCUSED BOARD





DATO' AMIR HAMDAN HJ YUSOF
Non-Independent Non-Executive Director



NIK FAZILA NIK MOHAMED SHIHABUDDIN
Non-Independent Non-Executive Director



AZMAN AHMAD
Non-Independent Non-Executive Director

BOARD OF DIRECTORS DIVERSITY

The Board is primarily responsible for MSM Group's overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning of Senior Management, implementing investor relations programmes and ensuring the system of internal controls and management information system are adequate and effective.

- BOD** Board of Director
- AGRC** Audit, Governance and Risk Committee
- ITC** Investment and Tender Committee
- NRC** Nomination and Remuneration Committee



The details of the Board of Directors Diversity can be found in the Corporate Governance Overview Statement of this Annual Integrated Report

PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

DATUK SYED HISHAM SYED WAZIR

Chairman, Independent Non-Executive Director

67
Age

Gender

Nationality

Board Meeting Attendance:

BOD
16/16

Appointment to the Board: 8 May 2020	Length of Tenure as Director: < 3 years	Date of Last Re-election: 17 June 2020
--	---	--



Directorship of Public Companies (if any):

- Bermaz Auto Berhad

Qualification(s):

- Master in Business Administration, Ohio State University, US
- Bachelor of Science in Mechanical Engineering, Plymouth University, United Kingdom
- Ordinary National Diploma in Engineering, Hastings College of Further Education, United Kingdom

Working Experience and Occupation:

- Independent Non-Executive Director, Bermaz Auto Berhad (December 2016 - present)
- Non-Executive Director, SIRIM STS Sdn Bhd (August 2019 - present)
- Non-Executive Director, SIRIM National Precision Tooling Sdn Bhd (September 2020 - present)
- Non-Executive Director, SIRIM QAS International Sdn Bhd (September 2020 - present)
- Non-Executive Chairman, SIRIM National Precision Tooling Sdn Bhd (November 2017 - October 2020)
- Non-Executive Chairman, SIRIM QAS International Sdn Bhd (July 2017 - October 2020)
- Director, SIRIM Berhad (July 2017 - August 2019)
- Group Managing Director, Puncak Niaga Holdings Berhad (November 2015 - July 2017)
- President & Group Chief Executive Officer, UMW Holdings Berhad (October 2010 - October 2015)
- Director, UMW Oil & Gas Corporation Berhad (2010 - September 2015)
- Director, UMW Equipment Sdn Bhd (2010 - September 2015)
- Director, UMW M&E Sdn Bhd (2010 - September 2015)
- Director, UMW Toyota Motor Sdn Bhd (2010 - September 2015)
- Director, KYB-UMW Malaysia Sdn Bhd (2010 - September 2015)
- Director, PERODUA Sales Sdn Bhd (2010 - September 2015)
- Director, PERODUA Manufacturing Sdn Bhd (2010 - September 2015)
- Director, PERODUA Engine Manufacturing Sdn Bhd (2010 - September 2015)
- Director, Toyota Capital Malaysia Sdn Bhd (2011 - September 2015)
- Director, UMW Technology Sdn Bhd (2013 - September 2015)
- Chief Operating Officer, Naza Kia Sdn Bhd & Naza Kia Services Sdn Bhd (November 2009 - August 2010)
- Managing Director, Edaran Otomobil Nasional Berhad (May 2005 - August 2009)
- President/Chief Operating Officer, Honda Malaysia Sdn Bhd (2003 - May 2005)
- General Manager, Marketing Division, Honda Malaysia Sdn Bhd (January 2001 - December 2002)
- General Manager, International Business, DRB-HICOM Export Corporations Sdn Bhd (April 1998 - December 2000)
- Director, Proton Cars (UK) Pte Ltd (1997 - 1998)
- General Manager, Proton Corporations Sdn Bhd (1995 - March 1998)

CHOY KHAI CHOON

Independent Non-Executive Director

64
Age

Gender

Nationality

Board Meeting Attendance:

BOD
16/16

AGRC
13/13

ITC
8/8

Appointment to the Board:	Length of Tenure as Director:	Date of Last Re-election:
8 May 2020	< 3 years	17 June 2020

Directorship of Public Companies (if any):

- Zurich Life Insurance Malaysia Berhad
- Zurich General Insurance Malaysia Berhad
- Malaysia Marine and Heavy Engineering Berhad
- Hap Seng Plantations Holdings Berhad
- Kenanga Investment Bank Berhad

Board Committee Membership:

- Chairman of Audit, Governance and Risk Committee
- Member of Investment and Tender Committee

Qualification(s):

- Professional Qualification in Accounting, Australian CPA
- Professional Qualification in Accounting, The Malaysian Institute of Accountants
- Professional Qualification in General Management, INSEAD Europe Campus, France
- Master in Business Administration, Oklahoma University, USA
- Bachelor Degree in Commerce, University of New South Wales, Australia

Working Experience and Occupation:

- Non-Independent Non-Executive Director, Kenanga Investment Bank Berhad (December 2021 - present)
- Chairman, Zurich General Insurance Malaysia Berhad (January 2021 - present)
- Member of Labuan Financial Services Authority (Labuan FSA) (November 2020 - present)
- Independent Director, Hap Seng Plantations Holdings Berhad (November 2017 - present)
- Senior Independent Director and Board Audit Committee Chairman, Malaysia Marine and Heavy Engineering Berhad (February 2013 - present)
- Nomination & Remuneration Committee Chairman, Zurich General Insurance Malaysia Berhad (August 2019 - December 2020)
- Chairman of the Board, Zurich Life Insurance Malaysia Berhad (September 2013 - present)
- Audit Committee Chairman, RAM Rating Services Malaysia Berhad (August 2013 - June 2020)
- Deputy Chairman of the Board, Chairman of Audit Committee and Nomination & Remuneration Committee, Deutsche Bank Malaysia Berhad (June 2012 - June 2021)
- Public Interest Director, Federation of Investment Managers Malaysia (September 2019 - present)
- Independent Director, Bond & Sukuk Information Platform Sendirian Berhad (November 2017 - present)
- Independent Director, Asian Banking School Sendirian Berhad (December 2015 - present)
- President/Chief Executive Officer, Cagamas Berhad (April 2006 - March 2012)
- Senior General Manager, Group Head, RHB Banking Group (2003 - 2006)
- Chief Executive Officer, Morley Fund Management Ltd, Singapore (2001 - 2002)
- Regional Finance & Planning Director, Asia, Aviva Insurance Asia (1998 - 2001)
- Commercial Union Assurance Berhad (1995 - 1998)
- Credit Corporation Malaysia Berhad (CCMB) (1984 - 1995)



PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

DATO' MUTHANNA ABDULLAH

Independent Non-Executive Director

61
Age

Gender

Nationality

Board Meeting Attendance:

BOD
14/16

NRC
9/9

AGRC
13/13

Appointment to the Board:
8 May 2020

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
17 June 2020



Directorship of Public Companies (if any):

- Digital Nasional Berhad
- IHH Healthcare Berhad
- Sapura Resources Berhad
- MSIG Insurance Malaysia Berhad (MSIG)
- Malaysian Life Reinsurance Group Berhad (MLRe)

Board Committee Membership:

- Chairman of Nomination and Remuneration Committee
- Member of Audit, Governance and Risk Committee

Qualification(s):

- Advocate & Solicitor (High Court of Malaya)
- Barrister-at-Law (Middle Temple, England)

Working Experience and Occupation:

- Consultant, Abdullah Chan & Co (Advocates & Solicitors) (2019 - present)
- Partner, Abdullah Chan & Co (Advocates & Solicitors) (2012 - 2018)
- Partner, Lee Hishammuddin Allen & Gledhill (Advocates & Solicitors) (2001 - 2012)
- Partner, Abdullah A. Rahman & Co (Advocates & Solicitors) (1985 - 2001)

Trusteeships of Foundations

- Yayasan Siti Sapura
- Habitat Foundation

Societies

- President, Bukit Tunku Residents Association
- Board Member, Malaysia Aerospace Industry Association
- Board Member, Kuala Lumpur Business Club

Others

- Honorary Consul, Republic of San Marino in Kuala Lumpur
- Avocat Au Confiance, Embassy of Switzerland Malaysia

DATUK DR ABD HAPIZ ABDULLAH

Independent Non-Executive Director

63
Age

Gender

Nationality

Board Meeting Attendance:

BOD
16/16

ITC
8/8

NRC
9/9

Appointment to the Board: 8 May 2020	Length of Tenure as Director: < 3 years	Date of Last Re-election: 17 June 2020
--	---	--

Directorship of Public Companies (if any):

- Perdana Petroleum Berhad
- Ancom Berhad

Board Committee Membership:

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

Qualification(s):

- Bachelor of Science (BSc) in Chemistry, University of Nevada, Reno, Nevada, USA
- Doctor of Philosophy (PhD) in Organic Chemistry, Utah State University, Logan, Utah, USA

Working Experience and Occupation:

- Independent Non-Executive Director (INED), Perdana Petroleum Berhad (April 2015 - present)
- INED, Ancom Berhad (May 2020 - present)
- INED, Lanzatech Inc, USA (June 2018 - present)
- INED, P2 Science Inc, USA (February 2016 - present)
- Council member, National Science Council of Malaysia (NSC) (February 2020 - present)
- Chairman, Chemical Industry Council of Malaysia (CICM) (June 2010 - present)
- Venture Partner, Xeraya Capital (February 2015 - present)
- President/Chief Executive Officer, Petronas Chemicals Group Berhad (May 2011 - May 2014)
- Managing Director, Dupont Malaysia Sdn Bhd & Asia Pacific Regional Director Dupont Glass Laminated Solutions Asia Pacific (April 1995 - May 2011)
- Regional Marketing Manager, Dow Chemical Polyolefins Asia Pacific (January 1985 - April 1995)
- Chemistry Lecturer, University Malaya (1984)



PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

DATO' ROSINI ABD SAMAD

Independent Non-Executive Director

67
Age

Gender

Nationality

Board Meeting Attendance:

BOD
16/16

NRC
9/9

AGRC
13/13

Appointment to the Board:

7 January 2015

Length of Tenure as Director:

7 - 9 years

Date of Last Re-election:

17 June 2021

Directorship of Public Companies (if any):

- Nil

Board Committee Membership:

- Member of Audit, Governance and Risk Committee
- Member of Nomination and Remuneration Committee

Qualification(s):

- Postgraduate Diploma in Accounting, University of Malaya
- Bachelor of Economics, Accounting (Hons.), University of Malaya
- Master in Business Administration, University of Cardiff, United Kingdom
- 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 - August 2021)
- Audit Committee Chairman, IIUM Holdings Sdn Bhd (2016 - August 2021)
- Member of Nomination and Remuneration Committee, IIUM Holdings Sdn Bhd (2016 - August 2021)
- Remedial Grievances and Disciplinary Committee, IIUM Holdings Sdn Bhd (2016 - August 2021)
- Member of Disciplinary Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Member of Tender Committee, Percetakan Nasional Malaysia Berhad (2010 - 2014)
- Member of Nomination and Remuneration Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Chairman of Audit Committee, Percetakan Nasional Malaysia Berhad (2008 - 2014)
- Board Member, Percetakan Nasional Malaysia Berhad (2007 - 2014)
- Accountant General's nominee, Council of Malaysia Institute of Accountant (MIA) (2011 - 2014)
- Deputy Accountant General (Corporate), Accountant General's Department Malaysia (2010 - 2014)



DATUK LIM THEAN SHIANG

Independent Non-Executive Director

50
Age

Gender

Nationality

Board Meeting Attendance:

BOD
16/16

AGRC
13/13

ITC
8/8

Appointment to the Board: 23 August 2013	Length of Tenure as Director: 7 - 9 years	Date of Last Re-election: 17 June 2021
--	---	--

Directorship of Public Companies (if any):

- Daya Materials Berhad
- GCCP Resources Limited (Singapore) - Listed on the Singapore Stock Exchange

Board Committee Membership:

- Member of Audit, Governance and Risk Committee
- Member of Investment and Tender Committee

Qualification(s):

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

Working Experience and Occupation:

- Chairman, Ipoh Cargo Terminal Sdn Bhd (June 2020 - present)
- Non-Independent Non-Executive Chairman, Daya Materials Berhad (2020 - present)
- Independent Non-Executive Chairman, GCCP Resources Limited (Singapore) (2020 - present)
- Director, Fiberail Sdn Bhd (2021 - present)
- Executive Chairman, Daya Materials Berhad (2019 - 2020)
- Executive Vice Chairman, Daya Materials Berhad (2017 - 2019)
- Executive Director & Chief Executive Officer, Daya Materials Berhad (2015 - 2017)
- Chairman, Tropicana SJII Education Management Sdn Bhd (2018 - 2020)
- Independent Non-Executive Director, Tropicana Corporation Berhad (2017 - 2018)
- 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, Tripro Engineering Sdn Bhd (2001 - 2008)
- Director, Glotel Sdn Bhd (2001 - 2008)



PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

DATO' AMIR HAMDAN HJ YUSOF

Non-Independent Non-Executive Director

60
Age

Gender

Nationality

Board Meeting Attendance:

BOD
13/15

NRC
8/9

Appointment to the Board:
12 January 2021

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
17 June 2021



Directorship of Public Companies (if any):

- Nil

Board Committee Membership:

- Member of Nomination and Remuneration Committee

Qualification(s):

- Degree, Malay Anthropology & Pengajian Islam (B.A. Hons)
- Advance Business Study, Said Business School, Oxford University, London
- Project Framework Analysis, Australian National University Canberra, Australia

Working Experience and Occupation:

- Chairman, Koperasi Permodalan Felda Malaysia Berhad (2020 - present)
- Director (Alternate), Malaysian Palm Oil Board (MPOB) (present)
- Director, Felda Uralkali Sdn Bhd (present)
- Director, Felda Asset Sdn Bhd (present)
- Director, Grand Borneo Hotel Sdn Bhd (present)
- Deputy Director General FELDA (Operation) (JUSA B/UU6) (2021 - January 2022)
- Deputy Director General FELDA (Plantation and Settler Development) (JUSA B/UU6) (2019 - 2021)
- Director (Jusa C/UU7), Plantation Department FELDA (2019)
- Director (Jusa C/UU7), Entrepreneur Development Department FELDA (2015)
- Director (Jusa C/UU7), Higher Education & New Generation Development Department FELDA (2013 - 2015)
- Director (Jusa C/UU7), Administration Department FELDA (2012 - 2013)
- Assistant General Manager (N52/N54), Wilayah Mempaga, FELDA (2006 - 2012)
- Senior Officer (N48), Business Services Department, Ibu Pejabat FELDA (2002 - 2006)
- Officer Wilayah Sahabat, FELDA (1997 - 2002)
- Head of Community Development Unit, Wilayah Jengka, FELDA (1993 - 1997)
- Officer Economic Development, Wilayah Negeri Sembilan Barat, FELDA (1991 - 1992)
- Officer Economic Development, Wilayah Temerloh, FELDA (1989 - 1990)
- Internal Audit Department, FELDA (1987 - 1989)
- Land Survey & Settler Settlement Department, FELDA (1986 - 1987)

NIK FAZILA NIK MOHAMED SHIHABUDDIN

Non-Independent Non-Executive Director

55
Age

Gender

Nationality

Appointment to the Board: 18 October 2021	Length of Tenure as Director: < 3 years	Date of Last Re-election: -
---	---	---------------------------------------

Board Meeting Attendance:

BOD
4/4

NRC
1/1

Directorship of Public Companies (if any):

- FGV Holdings Berhad

Board Committee Membership:

- Member of Nomination and Remuneration Committee

Qualification(s):

- Chartered Accountant, Malaysian Institute of Certified Public Accountants (MICPA)
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- Bachelor of Economics (Accounting), Flinders University of South Australia, Adelaide, Australia

Working Experience and Occupation:

- Group Managing Director, Chemical Company of Malaysia Berhad (December 2017 - December 2021)
- Group Chief Financial Officer, Chemical Company of Malaysia Berhad (March 2012 - December 2017)
- Chief Financial Officer, Biotropics Malaysia Berhad (April 2007 - March 2012)
- Chief Financial Officer, UDA Holdings Berhad (April 2006 - March 2007)
- Group General Manager, Group Finance Division, KUB Malaysia Berhad (January 2001 - March 2006)
- General Manager, Corporate Audit Division, Sapura Telecommunications Berhad (August 1998 - December 2000)
- Senior Manager, Audit & Business Advisory, Price Waterhouse (February 1988 - August 1998)



PROFILE OF DIRECTORS

AS AT 21 MARCH 2022

AZMAN AHMAD

Non-Independent Non-Executive Director

60
Age

Gender

Nationality

Board Meeting Attendance:

BOD
4/4

ITC
3/3

Appointment to the Board:
18 October 2021

Length of Tenure as Director:
< 3 years

Date of Last Re-election:
-



Directorship of Public Companies (if any):

- Nil

Board Committee Membership:

- Member of Investment and Tender Committee

Qualification(s):

- Degree in Maritime Studies (Maritime Technology), University of Wales Institute of Science and Technology - UWIST, Wales, United Kingdom
- Diploma in Management, Malaysia Institute of Management

Working Experience and Occupation:

- Group Divisional Director/Executive Vice President, Logistics & Support Businesses (LSB) Sector (2018 - present)
- Member of Techno-Economics Research Advisory Panel for Malaysia Palm Oil Board (MPOB) (2021 - present)
- Industrial Panel for Azman Hashim International Business School (AHIBS), Universiti Teknologi Malaysia (UTM) (2019 - present)
- Trustees Board Members of Raja Alias Foundation (MOSTA) (2013 - present)
- Officer-In-Charge Representing Group CEO, FGV Holdings Berhad (FGV) (May 2021 - August 2021)
- Chairman, Appeal Committee, FGV (2018 - 2019)
- Acting Managing Director, Felda Holdings Berhad (FHB) (June 2018 - November 2018)
- Member, Board Executive Committee, FHB (June 2018 - November 2018)
- Cluster Head, Logistic & Others, FGV (2017 - 2018)
- Deputy HSE Steering Committee, FGV (2014 - 2018)
- Cluster Head/Senior Vice President, Downstream, FGV (2016 - 2017)
- Chairman, Executive Disciplinary Committee, FGV (2015 - 2017)
- Senior Vice President (SVP) Trading, Logistics, Manufacturing and Others (TLMO), FGV (2013 - 2016)
- Board Member, Lembaga Pelabuhan Kuantan (2013 - 2015)
- Chief Executive Officer, Felda Johore Bulkurs (FJB) Group (2009 - 2016)
- Chief Executive Officer, Felda Bulkurs Sdn Bhd (2008 - 2009)

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
 - been convicted of any offence (other than traffic offences)
 - been imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year
4. None of the Directors hold more than five directorships in listed issuers.
5. The details of Directors' attendance at Board Meetings held in the financial year ended 31 December 2021 are set out in the Corporate Governance Overview Statement on page 208 of MSM Annual Integrated Report 2021.

PROFILE OF COMPANY SECRETARY

KOO SHUANG YEN

Company Secretary

59
Age

Gender

Nationality

Date of appointment:
20 May 2011

Directorship of Public Companies (if any):

- Nil

Conflict of interest with the Company:

- Nil

Family relationship with any director and/or major Shareholder:

- Nil

List of convictions for offences within the past 5 years and particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any:

- Nil

Qualification(s):

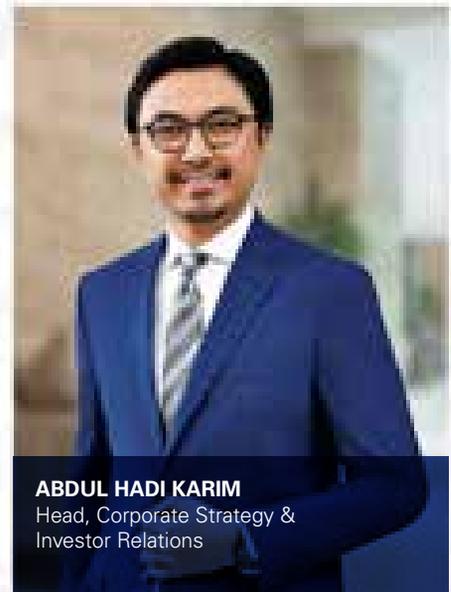
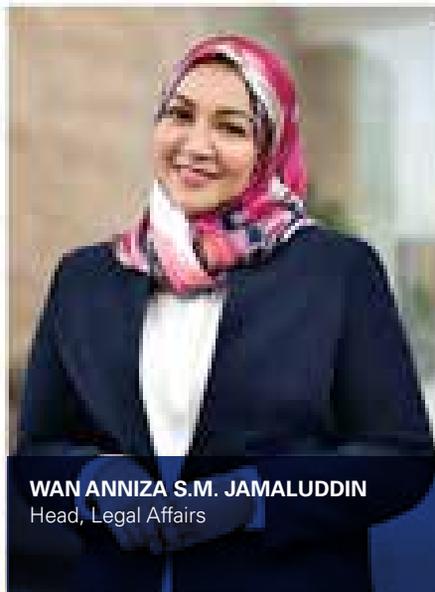
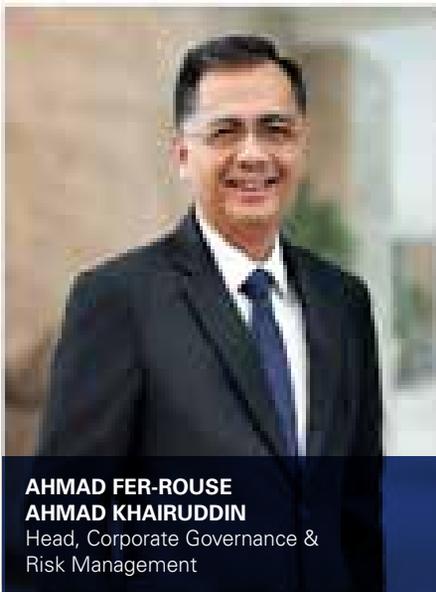
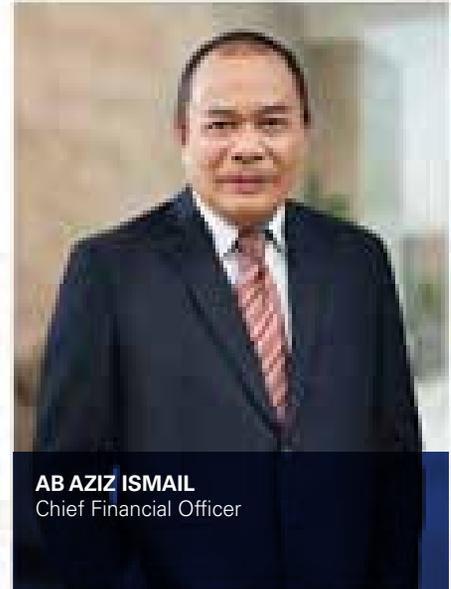
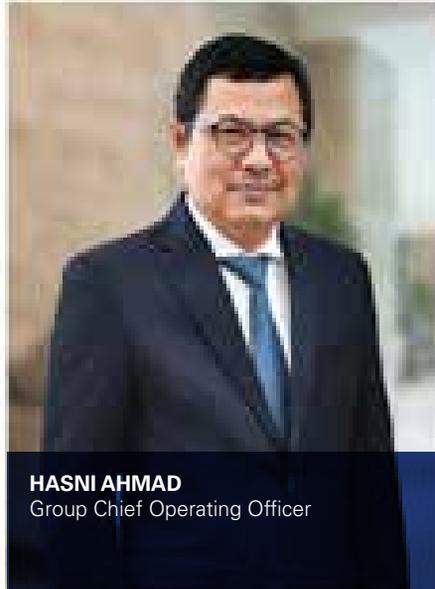
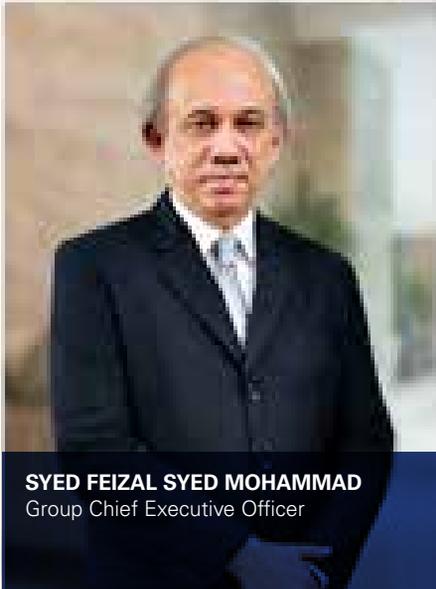
- Associate of the Chartered Institute of Management Accountants, United Kingdom
- Chartered Accountant with Malaysian Institute of Accountants

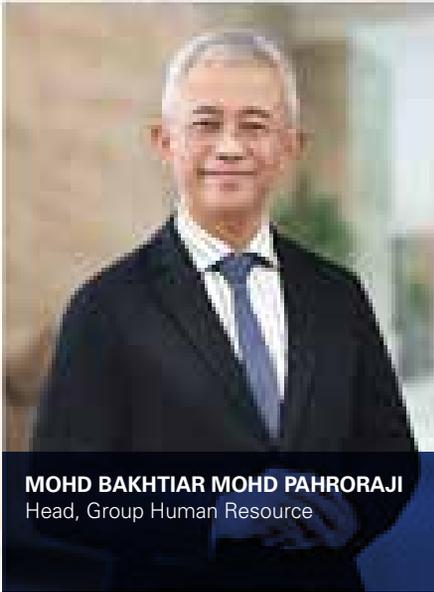
Working Experience and Occupation:

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



EXECUTIVE COMMITTEE AT A GLANCE





The Executive Committee (EXCO), established on 12 March 2021, is the primary executive leadership body in the MSM Group. It comprises the following Management members:



The purpose of the EXCO's establishment is to support the Group CEO of MSM in the stewardship of the MSM Group to centrally monitor MSM Group's performance, co-ordinate and align the Group's management and business operations to achieve MSM Group's objectives. In addition, the EXCO provides a collective forum for senior management to discuss and review business and operational activities in accordance with the constitution, policies and procedures of the MSM Group.

Muhammad Faritz Roslan has been appointed as the EXCO Secretary with the mandate to ensure EXCO decision and matters arising are properly followed up to completion.

In FY2021, the EXCO worked to:



Ensure the 3-Year strategic roadmap and framework, commencing with 2021 **“Turnaround Through Asset Optimisation”** phase, was well implemented and achieved in time.



Deliberate together with the rest of the Management team on additional initiatives and opportunities that would be beneficial to MSM in further enhancing the 3-year strategic framework.

PROFILE OF EXECUTIVE COMMITTEE



SYED FEZAL SYED MOHAMMAD

Group Chief Executive Officer

58
Age

Male



Appointment to the Position:

1 February 2021

Academic/Professional Qualification(s):

- Masters in Business Administration (Executive), Charles Sturt University, Australia
- Bachelor of Science in Electrical Engineering from University of Nebraska, Lincoln, USA
- Member of Institute of Corporate Directors Malaysia
- Adjunct Professor, Azman Hashim International Business School, UTM

Directorship in MSM Group of Companies:

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

Directorship of Public Companies:

- None

Relevant Experience:

Syed Fezal has over 32 years of experience in multinational and local conglomerates companies and over 10 years C-level executive roles. He had served at various corporate and business sectors including engineering and construction of oil and gas facilities, petrochemicals and industrial process plants, exploration & production, infrastructure (water, transport and power) and trading of agro and industrial commodities (palm oil, rubber, rice and sugar) and hydrocarbons. His experience in various large to mega capital project conceptualisation and development spans several countries and regions including Asia Pacific, South Asia and Middle East.

Previously, Syed Fezal held several senior leadership positions as Chief Executive Officer, Executive Project Sponsor and Board roles, managing large organisations of over 3,000 people in Malaysia. He was also a senior member of Executive Committee overseeing over 7,000 people in Asia Pacific with over 15 subsidiaries across China, SE Asia and Australia.

HASNI AHMAD

Group Chief Operating Officer

53
Age

Male



Appointment to the Position:

1 February 2021

Academic/Professional Qualification(s):

- Bachelor in Chemical Engineering (with distinction)
Clarkson University, New York

Directorship in MSM Group of Companies:

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

Directorship of Public Companies:

- None

Relevant Experience:

Hasni has close to 30 years of experience in managing oleochemical manufacturing as well as overall plant management. He began his career with FPG Oleochemicals, Kuantan and served in various capacities for 18 years. In 2010, he joined Felda Holdings Berhad and was seconded as General Manager to Twin River Technologies (TRT) US Inc, in Quincy Massachusetts, emerging in 2013 as Vice President of the Downstream Cluster, managing overall operations of the manufacturing plant.

He then served multiple roles within the FGV Group holding the CEO post with FGV Biotechnologies Sdn Bhd, Head of Operations (Downstream Division) for the plantation sector, Interim Caretaker of the palm downstream cluster, and most recently, CEO of Delima Oil Products.



PROFILE OF EXECUTIVE COMMITTEE



AB AZIZ ISMAIL

Chief Financial Officer



Age



Male



Appointment to the Position:

1 June 2019

Academic/Professional Qualification(s):

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

Directorship in MSM Group of Companies:

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

Directorship of Public Companies:

- None

Relevant Experience:

Ab Aziz is a Chartered Accountant by training and began his career in a London chartered accountant firm in 1991 as an auditor. He joined Felda Holdings Berhad as Senior Audit Manager in 1994 and rose through the ranks to be appointed General Manager of Felda Trading Sdn Bhd in 2004, Chief Financial Officer of Felda Iffco Sdn Bhd in 2007, and Senior General Manager (Support Services) of FGV Trading Sdn Bhd in 2015. Prior to his appointment as MSM's Chief Financial Officer in 2019, he was the Group Financial Controller (Plantation Sector) of FGV Holdings' Group Finance Division.

MOHD BAKHTIAR MOHD PAHRORAJI

Head, Group Human Resource

53
Age

Male



Appointment to the Position:

15 September 2020

Academic/Professional Qualification(s):

- LLB (Hons) IIUM
- Diploma HR Management, MIHRM

Directorship of Public Companies:

- None

Relevant Experience:

Mohd Bakhtiar has over 19 years of human resource experience, beginning his career as a HR Manager in 2002. Since then he has climbed up the hierarchy and served as Head of Human Resource & Communication, Total E&P Malaysia in 2009, Director of Human Resource, SapuraKencana Petroleum Group in 2011, Chief Human Resource Officer, Omesti Group in 2015 and most recently as Head of People & Organisation, Sabah International Petroleum since 2018.



PROFILE OF EXECUTIVE COMMITTEE



AHMAD FER-ROUSE AHMAD KHAIRUDDIN

Head, Corporate Governance & Risk Management

58
Age

Male



Appointment to the Position:

1 November 2019

Academic/Professional Qualification(s):

- Master of Business Administration
- Bachelor of Science (Real Estate) Certified Integrity Officer (CeIO), MACC

Directorship of Public Companies:

- None

Relevant Experience:

Ahmad Fer-Rouse has a dynamic portfolio of experience in human resource, corporate communications and public relations and is a certified integrity officer. Prior to his present appointment, he served nine years within the FGV Group with his last position being that of Senior General Manager of the Governance & Compliance Department. He has also worked in various capacities with Sime Darby Plantations, Golden Hope Plantations, Technology Park Malaysia Corp, Iomega (Malaysia) and the SAPURA Group.

WAN ANNIZA S.M. JAMALUDDIN

Head, Legal Affairs

45
Age

Female



Appointment to the Position:

12 July 2018

Academic/Professional Qualification(s):

- Admitted to the Malaysian Bar
- Bachelor Degree in Laws (Honours), National University of Malaysia
- Diploma in Islamic Judicial and Legal Administration, National University of Malaysia

Directorship in MSM Group of Companies:

- None

Directorship of Public Companies:

- None

Relevant Experience:

Wan Anniza has had a dynamic career as a legal counsel serving diverse corporations from Celcom Axiata Berhad, Tesco Stores (Malaysia) Sdn Bhd and Public Performance Malaysia Sdn Bhd. She began her career as a lawyer in 2002 as a Legal Associate with Messrs. RamRais & Partners and then as Senior Legal Associate with Messrs. V Chong W Lam until 2008, before moving on to the corporate world.

Prior to her appointment as Head of Legal Affairs with MSM, she was the Senior Legal Manager for FGV Holdings Berhad, a position she took on in 2015.



PROFILE OF EXECUTIVE COMMITTEE



ABDUL HADI KARIM

Head, Corporate Strategy & Investor Relations

36
Age

Male



Appointment to the Position:

1 March 2021

Academic/Professional Qualification(s):

- Bachelor of Business Administration (International Business), Multimedia University
- Master of Business Administration (Islamic Finance), Open University Malaysia

Directorship of Public Companies:

- None

Relevant Experience:

Hadi brings with him over 10 years of experience largely in Corporate Finance and Strategic Planning. He was General Manager of Corporate Strategy at MSM prior to his present appointment.

He had served in banking industry with local and international banks as well as in construction industry. He was Manager of Corporate Finance at SPK Construction from September 2016 to July 2018.

PROFILE OF HEADS OF OPERATIONS

CHEAH POH LYE

Head, Operations - MSM Prai Berhad

53
Age

Male



Appointment to the Position:

January 2019

Academic/Professional Qualification(s):

- Degree in Mechanical Engineering 1992
- Steam Engineer Grade 2 1998
- Energy Manager from Energy Commission Malaysia 2017

Directorship of Public Companies:

- None

Relevant Experience:

Cheah Poh Lye began his career as a mechanical production engineer with Sony Electric Malaysia in 1992 and joined MSM Prai as mechanical engineer in 1993. Since then he has rose the ranks within MSM Prai serving as Mechanical Manager in 2004, General Manager of Engineering in 2009 and Acting Head of Operations in 2018, before his present appointment. He thus brings with him close to three decades of experience, involvement and understanding of MSM Prai operations.



PROFILE OF HEADS OF OPERATIONS



MUHAMMAD IRFAN GOBINATH ABDULLAH

Head, Operations - MSM Sugar Refinery (Johor) Sdn Bhd

45
Age

Male



Appointment to the Position:

1 December 2021

Academic/Professional Qualification(s):

- Bachelor of Engineering (Mechanical design & Technology) University of Northumbria

Directorship of Public Companies:

- None

Relevant Experience:

Mumammad Irfan has over 20 years of dynamic experience in overseeing a wide spectrum of manufacturing operations management. He brings with him expertise and understanding of the food industry and human resource management functions towards delivering set business objectives. He is well versed in the areas of strategic planning, production planning and control, Lean Manufacturing and productivity enhancement. He possesses strong know-how in workplace safety, quality management system and Halal management.

SANURI SAARI

Head, Operations - Sungai Buloh Warehouse (SBW)

53
Age

Male



Appointment to the Position:

1 December 2021

Academic/Professional Qualification(s):

- Master of Business Administration (MBA), Northern University of Malaysia
- Diploma in Logistics Management, FMM Institute

Directorship of Public Companies:

- None

Relevant Experience:

Sanuri has over 25 years of working experience with multinational corporations such as Matsushita (Panasonic), Shin-Etsu Chemical, Mewah Group and 3PL companies such as Linfox Logistics, and most recently with DKSH Malaysia where he served as Senior Manager of its Distribution Centre Operations for over three years.

In various capacities and roles, over his career he has gained valuable knowledge and insights in logistics management, warehousing, shipping, transportation, customs compliance and related value-added services (VAS).

Additional Information

1. None of the Senior Management has any family relationship with and is not related to any Director and/or major shareholder of MSM Malaysia Holdings Berhad.
2. None of the Senior Management has any directorship in public companies and listed issuers.
3. None of the Senior Management has any conflict of interest with MSM Malaysia Holdings Berhad.
4. None of the Senior Management has
 - 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.



CORPORATE GOVERNANCE OVERVIEW STATEMENT



The Board of MSM Malaysia Holdings Berhad (MSM or Company) is pleased to present the Corporate Governance Overview Statement (Statement or CGOS) that sets out the principles and features of MSM Governance Framework with the principles and best practices recommended under the Malaysian Code on Corporate Governance 2021 and highlights the main areas of focus and priorities for the Board during the financial year ended 31 December 2021.



MSM upholds the highest principles of transparency and accountability as it firmly believes that such matter is vital to the Group to create value and improve efficiencies.

The Board sets the Company's core values and standards, and maintains a corporate governance framework that embeds a culture of performance, conformance and integrity across MSM Group.

MSM Governance Framework complies with regulatory requirements and consistency with best practices and guidelines:



Companies Act, 2016



Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities)



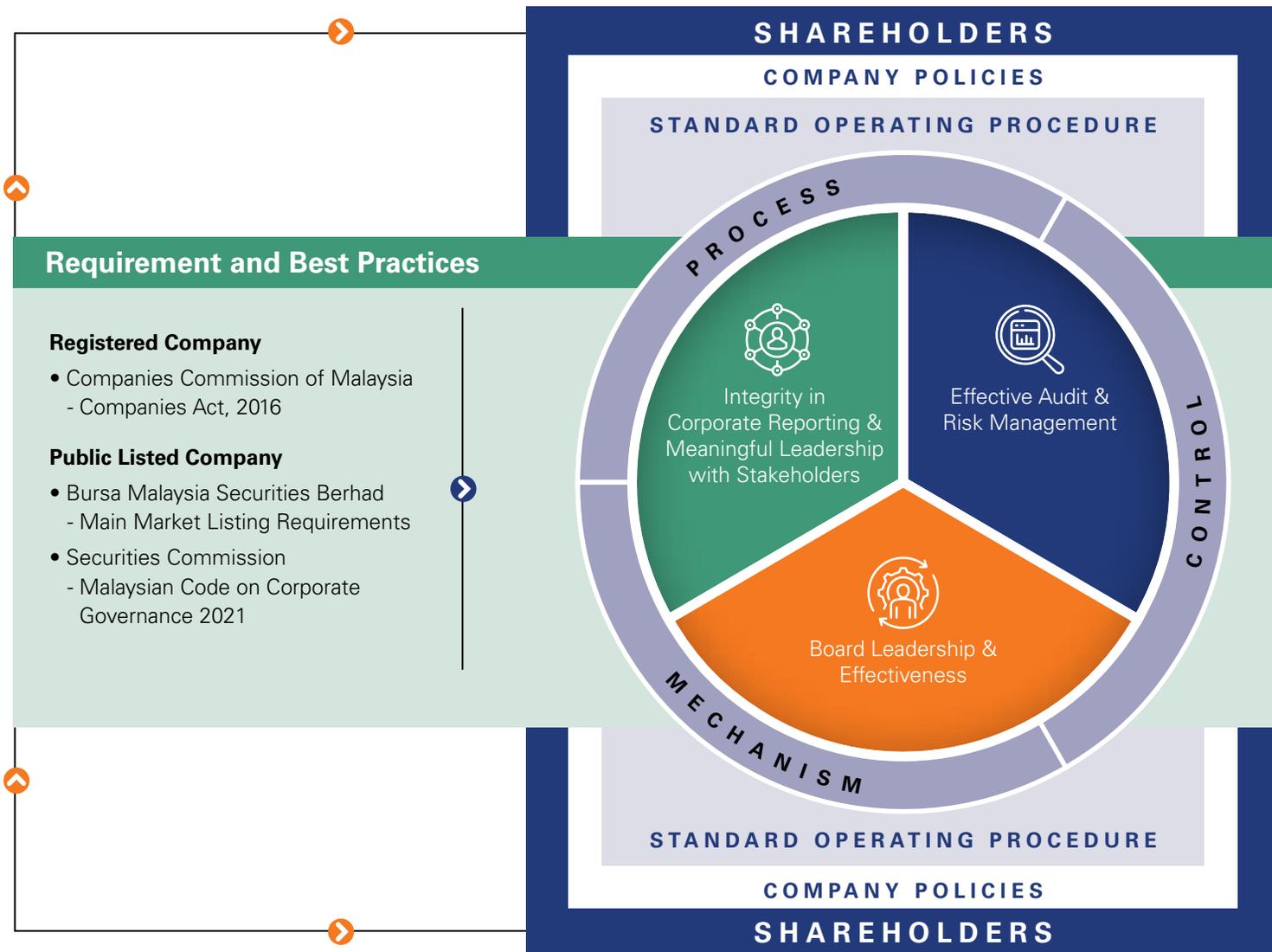
Malaysian Code on Corporate Governance 2021 (MCCG 2021) published by the Securities Commission



Corporate Governance Guide - 4th Edition 2021 (4th CG Guide) published by Bursa Securities

CORPORATE GOVERNANCE OVERVIEW STATEMENT

MSM GOVERNANCE FRAMEWORK



MSM Governance Framework provides an overview on the Corporate Governance practices of MSM Group under the leadership of the Board and guided by the following key principles:

- Board leadership and effectiveness
- Effective audit and risk management
- Integrity in corporate reporting and meaningful relationship with stakeholders



Commitment to Anti-Bribery and Anti-Corruption

Adequate Procedures are the pillars of defense against corporate liability, particularly corruption offences. MSM has taken a holistic approach in implementing adequate procedures by adopting the principles (T.R.U.S.T):

- Top Level Commitment
 - Board, Executive Leadership & Management
- Risk Management
 - Corruption Risk Management (CRM)
- Undertake Control Measures
 - Establishment and review of policies and procedures
- Systematic Review, Monitoring and Enforcement
 - Regular review on performances, efficiency and effectiveness of the anti-corruption programme, and ensure the enforcement
- Training and Communication
 - Governance, Integrity & Risk education, awareness and periodic communication

MSM has embedded the principles of adequate procedures in the Anti-Bribery Policy Statement and Whistleblowing Policy which evidently available at MSM’s corporate website in compliance with Paragraph 15.29 (1) and (2) of Listing Requirements and guided by the Guidelines on Adequate Procedures, Section 17A (5) of the Malaysian Anti-Corruption Commission (MACC) Act 2009 (Amendment Act 2018). There are three (3) key focus areas were examined - Corruption, Fraud and Abuse of power.

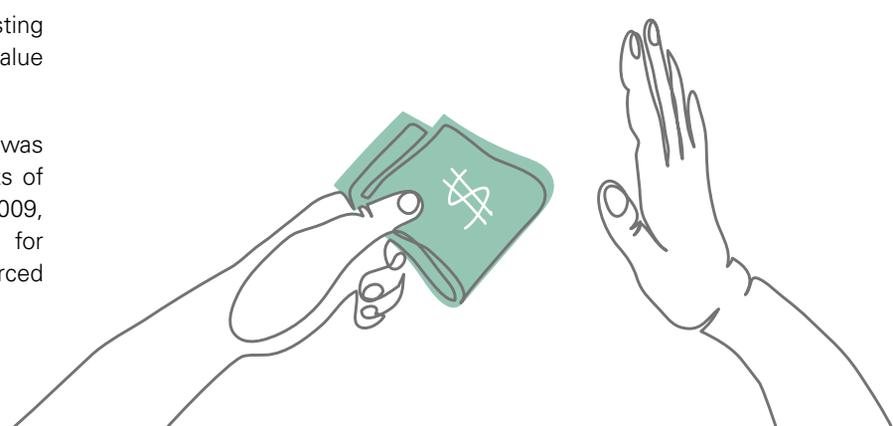
Anti-Bribery Policy Statement and Whistleblowing Policy are available on the Company’s corporate website at <http://www.msmsugar.com/our-company/corporate-governance>



Focus on Strong Governance

We recognise that good governance is essential in assisting the business to deliver its strategy, generate shareholder value and safeguard shareholders’ long-term interests.

An important area of focus for the Group during the year was to ensure our preparedness in meeting the requirements of Section 17A of the MACC Act 2009. The MACC Act 2009, which was amended to introduce corporate liability for corruption offences of commercial organisations, was enforced on 1 June 2020.



CORPORATE GOVERNANCE OVERVIEW STATEMENT



Application of MCGG 2021

With the revised MCGG 2021, MSM has four (4) departures for financial year 2021 (FY2021). The details on how the Company had applied each practice as set out in the MCGG during the FY2021 can be found in the Company's Corporate Governance Report 2021 (CG Report 2021) which is available on the Company's corporate website. The summary of explanations on the departures are in the table below:

Departed Practice	Summary Explanation for Departure
<p>Practice 4.4 Performance evaluations of the board and senior management include a review of the performance of the board and senior management in addressing the company's material sustainability risks and opportunities</p>	<p>There was no material sustainability risks and opportunities element in the Senior Management performance indicator</p>
<p>Practice 5.9 The board comprises at least 30% women directors</p>	<p>There was no indication of 30% or any percentage for women director in the Board Nomination and Election Policy and Procedures of MSM. As at 31 December 2021, MSM Board comprised of seven (7) male Directors and two (2) female Directors (22% female representation)</p>
<p>Practice 5.10 The board discloses in its annual report the company's policy on gender diversity for the board and senior management</p>	<p>There was no policy on gender diversity for Senior Management. The application on gender diversity for Senior Management is premised on merit based selection and appointment along a fair and equitable consideration and deliberation for qualification, experience, skills, intelligence and empathy</p>
<p>Practice 9.2 The Audit Committee has a policy that requires a former partner of the external audit firm of the listed company to observe a cooling-off period of at least three years before being appointed as a member of the Audit Committee</p>	<p>The existing AGRC's Terms of Reference and External Auditor Policy stated that a former key audit partner must observe a cooling-off period of at least two years before being appointed as a member of the AGRC. Currently, there is no former key audit partner sitting on the AGRC</p>

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS



Roles and Responsibilities of Directors

The Board oversees the MSM Group's businesses and its performance for the MSM Group long-term success, working with the Senior Management to achieve the MSM Group strategic objectives and the delivery of sustainable value to its Stakeholders.

The Board is primarily responsible for the MSM Group overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning of Senior Management, implementing investor relations programmes and ensuring the system of internal controls and management information system are adequate and effective.

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



Board of Directors

Under the Company's Constitution, the number of Directors shall not be less than two (2) and not more than twelve (12). The current composition of the Board is in compliance with Paragraph 15.02 of the Listing Requirements. As at the date of this statement, there are nine (9) members on the Board, comprising:

- Six (6) Independent Non-Executive Directors; and
- Three (3) Non-Independent Non-Executive Directors.

The composition of the Board is reviewed annually by the Nomination and Remuneration Committee (NRC) to ensure effective balance diversification of gender, skill-sets, experience and knowledge. The profiles of the Directors are presented on pages 186 to 194 of this Annual Integrated Report.

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

During the financial year under review, the Board appointed Dato' Amir Hamdan Hj Yusof, a Nominee Director from Koperasi Permodalan Felda Malaysia Berhad (KPF) as Non-Independent Non-Executive Director (NINED) of MSM.

On 7 April 2021, Dato' Haris Fadzilah Hassan, a nominee from FGV Holdings Berhad (FGV) has resigned as NINED of MSM. Following thereto, the Board on 18 October 2021 has approved the appointment of two (2) nominees from FGV to sit on the Board of MSM namely Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad as NINED of MSM. The new Directors with the diversified skills-set, and depth knowledge in the related fields such as Information Technology (IT), Environmental, Social and Governance (ESG) and Logistic Business will improve the Board dynamics and increase the level of debates and challenges at the Board and Board Committees meeting.

The Board is chaired by Datuk Syed Hisham Syed Wazir, an Independent Non-Executive Director, who provides leadership to the Board to ensure the Board can perform its responsibilities effectively.

The Board is supported by:

- Audit, Governance and Risk Committee
- Nomination and Remuneration Committee; and
- Investment and Tender Committee

These Committees play a significant role in reviewing matters within their respective Terms of Reference (TOR), and facilitate the Board in discharging its duties and responsibilities. Each of the Board Committee has specific TOR, scope and authorities to review matters before tabling to the Board for approval.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Audit, Governance and Risk Committee (AGRC)

Chairman

- Choy Khai Choon

Member

- Dato' Muthanna Abdullah
- Datuk Lim Thean Shiang
- Dato' Rosini Abd Samad

Responsibilities & Duties

- Oversee the financial reporting
- Evaluate the internal and external audit process and outcome
- Manage risk and assess the risk management framework and internal control environment
- Review conflict of interest situations and Related Party Transactions (including Recurrent Related Party Transactions)
- Enhance governance, ethics and integrity
- Oversee sustainable practices
- Review the relevant statements for inclusion in the Annual Report including:
 - i. AGRC Report
 - ii. Statement on Risk Management and Internal Control
 - iii. Corporate Governance Overview Statement
 - iv. Sustainability Reporting on Economic, Environmental and Social
 - v. Corporate Governance Report



Details of the AGRC Report is set out on pages 229 to 235 of this Annual Integrated Report

Nomination and Remuneration Committee (NRC)

Chairman

- Dato' Muthanna Abdullah

Member

- Datuk Dr Abd Hapiz Abdullah
- Dato' Rosini Abd Samad
- Dato' Amir Hamdan Hj Yusof
- Nik Fazila Nik Mohamed Shihabuddin
(appointed as NRC member on 18 October 2021)

Responsibilities & Duties

- Review the composition of the Board, Board Committees, directorship in Group and Senior Management
- Review the processes for nomination and election, appointment, reappointment and re-election of Directors
- Evaluate the contribution and commitment of Directors
- Review the Board assessment/AGRC term of office and performance
- Review succession planning
- Review the Remuneration Policy, all remuneration matters and other general remuneration matters across MSM Group
- Review remuneration of the Non-Executive Directors, Group CEO and Top Management
- Review the Nomination and Remuneration Committee Report for inclusion in the Annual Report



Details of the NRC Report is set out on pages 236 to 244 of this Annual Integrated Report

Investment and Tender Committee (ITC)

Chairman

- Datuk Dr Abd Hapiz Abdullah

Member

- Choy Khai Choon
- Datuk Lim Thean Shiang
- Azman Ahmad
(appointed as ITC member on 18 October 2021)

Responsibilities & Duties

- Ensuring that MSM has in place optimum frameworks, mechanisms, policies and procedures for effective investment and procurement undertakings and activities
- Review proposals related to new investments, divestments and procurements of the Group in line with MSM's prevailing related policies and procedures
- Review the Investment and Tender Committee Report for inclusion in the Annual Report

The Group's Investment and Divestment Matters

- Review and recommend to the Board, the specific initiatives, projects and potential investments and divestments to achieve the approved Group Strategic Plan
- Review the Group's investment portfolio and assess the performance of the Group's investments in the context of business and operational performance as well as changing market environment



Details of the ITC Report is set out on pages 245 to 246 of this Annual Integrated Report

- Review emerging risk and opportunities, market outlook (i.e. market study and market analysis), economic indicators, currency market, industry/regulatory developments as well as key business developments, which may affect the investment portfolio, the Group's investment strategy and the Group's financial health

The Group's Procurement Matters

- Review the Group Procurement Policies & Procedure, including its framework
- Review the efficiency and effectiveness of the Group's centralised procurement initiatives
- Review and recommend and/or approve tender awards and any variation order for the awarded contracts
- Review status reports on procurement transactional efficiency and effectiveness, including amongst others, completion and delivery, spending against budget annually



The details of the responsibilities and duties of ITC are disclosed in the TOR of ITC which is made available on the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board Committees are governed by their respective TOR.

The Board Committees' TORs are published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.



Our Company Secretary

The Board is supported by a qualified and competent Company Secretary who is responsible for addressing the Board on all governance matters and ensuring the Board procedures are followed, applicable rules and regulations are complied with in order to facilitate the Board in discharging their duties and responsibilities. Ms Koo Shuang Yen is the Company Secretary of MSM Group since 20 May 2011.

The details of information on the roles and responsibilities of the Company Secretary can be found in the CG Report 2021 and Board Charter at Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.



Board Evaluation Assessment

A formal performance evaluation of the Board and Board Committee is completed annually to assess the Board's performance. The exercise of Board Evaluation Assessment for the year 2021 (BEA 2021) was carried out internally and facilitated by Company Secretary. The sets of questionnaires were sent to Directors for their evaluation. The assessment was then analysed and the findings presented to NRC for deliberation and the summary of the results tabled to the Board for endorsement.

Further details on the BEA 2021 carried out is disclosed in the NRC Report on page 236 of this Annual Integrated Report.



Our Board and Board Committee Meetings and Attendance

The Board meetings conducted in 2021 were scheduled ahead and approved by the Board on 23 November 2020. The meeting schedule together with the draft agendas were structured to address the Board's collective responsibilities in relation to strategy, performance and governance.

There were sixteen (16) Board meetings held during financial year 2021. Due to COVID-19 pandemic, most of the Board meetings for the year 2021 were convened virtually. There were eight (8) unscheduled meetings convened to discuss the proposals which required critical and immediate decision from the Board. The summary of key activities of the Board for the year 2021 are illustrated at page 218 of this Annual Integrated Report.

Priorities in FY2022

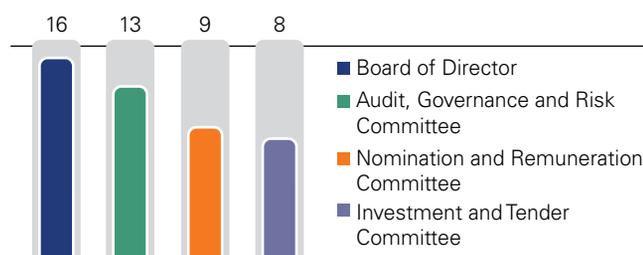
- 01 Sustainable Manufacturing Performance
- 02 Improving Sales Performance
- 03 Growing a Sustainable Operation with Better Energy Planning and Green Energy
- 04 Sales & Distribution Cost Savings
- 05 Strategic Capital Management
- 06 Export via Strategic Partnership
- 07 Digital Transformation via Industry 4.0



Details of the priorities can be found at the Corporate Strategy and Business Plan Review on page 73

Number of meetings convened by Board and each Board Committee:

Number of Meetings in 2021

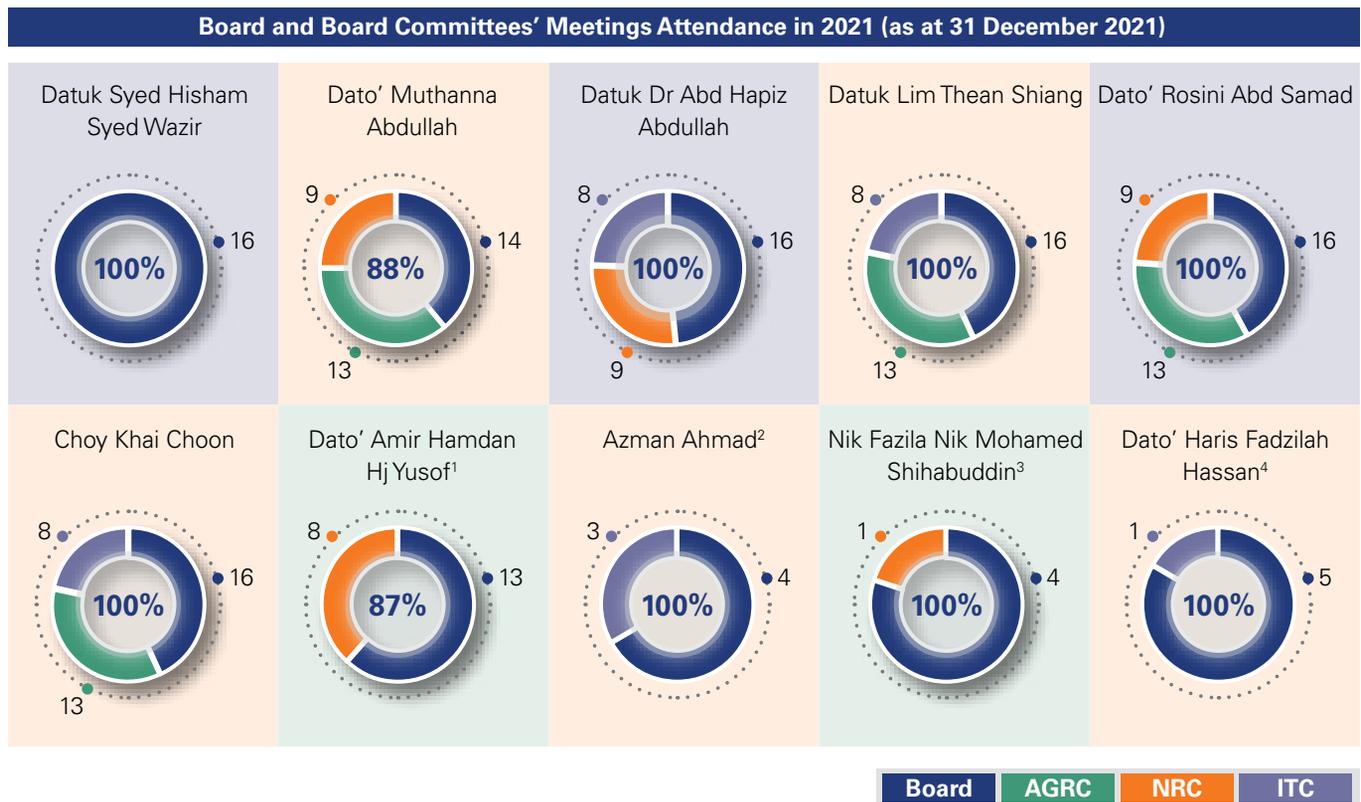


The agenda and supporting papers were distributed prior to Board and Board Committee meetings to allow sufficient time for review to facilitate discussion at the meetings. The access by the Directors to board papers is carried out online, through a dedicated software which allow Directors to securely access, read and review the board papers at any time or location.

Upon conclusion of each of the Board and Board Committee meeting, minutes were prepared accurately to record all issues raised, discussions, deliberations, decisions and conclusions including dissenting views made by the Directors at the Board and Board Committee meetings along with clear

actions to be taken by responsible parties. The final draft minutes of the Board and Board Committee meetings were then circulated to the Chairman of Board Committee and Board members respectively in a timely manner. This has allowed the Chairman of Board Committee and Board members to comment and seek clarifications of the minutes or request for any necessary corrections prior to confirming the minutes as true and correct records in the following respective meetings.

The Board and Board Committees' meetings attendance for financial year ended 2021 (FY2021) are set out below:



Notes:

1. Appointed as Board member and member of NRC with effect from 12 January 2021.
2. Appointed as Board member and member of ITC with effect from 18 October 2021.
3. Appointed as Board member and member of NRC with effect from 18 October 2021.
4. Resigned as Director and ceased as member of ITC on 7 April 2021.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT



Summary of Board Key Activities in FY2021

Below are among the key matters considered by the Board throughout the 16 meetings held during FY2021:



Board Structure

- Accepted the Resignation of Non-Independent Non-Executive Director of MSM Malaysia Holdings Berhad
- Reviewed/recommended/approved/accepted the Appointment/Reappointment/Re-election of Directors
- Reviewed the report of Board Effectiveness Assessment for year 2019/2020 (BEA 2019/2020) and considered the Key Areas of Improvement based on the outcome of BEA 2019/2020
- Reviewed the Performance Assessment of the Audit, Governance and Risk Committee and its members
- Reviewed and analysed the Board Annual Assessment on the Independence of the Independent Directors



Remuneration and Human Resources

- Reviewed and selected the candidates recommended by NRC for the position of Group CEO and Group COO of MSM Malaysia Holdings Berhad
- Reviewed and considered the proposal for the renewal of contract of the Chief Financial Officer
- Reviewed the proposed Formation and Changes to the Organisational Structure of MSM Malaysia Holdings Berhad
- Reviewed and approved the formation of Group Health, Safety, Environment, Security and Quality Division in MSM Group of Companies
- Reviewed and approved the Proposed MSM Group Scorecard 2021
- Reviewed and approved the Proposed Financial Year 2021 Annual Increment for MSM Group of Companies
- Reviewed the Proposed Formation of Group Digital Department in MSM Malaysia Holdings Berhad
- Proposed Payment of One-Off Financial Assistance 2021 During Pandemic Period to the Eligible Employees of MSM Group of Companies
- Reviewed the remuneration structure of Non-Executive Directors of MSM Malaysia Holdings Berhad



Financial

- Reviewed and approved the 2021 quarterly results and the Audited Financial Statements for the financial year 2020
- Assessed and approved the reappointment of external auditor in accordance with MSM External Auditor Policy
- Reviewed the Quarterly report on:
 - Group Recurrent Related Party Transactions
 - Group's Capital Expenditure
 - Recoverability and Trade Receivables
 - Financial Covenants
 - Cashflow Projection
- Reviewed and approved policies:
 - Raw Sugar Pricing Proposal for FY2023
 - Revised MSM Receivable Policy
 - Credit Control & Sales Payment Terms Policy
 - MSM Conflict of Interest Policy
 - MSM Referral Policy
 - Code of Business Conduct of Employees
- Reviewed and considered the Business Plan and Budget 2022 for MSM and its Group of Companies
- Reviewed the proposal in relation to MSM Group's Climate Actions through Science Based Target Initiatives and Net Zero Ambition
- Reviewed and approved the capital expenditure (CAPEX) projects for 2021 and its implementation



Company and Group Operation

- Monitor the implementation of CAPEX projects and utilisation of funds at MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed and approved the appointment of consultants to dispose MSM Perlis Sdn Bhd's assets and reallocate some assets to MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed the proposal to dispose MSM Group non-core assets

- Reviewed and approved proposed strategies for improvements & optimisation in both MSM Sugar Refinery (Johor) Sdn Bhd and MSM Prai Bhd to address operational issues
- Reviewed, recommended and approved new gas supply agreement for refineries operations
- Reviewed and approved revisions of MSM Group policies relating to procurement
- Reviewed Group's business strategies for expansion and diversification



Governance and Others

- Reviewed, deliberated and approved among others, reports for disclosure in Annual Report 2020, policies and procedures and matters related to the 2021 AGM
- Reviewed the Circular to Shareholders pertaining to the Divestment of 100% Shares in MSM Perlis Sdn Bhd owned by MSM Malaysia Holdings Berhad to FGV Integrated Farming Holdings Sdn Bhd
- Approved the Nomination by CEO Action Network of MSM Group CEO as Main Member
- Reviewed the Establishment of Whistleblowing Channel (System) & Committee in MSM Malaysia Holdings Berhad and its Group of Companies
- Reviewed the status of COVID-19 cases for MSM Group time by time and set up the task force to manage and control the case of COVID-19
- Reviewed the Level of Compliance and Gap Analysis for practices under MCCG 2021
- Reviewed MSM Cyber Security Status of MSM Group



Board Composition

The following were the changes in the Board Composition during FY2021:

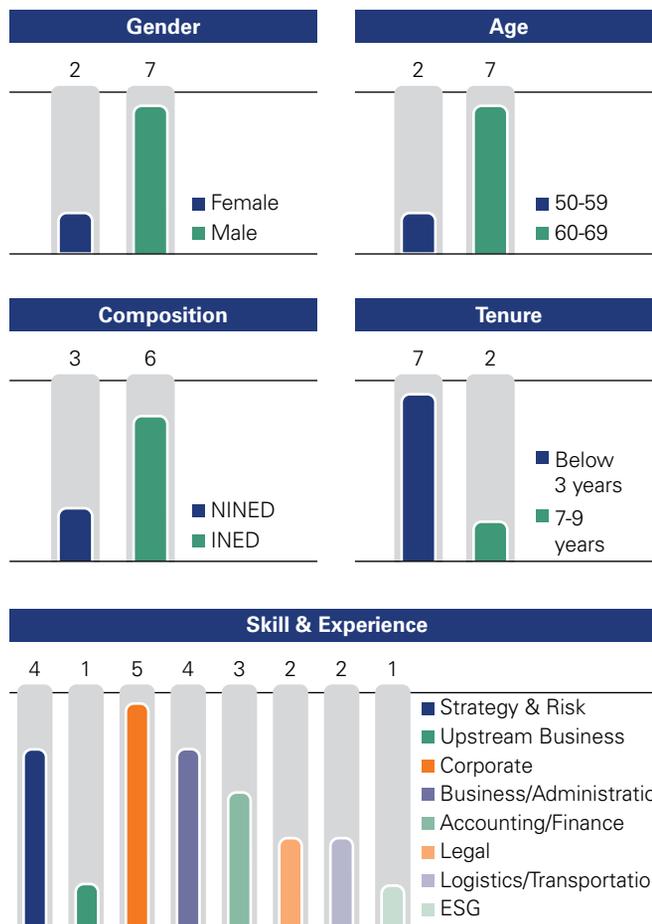
- Appointment of the following Non-Independent Non-Executive Directors:
 - Dato' Amir Hamdan Hj Yusof as Nominee Director for KPF effective 12 January 2021
 - Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad, represented FGV effective 18 October 2021
- Resignation of Dato' Haris Fadzilah Hassan on 7 April 2021.

With the above changes, the Board composition under the financial review, comprised of nine (9) members, with six (6) Independent Non-Executive Directors (INED) and three (3) Non-Independent Non-Executive Directors (NINED). This complied with the Paragraph 3.04 of Listing Requirements and Practice 5.2 of MCCG 2021.



Board Diversity for FY2021

The Board recognises the importance of diversity in its composition to ensure effectiveness and good corporate governance. The NRC and Board regularly review the composition of the Board to ensure proper discharge of its functions and obligations. All Directors are appointed via a robust process, based on merit and in line with the standards set out in Paragraph 2.20A of the Listing Requirements. The background of each Director can be found on pages 186 to 194, demonstrating the Board's diversity policy.



CORPORATE GOVERNANCE OVERVIEW STATEMENT



Director Induction and Continuous Professional 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.

All Directors have attended trainings, seminars and briefings during the financial year ended 31 December 2021.

Datuk Syed Hisham Syed Wazir

14 April 2021

- Responsibilities of Director - Safeguarding the Company against MACC Section 17A (Malaysian Institute of Corporate Governance)

17 August 2021

- Corporate Director's Summit themed "Governance 4.0: Transforming Business, Transforming Boards" (Boardroom Corporate Services Sdn Bhd partnering with the Malaysian Alliance of Corporate Directors)

22 September 2021

- Cybersecurity: A Boardroom Agenda (Companies Commission of Malaysia Training Academy)

28 September 2021

- SC Guidelines on the Conduct of Directors of Listed Corporations and their Subsidiaries ('SC Guidelines') - their implications to the Group, Directors and Management, including what need to be done (Malaysian Institute of Corporate Governance)

Dato' Muthanna Abdullah

18 & 19 February 2021

- Understanding Board Decision-Making Process (Asia School of Business)

15 & 16 March 2021

- Nominating and Remuneration Committees - Beyond Box-Ticking & Enhancing Effectiveness (Asia School of Business) in collaboration with MIT Sloan

31 March - 2 April 2021

- Bursa Programme: "Mandatory Accreditation Programme (MAP)" (Asia School of Business)

20 April 2021

- Risk Management in Technology (RMiT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards? (Asia School of Business)
- BNM-FIDE FORUM-MASB Dialogue on MFRS17 Insurance Contracts: What Every Director Must Know (FIDE Forum)

4 - 6 October 2021

- Khazanah Megatrends Forum 2021 The Invention of Tomorrow - Crafting Our New Collective Narrative (Khazanah Nasional)

6 December 2021

- Securities Commission's Audit Oversight Board Conversation with Audit Committees (Securities Commission)

Datuk Dr Abd Hapiz Abdullah**10 & 17 February 2021**

- Understanding Section 17A of Corporate Liability Provision and Establishing Adequate Procedures (The Malaysian Institute of Integrity)

5 & 6 May 2021

- Key Disclosure Obligations of a Listed Company (CKM Advisory Sdn Bhd)

22 September 2021

- Cybersecurity: A Boardroom Agenda (Companies Commission of Malaysia Training Academy)

Dato' Rosini Abd Samad**21 January 2021**

- Live Webinar on Key Disclosure Obligations of a Listed Company - Financial Reporting (CKM Advisory Sdn Bhd)

15 & 16 March 2021

- Audit Committee Conference 2021 - Agility, Empathy and Resilience: How the Audit Committee will Thrive in the New Normal (Malaysia Institute of Accountants)

5 & 6 May 2021

- Key Disclosure Obligations of a Listed Company (CKM Advisory Sdn Bhd)

29 & 30 July 2021

- Nominating and Remuneration Committees: Beyond Box-Ticking and Enhancing Effectiveness (Iclif Executive Education Centre)

17 August 2021

- Corporate Director's Summit themed "Governance 4.0: Transforming Business, Transforming Boards" (Boardroom Corporate Services Sdn Bhd partnering with the Malaysian Alliance of Corporate Directors)

Choy Khai Choon**9 & 10 March 2021**

- IMAS-Bloomberg Investment Conference 2021: The Future of Capital (IMAS-Bloomberg)

11 March 2021

- Rethinking Our Approach to Cyber Defence in FI's (FIDE)

2 June 2021

- The role of independent director in embracing present and future challenges (BNM-FIDE Forum)

21 June 2021

- Briefing on Sustainability (MISC)

23 - 25 June 2021

- JC3 Conference Finance for Change (Bank Negara Malaysia & Securities Commission)

8 July 2021

- BNM Dialogue on Risk Management in IT (FIDE)

22 September 2021

- 2021 APAC Summit Global Markets in Transition - The Ethical Investment Demand - A Conversation with Tan Sri Abdul Wahid Omar

24 September 2021

- The path to economic recovery - A conversation with Ben Bernanke

28 September 2021

- IFRS17 Training by EY

30 September 2021

- APAC Summit Risk, Resilience & Recovery - A Conversation with Condoleezza Rice

20 October 2021

- IIFA Conference (International Investment Fund Analyst Association)

25 October 2021

- Federation of Investment Fund Managers Malaysia Annual Conference

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Datuk Lim Thean Shiang

8 April 2021

- Dealings in Listed Securities, Closed Period & Insider Training (CKM Advisory Sdn Bhd)

14 April 2021

- Responsibilities of Director - Safeguarding the Company against MACC Section 17A (Malaysian Institute of Corporate Governance)

10 May 2021

- Corporate Governance and Corporate Liabilities - by Daya Material (Epsilon Advisory Services Sdn Bhd)

Dato' Amir Hamdan Hj Yusof

26 January 2021

- On-boarding Session for Newly Appointed Director (MSM Management)

27 January 2021

- Convene Training for Dato' Amir Hamdan Hj Yusof (Digital Meeting Platform for MSM Directors) (FGV IT)

31 March - 2 April 2021

- Bursa Programme: "Mandatory Accreditation Programme (MAP)" (Asia School of Business)

21 & 22 October 2021

- Bengkel Pelan Strategik Felda 2022-2026 (Jabatan Pembangunan Strategik, Felda)

28 October 2021

- Felda Engagement Workshop: Assets Rationalisation (Transformation Management Office, Felda)

Nik Fazila Nik Mohamed Shihabuddin

22 October 2021

- On-boarding Session for Newly Appointed Director (MSM Management)

23 & 24 November 2021

- Future Proofed Palm Oil Summit

16 December 2021

- Rethink, Reimagine & Redesign: Business Model of the Future - Institute of Corporate Directors Malaysia

17 December 2021

- Becoming a Boardroom Star - Institute of Corporate Directors Malaysia

Azman Ahmad

22 October 2021

- On-boarding Session for Newly Appointed Director (MSM Management)

1 - 3 November 2021

- Mandatory Accreditation Programme (Asia School of Business)



Directors & Non-Executive Directors Remuneration

Directors

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

Details of Directors' Remuneration and aggregate remuneration of Directors for FY2021 are as follows:

	Directors' Annual Fees			Meeting Allowance (RM)	Benefits ⁽¹⁾ (RM)	Total (RM)
	MSM Board (RM)	MSM Board Committee (RM)	MSM Subsidiaries (RM)			
Non-Executive Directors						
Datuk Syed Hisham Syed Wazir	315,000.00	-	-	32,000.00	24,169.34	371,169.34
Choy Khai Choon	120,000.00	58,038.36	-	74,000.00	15,218.75	267,257.11
Dato' Muthanna Abdullah	120,000.00	46,410.96	-	72,000.00	15,218.75	253,629.71
Datuk Dr Abd Hapiz Abdullah	120,000.00	36,443.84	-	66,000.00	15,218.75	237,662.59
Dato' Rosini Abd Samad	120,000.00	37,358.91	-	76,000.00	15,218.75	248,577.66
Datuk Lim Thean Shiang	120,000.00	35,189.05	-	74,000.00	15,218.75	244,407.80
Dato' Amir Hamdan Hj Yusof <i>(appointed w.e.f 12 January 2021)</i>	116,451.61	14,268.49	-	42,000.00	14,289.90	187,010.00
Nik Fazila Nik Mohamed Shihabuddin <i>(appointed w.e.f 18 October 2021)</i>	24,516.13	4,109.59	-	10,000.00	284.68	38,910.40
Azman Ahmad <i>(appointed w.e.f 18 October 2021)</i>	24,516.13*	3,287.67*	-	14,000.00*	-	41,803.80
Dato' Haris Fadzilah Hassan <i>(resigned on 7 April 2021)</i>	32,333.33*	2,126.03*	-	12,000.00*	-	46,459.36
Total	1,112,817.20	237,232.89	-	472,000.00	114,837.66	1,936,887.76

Figures exclude GST

* Directors' Annual Fees paid/will be paid to FGV Holdings Berhad

⁽¹⁾ Benefits comprises of:

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Non-Executive Directors

The Non-Executive Directors' remuneration package reflects the experience, expertise and level of responsibilities undertaken by the Non-Executive Directors.

The draft Non-Executive Directors Remuneration Policy (NEDRP) was prepared internally by Group Secretarial Division captured the revised remuneration structure which has been approved by the shareholders at the 10th Annual General Meeting of the Company in 2021. The draft NEDRP then has been reviewed by external solicitors who are specialised in human resource fields.

The working committee comprises representatives from Group Human Resource, Company Secretary and Legal Affairs has reviewed the draft NEDRP. The Board on 25 November 2021 through the recommendation from NRC has approved the NEDRP for the implementation in MSM Group effective from 17 June 2021.

Details of the Non-Executive Directors' remuneration as members of the Board and Board Committees in the form of fees FY2021 are as follows:

Board/Board Committees	Fees per annum (RM)	
	Chairman	Member
Board of Directors	315,000.00 (RM26,250/month)	120,000.00 (RM10,000/month)
Board Committees		
- Audit, Governance and Risk Committee	64,000.00	32,000.00
- Nomination and Remuneration Committee	35,000.00	20,000.00
- Investment and Tender Committee	32,000.00	16,000.00

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



Meeting Allowance

- Board and Board Committee meeting:
RM2,000 per attendance



Benefits

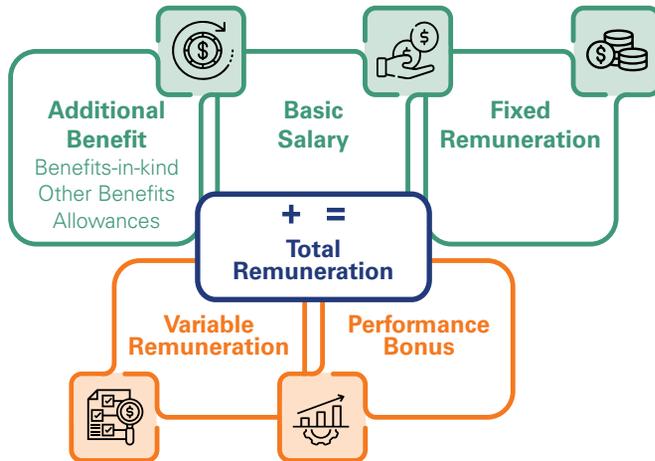
- Company car (Chairman only):
 - one (1) Company car of at least 2000cc with a maximum of RM180,000 per annum for utility of the car (car maintenance, petrol, etc. which is not convertible to cash; and
- Driver allowance (Chairman only):
 - RM30,000 per annum
- Medical expenses, insurance coverage, travelling expenses and other claimable



Summary of Group Chief Executive Officer Remuneration Policy

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

The summary of the Group CEO’s remuneration package is as follows:



PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT



Audit, Governance and Risk Committee

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

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



Oversight of Financial Reporting

The Board ensures that Shareholders are presented with a clear, balanced and comprehensive view of the Group’s financial performance and prospects through the audited financial statements, quarterly announcement of financial results, the Chairman’s Address and the Management Discussion and Analysis (MD&A) on page 266, page 42, page 48 and page 76, respectively in this Annual Integrated Report as well as corporate announcements on significant developments affecting the Company in accordance with the Listing Requirements. 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 AGRC updates the Board on the matters deliberated in its meetings. Details on the summary of work carried out during the year is set out in the AGRC Report on page 229 of this Annual Integrated Report.



Corporate Governance Matters

We are committed to excellence in corporate governance, transparency and accountability. All those are vital in supporting our business in executing its strategy and in generating long-term shareholder value. Below are the initiatives taken in place:



Governance

- Establishment of MSM Domestic Sales Policy, Conflict of Interest Policy and Referral Policy
- Revision of MSM Governance of Policies and Procedures Policy, Group Trading Policy, Related Party Transactions (RPT) and Recurrent Related Party Transactions (RRPT) Policy, Receivables Policy, Credit Control & Sales Payment Term Policy, Group Procurement Policy, Code of Business Conduct & Ethics

CORPORATE GOVERNANCE OVERVIEW STATEMENT

- Establishment of MSM Whistleblowing Channel (System) & Committee

On 25 May 2021, the Board has approved the establishment of Whistleblowing Channel (System) & Committee in MSM Malaysia Holdings Berhad and its group of Companies for implementation. Previously, MSM adopted FGV whistleblowing reporting channel & committee, being managed by FGV Whistleblowing Secretariat.

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

Further information on the implementation of the channel & committee can be found in the CG Report 2021 and published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

- Vendor Integrity Attestation
- Corporate Governance & Risk Management update to EXCO

On-going education programmes:

- Governance & Integrity E-Learning Module
- Integrity Talk
- Whistleblowing Roadshow



Ethic & Integrity

MSM Malaysia Holdings Berhad has undertaken the following key activities to show our commitment as being an ethical and professional organisation, anchored on ethics, integrity and accountability:

- Corruption Risk Management
- MSM Integrity Pledge
- Governance, Integrity & Risk Periodic Communication
- MSM Anti-Bribery Policy Statement
- Central Depository System
- Establishment of new and revised Policies
- Establishment of Whistleblowing Channel & Committee
- Integrity Compliance Assessment
- Governance and Integrity E-Learning
- Virtual Prodigy Induction
- EXCO Integrity Talk and Pledge



Risk Management, Business Continuity Management and Internal Controls

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

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

Further information on the Group's risk management and internal control framework is made available on the Statement on Risk Management and Internal Control on page 251 of this Annual Integrated Report.

Business Continuity Management

During normal operation and in response to current pandemic COVID-19, Business Continuity Management (BCM) sets a strategies to actively increase corporate resilience. The objective is to prevent suspension of operations or services.

Most businesses experience significant disruption to their business-as-usual operations and faces business underperformance throughout the duration of the COVID-19 crisis. To help address these challenges, MSM Group proposed the COVID-19 Response Plan which was updated and email blasted to all MSM staff on 19 August 2021.

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



Relations and Communications with Stakeholders

The Company has a Corporate Disclosure Policy stipulating the proper framework and guidelines to govern the release of information to ensure that comprehensive, accurate and timely disclosures are provided to shareholders and stakeholders. The Corporate Disclosure Policy also regulates the review and release of information to Bursa Securities as well as through the Company’s corporate 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:

Media Coverage and Briefings on the Quarterly Results

The Media is an important partner of the MSM Group as it helps the company to reach the public through all sorts of media channel including mainstream and digital media. MSM emphasised on accuracy, credibility, objectivity and timeliness throughout its media relations activities. All forms of media engagement, interaction and statements shall be referred to, prepared and issued by Corporate Communication Department.

Our media relations are facilitated by our Media & Spokesperson Policy to ensure consistency and positive management of the information released to the media whilst safeguarding MSM’s asset and reputation. It includes media release and briefing, press conferences, media enquiry and interview. All of MSM’s media release and media clippings are made available on MSM’s corporate website at <http://www.msmsugar.com/> and media enquiries can be emailed to corpcomms@msmsugar.com.

MSM also committed to ensure its communication through social media channel which include Instagram, Facebook, LinkedIn and Twitter are constantly monitored by Corporate Communication Department. Each engagement, interaction and content posted shall be reviewed thoroughly to safeguard the Group’s image and reputation.

MSM consistently update and announce the quarterly result to the Bursa Securities via Bursalink. The list of quarterly result announcement are as follows:

2020

- 25 February 2021**
4th quarter ended 31 December 2020
- 25 May 2021**
1st quarter ended 31 March 2021
- 25 August 2021**
2nd quarter ended 30 June 2021
- 25 November 2021**
3rd quarter ended 30 September 2021

2021

- 22 February 2022**
4th quarter ended 31 December 2021

Financial Reporting and Disclosure

MSM’s Board strives to present shareholders with a balanced and comprehensive assessment of the Group’s financial performance, challenges and outlook (Audited Financial Statements and Quarterly Results).

The Board is also committed in releasing announcements in a timely manner in respect of the Group’s performance. In the context of our Financial Statements, the Group adheres to the requirements set out in the Malaysian Financial Reporting Standards, the International Financial Reporting Standards and the Companies Act, 2016 as well as the laws and regulations in the respective countries in which MSM operates. Our Audited Financial Statements and Quarterly Reports are also reviewed by the AGRC to ensure a fair representation of the Group and the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Annual Report

This is MSM's 11th Annual Report produced since its listing on Bursa Securities on 28 June 2011. The report provides a comprehensive view on the Group's operational and financial performance.

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

Corporate Website

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

Conduct of General Meeting

The Company's Annual General Meeting (AGM), is the primary platform for communication with the widest range of shareholders. The notice of 10th AGM was issued to shareholders on 27 April 2021 which was more than 28 days before the date of AGM. The notice of 10th AGM provided the details of the proposed resolutions along with the explanation notes to enable the shareholders to understand, evaluate and vote accordingly.

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

Due to the pandemic COVID-19, the 10th AGM of the Company held on 17 June 2021 was conducted virtually via LUMI platform. The Chairman of the Board chaired the meeting in an orderly manner and the Shareholders/Proxies participated remotely and were allowed to pose their questions in the LUMI platform. All Directors were present to the 10th AGM to respond to the questions raised by the Shareholders/Proxies.

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

A media conference was held immediately after the 10th AGM virtually attended by the Chairman, Group CEO and CFO 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 10th AGM were announced on the same day via Bursa LINK.



Statement by the Board

This Corporate Governance Overview Statement is made in accordance with the resolution of the Board of Directors dated 21 March 2022.

On behalf of the Board

DATUK SYED HISHAM SYED WAZIR
Chairman

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT



THE AUDIT, GOVERNANCE AND RISK COMMITTEE (AGRC OR COMMITTEE) WAS ESTABLISHED BY THE BOARD OF DIRECTORS OF MSM MALAYSIA HOLDINGS BERHAD IN LINE WITH THE MAIN MARKET LISTING REQUIREMENTS (LISTING REQUIREMENTS) OF BURSA MALAYSIA SECURITIES BERHAD (BURSA SECURITIES) WITH THE PRINCIPAL ROLE 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. THE AGRC ALSO PLAYS A CRUCIAL ROLE IN ENSURING APPROPRIATE CHALLENGE AND GOVERNANCE IN MATTERS RELATING TO INTERNAL CONTROL, FINANCIAL REPORTING AS WELL AS GOVERNANCE, RISK MANAGEMENT AND ETHICS PROGRAMMES OF THE GROUP.

THE BOARD IS PLEASED TO PRESENT THE AGRC REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021.

COMPOSITION OF AGRC

The current AGRC comprises of four members, all of whom are Independent Non-Executive Directors. The composition of the AGRC complies with the Listing Requirements of Bursa Securities and the principles and practices set out in the Malaysian Code on Corporate Governance 2021 (MCCG 2021) that Audit Committee should comprise solely of Independent Directors. None of the AGRC members is a former key audit partner of the Group.

The Committee is chaired by Choy Khai Choon, an Independent Director who is not the Chairman of the Board, thus satisfying the requirement of separation of power between the Chairman of the Board and the Chairman of AGRC as prescribed by the MCCG 2021. He is a member of the Malaysian Institute of Accountants (MIA) and also an Honorary Fellow of CPA Australia. The Chairman of the Committee meets the requisite qualifications as stipulated in paragraph 15.09(1)(c)(i) of the Listing Requirements.

The membership and meeting attendance of AGRC members for 2021 are as follows:

Members	Type of membership	No. of meetings attended during 2021	
		Held	Attended
Choy Khai Choon	Chairman/Independent Non-Executive Director	13	13
Dato' Rosini Abd Samad	Member/Independent Non-Executive Director	13	13
Dato' Muthanna Abdullah	Member/Independent Non-Executive Director	13	13
Datuk Lim Thean Shiang	Member/Independent Non-Executive Director	13	13

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT

The AGRC discharges its responsibilities through a series of scheduled meetings during the year. The AGRC conducted a total of thirteen (13) meetings including eight (8) unscheduled meetings which were held on 29 March 2021, 5 April 2021, 26 April 2021, 7 July 2021, 9 September 2021, 12 October 2021, 19 November 2021 and 8 December 2021.

The Company Secretary and Chief Internal Auditor act as the Committee's Secretaries in all the meetings. The meetings were attended by Group Chief Executive Officer (Group CEO), Chief Financial Officer (CFO), Group Chief Operating Officer (Group COO), Head of Corporate Governance & Risk Management together with the members of Senior Management and the external auditor, upon invitation, to brief the Committee on related matters.

The AGRC meetings were conducted in accordance with the requisite quorum of two (2) members as stipulated in the Term of Reference (TOR) of AGRC.

All AGRC meeting minutes, including meeting papers, on matters deliberated by the Committee in the discharge of its functions were properly documented. Minutes of the AGRC were circulated to the members for confirmation. Reports on the proceedings of the Committee meetings were tabled to the Board quarterly.

ROLES OF THE COMMITTEE

Key areas under the purview of the AGRC include the financial reporting and performance oversight, internal audit, external audit, Related Party Transactions (RPT), Recurrent RPT, governance oversight, ethics and integrity, risk management, internal control environment, sustainability framework and anti-bribery. Further details on the functions and duties of the AGRC are provided in its TOR which is available at the Company's corporate website at www.msmsugar.com.

The AGRC's TOR has been established pursuant to the Listing Requirements and was approved by the Board to guide the Committee in the discharge of its functions and duties. In addition, the TOR also recognises and adopts related better practices and guidance from the MCCG and the Corporate Governance Guide. The TOR of AGRC was approved by the Board on 24 July 2020.

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

SUMMARY OF WORKS

The salient matters that the AGRC considered during the financial year 2021 in discharging their duties and responsibilities through the 13 meetings held and various private sessions with the external and internal auditors are as follows:



Financial Reporting

a. Quarterly Financial Results

At the AGRC meetings held on 17 February 2021, 17 May 2021, 13 August 2021 and 11 November 2021, the AGRC reviewed and discussed with Management the unaudited quarterly financial results, any changes in accounting policies, the going concerns assumptions, and ensuring that the necessary processes and controls are in compliance with accounting standards and regulatory requirements before recommended to the Board for approval.

The AGRC also reviewed the reports of the external auditor from their quarterly financial statement review and significant matters highlighted by the external auditor in the financial statements and significant judgments made by Management.

b. Audited Financial Statements

On 12 March 2021, the AGRC together with external auditor and Management had considered and reviewed the draft of the audited financial statements for the year ended 31 December 2020 together with the Directors' and Auditor's Statement and concluded that the financial report presented a true and fair view of the Company's financial performance for the year and was in compliance with regulatory requirements.

c. Quarterly Reports

The AGRC reviewed the following reports which are presented at each of its quarterly meeting:

- Group's Consolidated Cashflow Projections.
- Capital Expenditure (CAPEX).
- Recurring Related Party Transactions.
- Report on Recoverability of Trade Receivables and Past Due Accounts.

d. Reviewed MSM Group's Goodwill and MSM Johor's Asset Impairment Assessment.

e. Reviewed the position on the financial covenants of the MSM Group.



Assessing the Risks and Control Environment

- a. Evaluated the reports on the assessment of the risks and control environment based on the external auditor's quarterly financial statement reviews and statutory financial audits.
- b. Reviewed all internal audit reports issued by the Group Internal Audit, which detailed the observations from all the internal audits undertaken.
- c. Received assurances from the Group CEO and CFO that the risk management and internal control system of the Group for the financial year 2020 have been operating adequately and effectively, in all material respects.
- d. Monitored the implementation of corrective actions taken for improvement by Management based on matters highlighted by internal and external auditors.
- e. Provided relevant guidance for the improvement of the risks and internal control of the Group, particularly in the areas of inventory management which was the key focus area of the Group during the financial year. This included improvements in the monitoring and systems.
- f. Reviewed raw sugar pricing for FY2023 and gas price hedging with Brent Crude Oil.
- g. Reviewed proposal to enter into agreement for two (2) years refined sugar supply with Coca-Cola.



Internal Audit Process

- a. The AGRC reviewed Group Internal Audit reports summarising the following at quarterly meeting during the financial year 2021:
 - The observations from the internal audit reports issued during the quarter. The Committee gave direction to Management on key matters requiring Management's special and immediate attention. The Committee has reported to the Board on these key significant matters.
 - The progress of implementation of the recommendations from internal audit reports issued.
 - The progress of implementation of the MSM Group Annual Internal Audit Plan.
- b. Considered the outcome of any special reviews and investigations, including those arising from Management and recommendation raised by the Committee's Chairman and members and Management's response and follow-up actions thereto, and reported key matters to the Board.
- c. Reviewed and recommended the proposal for Award of Out-Source Review of MSM Johor Refinery Construction-Phase 3 to the Board for approval.
- d. On 11 November 2021, the AGRC reviewed and approved the MSM Group Annual Internal Audit Plan for the year 2022 including assessing the priority ranking of the audit universe to provide sufficient audit coverage, the adequacy of resources of the internal audit function to execute the MSM Group Annual Internal Audit Plan and competencies required.
- e. Assessed the performance of the Chief Internal Auditor basing on the delivery of the internal audit function. This included assessment whether the internal audit function has the required expertise and professionalism to discharge its duties.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT



Reviewing the External Audit Process

- a. Held two (2) private discussion sessions with the external auditor, Messrs PricewaterhouseCoopers PLT (PwC) without Management on 17 February 2021 and 13 August 2021.

These sessions provided the external auditor with the opportunity to openly share concerns about the Group and any related issues requiring attention or significant matters arising from the external audit with the Independent Non-Executive Directors.

- b. Reviewed and approved the PwC's Audit Plan and scope of work for the statutory audit of the Financial Statements for the financial year ended 31 December 2021 on 13 August 2021, which covered:

- The focus areas planned as follows:
 - i. Risk of management override of controls (in line with International Standards of Auditing requirements).
 - ii. Ensuring revenue is recognised in the correct accounting period and is appropriately supported.
 - iii. Recoverability of non-current assets (including goodwill).
 - iv. Recoverability of inventories and adequacy of provisions on onerous contracts.
 - v. Rationalisation plan by Management - closure of MSM Perlis factory operations.
 - vi. Risk of non-compliance to the financial covenants.

- Declaration of PwC's independence as external auditor.

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

- d. Reviewed the assessment of the performance and effectiveness of PwC in respect to their statutory audit services as the external auditor for financial year 2020. The result of evaluation was discussed at the AGRC meeting held on 12 March 2021. Based on the assessment and input from Management, the AGRC was satisfied with the services rendered by PwC. The AGRC recommended the re-appointment of PwC as external auditor for the financial year 2021 for the shareholders' approval at the Company's Annual General Meeting.



Related Party Transactions

- a. Divestment of 100% shares in MSM Perlis Sdn Bhd owned by MSM Malaysia Holdings Berhad to FGV Holdings Berhad (Proposed Disposal)

Pursuant to paragraph (3)(a) of the Appendix 10C of the Listing Requirements, the AGRC is required to provide a statement in the announcement and circular pertaining to the divestment to the shareholders of MSM that the AGRC has considered and deliberated all aspects of the Proposed Disposal and the AGRC is of the opinion that the Proposed Disposal is:

- In the best interest of MSM.
- Fair, reasonable and on normal commercial terms.
- Not detrimental to the interest of the minority shareholders.

In forming the opinion on the above, the AGRC has considered, amongst others, the terms and conditions of the Proposed Disposal, rationale, financial effects as well as the evaluation of the Independent Adviser.

- On 17 February 2021, the AGRC reviewed the Proposed Disposal.
 - On 29 March 2021, the AGRC sought the preliminary view from the Independent Adviser on Proposed Disposal.
 - On 26 April 2021, the AGRC reviewed the update of Proposed Disposal by Management.
 - On 7 July 2021, the AGRC reviewed the Proposed Circular to Shareholders for the Disposal of Equity in MSM Perlis Sdn Bhd to FGV Integrated Farming Holdings Sdn Bhd and recommended to the Board for approval.
- b. Reviewed and analysed the quarterly report on Recurrent Related Party Transactions for monitoring of the transactions against the shareholders' mandate from the 10th Annual General Meeting held on 17 June 2021.
 - c. Reviewed the Circular to the shareholders for the purpose of seeking mandate for renewal and new Recurrent Related Party Transactions of the Group at the Annual General Meeting 2021.
 - d. Reviewed the revision to Related Party Transactions and Recurrent Related Party Transactions Procedures.

- e. Reviewed the Group Internal Audit report on review of the Recurrent Related Party Transactions Procedures.



Governance and Integrity

- a. Reviewed the quarterly Progress Report on Corporate Governance Activities of MSM Group.
- b. Reviewed the latest updates on MCCG 2021 issued by Securities Commission Malaysia and MSM's gap analysis, which was recommended to the Board for information and direction.
- c. Reviewed new and the revised Policies & Procedures and Limits of Authority under the Group.
- d. Reviewed the establishment of Whistleblowing Committee and Whistleblowing System implementation within MSM Group of Companies.



Risk Management

- a. Reviewed the quarterly Progress Report on Group Risk Register Report and Business Continuity Management (BCM) and provided necessary guidance on identification, assessment and mitigation of key business risks and effectiveness of its mitigation.
- b. Reviewed quarterly progress updates on:
 - COVID-19 status within the Group
 - Key emerging risk that would impact the Company's business and operation.

AUDIT, GOVERNANCE AND RISK COMMITTEE REPORT



Others

a. Reviewed and recommended the Corporate Governance Report and the following reports for Board's approval for inclusion in the Annual Report 2020:

- Corporate Governance Overview Statement.
- AGRC Report.
- Sustainability Reporting on Economic, Environmental and Social.
- Statement of Risk Management and Internal Control.

The Committee reviewed the reports with focus on meeting the Listing Requirements and reporting best practices based on the guidance from the MCCG 2017 (now revised in 2021), Guidance to Directors of Public Listed Companies on the Statement of Risk Management and Internal Control and other best practice references.

b. Reviewed and approved the Schedule of AGRC meetings for year 2022.

RELATIONSHIP WITH EXTERNAL AUDITOR

Through the AGRC, MSM Group maintain a professional and transparent relationship with its external auditor. The External Auditor Policy (Policy) was developed to provide guidance on matters related to dealing with the firm of professional accountants which is or will be appointed as the external auditor for the statutory audit of MSM Group. This Policy was approved by the Board on 23 February 2016 and will be further reviewed to update based on the latest requirement and best practices.

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

During the financial year ended 31 December 2021, other than the assurance service for review of quarterly Bursa announcement, there were also other non-audit

services rendered by the external auditor amounting to RM136,000. The non-audit fees relate to two engagements carried out in respect of Divestment of MSM Perlis; a sum of RM99,000 of the total was approved by the Board on 24 February 2021 and the remainder was approved on 25 November 2021.

CONTINUOUS LEARNING AND DEVELOPMENT

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

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

Further details on the training attended by the Committee's members during the financial year 2021 are detailed out in the Corporate Governance Overview Statement under Directors' Training on page 220 of this Annual Integrated Report.

COMMITTEE EVALUATION

For year of assessment 2021, Board Evaluation Assessment was carried out in 2022 which encompassed the performance of the Committee and its Chairman as well as the Independence of the Independent Directors. The assessment focused on how effective the Committee had conducted its activities in 2021.

INTERNAL AUDIT FUNCTION

The Internal Audit function for MSM Group is outsourced to the holding company, FGV Holdings Berhad (FGV) Group Internal Audit Division (GIA). The Chief Internal Auditor reports functionally directly to the AGRC of MSM. The conduct of GIA is based on a Group Internal Audit Charter, which was established consistent with the requirements of Institute of Internal Auditor's International Professional Practise of Framework and affirmed through a Quality Assurance Review once every 5 years with the most recent review in 2020.

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

Four (4) internal auditors comprising of a Senior General Manager, a Senior Manager and one (1) team of two (2) persons are specifically assigned for audits of MSM Group throughout the financial year.

The total cost incurred for the financial year ended 31 December 2021 was RM1,449,067 (2020: RM1,380,064).

The qualification and professional status of the internal auditors together with their independence and objectivity are disclosed in the Corporate Governance Report on Practice 11.1 and 11.2.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

During the financial year under review, the Internal Audit function has undertaken the following main activities:

- a. Prepared and developed the Annual Internal Audit Plan of MSM Group for year 2022 and presented the same to the AGRC for approval.
- b. Performed internal audits according to the Annual Internal Audit Plan approved by the AGRC and reported the findings, recommendations and Management's corrective action directly to the AGRC with copies to the relevant Management for their action. The scope of work was focused on the following key areas:
 - Governance Framework and Structure;
 - Inventory Management;
 - Production Management;
 - Repair and Maintenance;
 - Financial closing at Subsidiary Level;
 - Pay-per-use Mechanism; and
 - Information Technology.

In 2021, the Internal Audit function performed 16 internal audit assignments (i.e. 6 assurance audits and 10 investigations) which consumed 1,969 mandays in comparison to 645 budgeted mandays during the year.

- c. Presented to the AGRC at its quarterly meetings, the summary observations and recommendations and Management's corrective action implementation from the internal audit reports are issued.
- d. Performed investigative audit and presented to the AGRC the conclusions and subsequently seeking the recommendation and direction from AGRC on action to be taken.
- e. Undertook Recurrent Related Party Transactions review for the purpose of supporting the Committee's statement in the Circular to the shareholders to seek mandate on new and existing Recurrent Related Party Transactions of the Group.

STATEMENT BY THE BOARD

This Audit, Governance and Risk Committee Report was made in accordance with a resolution of the Board of Directors duly passed on 21 March 2022.

NOMINATION AND REMUNERATION COMMITTEE REPORT



THE NOMINATION AND REMUNERATION COMMITTEE (NRC OR THE COMMITTEE) IS PLEASED TO PRESENT ITS REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (FY2021).

THIS REPORT PROVIDES SHAREHOLDERS WITH VALUABLE INSIGHT INTO THE ACTIVITIES OF THE NRC DURING THE FINANCIAL YEAR UNDER REVIEW AND HOW THE COMMITTEE PLAYED ITS ROLE TO ENHANCE THE EFFECTIVENESS OF THE BOARD.

COMPOSITION

The NRC members as at the date of this report comprises exclusively of Non-Executive Directors (NED), the majority of whom are Independent NED. The Committee is chaired by an Independent NED, Dato' Muthanna Abdullah.

There were changes to the composition of the NRC during the financial year 2021. On 12 January 2021, Dato' Amir Hamdan Hj Yusof was appointed as Non-Independent Non-Executive Director (NINED), a Nominee Director from Koperasi Permodalan Felda Malaysia Berhad (KPF) and a member of the NRC of MSM Malaysia Holdings Berhad (MSM). Following thereto, the Board on 18 October 2021 has approved the appointment of Nik Fazila Nik Mohamed Shihabuddin, a Nominee Director from FGV Holdings Berhad as NINED of MSM and a member of the NRC.

Members	Type of membership	No. of meetings attended
Dato' Muthanna Abdullah	Chairman/Independent Non-Executive Director	9/9
Datuk Dr Abd Hapiz Abdullah	Member/Independent Non-Executive Director	9/9
Dato' Rosini Abd Samad	Member/Independent Non-Executive Director	9/9
Dato' Amir Hamdan Haji Yusof <i>(appointed as member on 12 January 2021)</i>	Member/Non-Independent Non-Executive Director	8/9
Nik Fazila Nik Mohamed Shihabuddin <i>(appointed as member on 18 October 2021)</i>	Member/Non-Independent Non-Executive Director	1/1

The current composition is in compliance with the requirement of Paragraph 15.08A (1) of the Main Market Listing Requirements (Listing Requirements) of Bursa Malaysia Securities Berhad (Bursa Securities) and in line with Practice 5.8 of the Malaysian Code on Corporate Governance 2021 (MCCG 2021) which recommends the NRC is chaired by an Independent Director or the Senior Independent Director.

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



Roles of the Committee

The Committee is responsible:

- to review the composition of the Board, evaluate the balance of skills, knowledge, experience and diversity of the Board
- to review the performance and effectiveness of the Board
- to set the remuneration policy for the Directors and the employees of MSM Group
- to lead the process for the appointment of new Directors to the Board and make appropriate recommendation to the Board

Further details of the roles of NRC are provided in the Terms of Reference which is available at Company's corporate website at www.msmsugar.com.

TERMS OF REFERENCE

NRC is governed by its own Terms of Reference (TOR) which was established pursuant to the Listing Requirements and was approved by the Board. The TOR is reviewed periodically between one (1) to three (3) years, as and when required especially when there are changes to the Listing Requirements and MCCG.



The NRC TOR is published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>

MEETING

NRC meetings are chaired by its Chairman, an Independent Non-Executive Director, who is responsible for the conduct of meetings. NRC is required to conduct its meeting at least three (3) times annually.

In order to facilitate NRC members' time planning, NRC meetings held during the FY2021 were scheduled and approved in November 2020. In addition to the scheduled meetings, Chairman also called for meetings as and when required.

During the FY2021, NRC held a total of nine (9) meetings. Out of the total, four (4) meetings were unscheduled meetings. The attendance at all NRC meetings met the requisite quorum as stipulated in NRC's TOR.

SUMMARY OF ACTIVITIES OF THE NOMINATION AND REMUNERATION COMMITTEE FOR THE FINANCIAL YEAR 2021

Due to COVID-19 pandemic, all NRC meetings for the year 2021 were held virtually. The meetings were attended by Group Chief Executive Officer together with Head of Human Resources. The Group Chief Operating Officer and Chief Financial Officer will attend the meetings upon invitation. The summary of matters discussed and deliberated by NRC were as follows:

Nomination and Election Process

- Reviewed and selected the candidates for the position of Group Chief Executive Officer and Group Chief Operating Officer of MSM Malaysia Holdings Berhad
- Reviewed the proposal for the renewal of contract of the Chief Financial Officer
- Reviewed the re-election of retiring directors at the 2021 Annual General Meeting
- Reviewed the re-appointment of Independent Directors upon completion of the three (3) years tenure
- Reviewed and evaluated the Performance Assessment of the Audit, Governance and Risk Committee and its members

NOMINATION AND REMUNERATION COMMITTEE REPORT

- f. Reviewed and assessed the Board Annual Assessment on the Independence of the Independent Directors
- g. Assessed and evaluated the candidates of Nominee Director of FGV Holdings Berhad in MSM Malaysia Holdings Berhad as Non-Independent Non-Executive Director

Remuneration Matters

- a. Reviewed the Proposed Remuneration Package including Terms and Conditions of Service for Group Chief Operating Officer of MSM Malaysia Holdings Berhad
- b. Reviewed and analysed the remuneration structure of Non-Executive Directors of MSM Malaysia Holdings Berhad
- c. Reviewed the Proposed Financial Year 2021 Annual Increment for MSM Group of Companies
- d. Reviewed the Proposal on Payment of One-Off Financial Assistance 2021 during pandemic period to the eligible employees of MSM Group of Companies
- e. Reviewed the new Non-Executive Directors' Remuneration Policy for MSM Malaysia Holdings Berhad

Other Matters

- a. Reviewed the Formation of Group Health, Safety, Environment, Security and Quality (HSES & Q) Division in MSM Group of Companies
- b. Reviewed the report on Nomination and Remuneration Committee for Inclusion in MSM Malaysia Holdings Berhad 2020 Annual Report
- c. Reviewed the proposed Formation and Changes to the Organisational Structure of MSM Malaysia Holdings Berhad
- d. Reviewed and evaluated Corporate Scorecard 2021 for MSM Group
- e. Reviewed and assessed 2020 Board Effectiveness Assessment
- f. Reviewed the Formation of Group Digital Department in MSM Malaysia Holdings Berhad
- g. Approved the Schedule of NRC Meetings for year 2022

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

BOARD APPOINTMENT PROCESS

Pursuant to the TOR and Board Nomination and Election Policy and Procedures, NRC is responsible to review the structure, size and composition (including skills, knowledge, experience and diversity) of the Board, the Board Committees and all directorships in the Group.

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

During the FY2021, the following changes had taken place:



Board of Directors

Director	Changes	
	Type	Effective Date
Dato' Amir Hamdan Hj Yusof <i>Non-Independent Non-Executive Director</i>	Appointment	12 January 2021
Dato' Haris Fadzilah Hassan <i>Non-Independent Non-Executive Director</i>	Resignation	7 April 2021
Azman Ahmad <i>Non-Independent Non-Executive Director</i>	Appointment	18 October 2021
Nik Fazila Nik Mohamed Shihabuddin <i>Non-Independent Non-Executive Director</i>	Appointment	18 October 2021

The NRC is responsible for assessing and evaluating the new candidates for proposed directorships before making recommendations to the Board for decision. The NRC ensures that right balance of skills, experiences and diversity in terms of range and gender are reflected in the selection process.

The proposed appointments of Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad were duly tabled to the NRC for evaluation and assessment on 17 September 2021 and 12 October 2021, respectively. With the NRC's recommendation, the Board on 18 October 2021 approved the appointments of Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad as Non-Independent Non-Executive Directors of MSM. The Board also approved the appointment of Nik Fazila Nik Mohamed Shihabuddin as a member of NRC while Azman Ahmad as a member of Investment and Tender Committee. The NRC believes that the appointment of the new directors with their valuable experiences and expertise in logistic business and Environmental, Social and Governance (ESG) can add value and foster opportunity for the Board to make effective decisions during the Board and Board Committees' meetings.

Each of the newly appointed Director was furnished with a Director's Kit which consist of, among others, the Board Charter and Board Committee TORs which give guidance on good corporate governance and outlines the roles and responsibilities of the Board and Board Committees as well as their authority limits. An on boarding session, for the newly appointed Directors was held on 22 October 2021 for Directors to meet the management team and to understand the business, operations and strategies of MSM Group.

NOMINATION AND REMUNERATION COMMITTEE REPORT



Senior Management

Changes to the Senior Management personnel that took place during the FY2021 until the date of this report:

Senior Management	Changes	
	Type	Effective Date
Syed Feizal Syed Mohammad <i>Group Chief Executive Officer (GCEO)</i>	Appointment	1 February 2021
Hasni Ahmad <i>Group Chief Operating Officer (GCOO)</i>	Redesignation/Appointment	1 February 2021
Fakhrunniam Othman <i>Acting GCEO</i>	Cessation	1 February 2021

In February 2021, Syed Feizal Syed Mohammad (Syed Feizal) and Hasni Ahmad were appointed as the GCEO and GCOO of MSM respectively. With the appointment of Syed Feizal, Fakhrunniam Othman ceased to be the Acting GCEO on the same day.

Syed Feizal is an engineer by profession and has over thirty-two years of experience in both multinational companies and local conglomerates. He has a strategic mindset which can lead MSM Group to achieve its targeted business plan.

Under the leadership of Syed Feizal, MSM has strengthened relationships with local industry players, including governmental bodies (ministries and agencies), analysts, suppliers and vendors. Syed Feizal, together with MSM's Management have committed to progressively turnaround MSM and to restore confidence of all stakeholders.

Hasni Ahmad's experience in downstream operation in previous employment can guide and lead the MSM Operational Team to effectively monitor the process of sugar refinery in Prai and Johor.

REAPPOINTMENT AND RE-ELECTION OF DIRECTORS

In accordance with the Company's Constitution, the newly appointed Directors during the year must offer themselves for re-election at the first Annual General Meeting (AGM) following their appointment and one-third of the Directors for the time being shall retire from office at least once in every three years and shall then be eligible for re-election. The Directors to retire in every year shall be those who, being subject to retirement by rotation, have been longest in office since their last election or appointment. A retiring Director shall retain office until the closure of the general meeting at which he retires.

In accordance with MSM Board Nomination and Election Policy and Procedures, NRC is responsible to assess the retiring Directors for re-election via the Board Assessment for the preceding financial year.

For the purpose of determining the eligibility of the Directors to stand for re-election at the 11th AGM, the NRC has conducted an assessment on each of the retiring Directors in line with Practice 5.1 of the MCCG 2021. Apart from the quantitative analysis of the Director's performance, the NRC also considered the other elements, among others, the following:

- a. The Individual Director assessment as part of the Board Effectiveness Assessment 2021 (BEA 2021) carried out internally which focuses more on soft governance aspects of the Director (individual contribution, communication with members, their decision making and traits); and
- b. Special skills and knowledge an individual Director brings to the organisation.

Based on the Individual Director assessment results of the BEA 2021 and the Directors' contribution to the Board, the NRC concluded that each of the Director has met the performance criteria required for an effective and high performance Board and has the ability to continuously discharging their duties diligently as Directors of the Company.

The Independent Non-Executive Directors concerned have also provided their annual declaration/confirmation of independence in January 2022.

As evaluated and recommended by NRC, the Board approved that the following Directors are eligible to stand for re-election at the forthcoming 11th AGM:

Director	Designation	Provision
Dato' Muthanna Abdullah	Independent Non-Executive Director	Re-election pursuant to Clause 99
Choy Khai Choon	Independent Non-Executive Director	Re-election pursuant to Clause 99
Nik Fazila Nik Mohamed Shihabuddin	Non-Independent Non-Executive Director	Re-election pursuant to Clause 105
Azman Ahmad	Non-Independent Non-Executive Director	Re-election pursuant to Clause 105

The Directors who retire in accordance with Clause 99 of the Company's Constitution namely, Dato' Muthanna Abdullah and Choy Khai Choon are eligible to stand for re-election. Both retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and Board Committee meetings.

NOMINATION AND REMUNERATION COMMITTEE REPORT

The independence of Dato' Muthanna Abdullah and Choy Khai Choon who have served as Independent Non-Executive Directors of the Company have been assessed by the NRC. Both Dato' Muthanna Abdullah and Choy Khai Choon satisfied the criteria of an Independent Director as defined under Listing Requirements which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders. Based on the NRC assessment, the Board affirmed Dato' Muthanna Abdullah and Choy Khai Choon to continue to act as Independent Non-Executive Directors of the Company. Dato' Muthanna Abdullah and Choy Khai Choon has not exceeded the nine (9) years tenure as Independent Director.

Clause 105 of the Company's Constitution stipulates that at any time and from time to time, the Director shall have power to appoint any person to be a Director either to fill a casual vacancy or as an additional Director by way of ordinary resolution. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election.

Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad, who were appointed during the financial year and before the 11th AGM, have successfully completed the Mandatory Accreditation Programmes pursuant to the provision of the Listing Requirements.

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 Integrated Report.

BOARD EFFECTIVENES ASSESSMENT

Pursuant to the Board's decision in November 2021, the Board Effectiveness Assessment process for year assessment 2021 (BEA 2021) has been carried out internally. The Board was in the opinion that the external consultant may be appointed for the BEA exercise every two (2) to three (3) years for realignment to ensure the process is correct. This is the first internal BEA done and it is in line with good board governance practices.

The BEA 2021 was carried out from 21 December 2021 to 10 January 2022. Three (3) sets of assessment forms were circulated to the seven (7) Directors (except the two newly appointed Directors) to assess the effectiveness of the following:

- a. Board as a whole
- b. Board Committees
- c. Directors' Self and Peer Evaluation

The scope of the assessment for Board as a whole was adopted from the previous year BEA 2020 which covers the core drivers or ten (10) domains influencing the effective functioning of the Board as below:

- a. Board Roles and Responsibilities (oversight of strategy, risks, performance monitoring);
- b. Board Leadership;
- c. Board Dynamics;
- d. Board Management Relationships;
- e. Board Composition and Diversity;
- f. Board Information;
- g. Board Processes;
- h. Board Committees;
- i. Board Agenda and Meeting; and
- j. Board and Stakeholders Engagement.

The assessment of the Directors was based on the relevant performance criteria in line with Practice 6.1 of the MCCG 2021.

The evaluation as a whole has covered the ten (10) core drivers of board effectiveness and the overall rating core drivers as detailed below:

Overall Effective	
↑	Board Leadership
↑	Board Dynamics
	Board Management Relationships
↑	Board Composition and Diversity
↑	Board Information
↑	Board Processes
	Board Committees
↑	Board Agenda and Meetings
	Board and Stakeholders Engagement
	Board Roles and Responsibilities
■	Very Effective
■	Effective
↑	Improved compared to 2020

In summary, there are improvements in six (6) out of ten (10) of the core drivers evaluated compared to the BEA carried out in 2020 by external consultant and overall, the Board remains Effective.

Each Board Committee namely, Audit, Governance and Risk Committee, Investment and Tender Committee and NRC has discharged its roles and responsibilities effectively as guided by its respective TOR.

All of the Directors has met the performance criteria required for an effective and high performance Board and has the ability to continuously discharge their duties diligently as Directors of the Company.

The outcome and conclusion of BEA 2021 was tabled to the NRC and Board in March 2022.

ASSESSMENT OF AUDIT, GOVERNANCE AND RISK COMMITTEE

Pursuant to Paragraph 15.20 of Listing Requirements, the NRC also reviewed the performance of Audit, Governance and Risk Committee (AGRC) for the year 2021. The performance assessment of AGRC and its member has been tabled to the NRC and Board in March 2022. The Board concluded that the AGRC and its members have discharged their functions, duties and responsibilities in accordance with its TOR.

NOMINATION AND REMUNERATION COMMITTEE REPORT

DIRECTORS' REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

At the Tenth Annual General Meeting (10th AGM) of MSM held on 17 June 2021, the shareholders had approved the proposed revised remuneration structure of the Non-Executive Directors. With the approval obtained at the 10th AGM, the existing Directors Remuneration Policy was then revised to capture the approved remuneration structure. The revision was done internally by a working committee consist of the representatives from Group Human Resource, Company Secretary and Legal Affairs.

The draft revised remuneration policy named Non-Executive Directors' Remuneration Policy (NEDRP) then tabled to the NRC and NRC decided that the draft NEDRP be reviewed by external solicitors who are specialised in human resources matters to facilitate the following:

1. reviewing the draft NEDRP with a view to benchmarking the same against the best practices in other organisations
2. analysing the gaps in the draft NEDRP and identifying the challenges in implementing the said NEDRP

The key considerations taken into account by the external solicitors for the purpose of reviewing the draft NEDRP and conducting the benchmarking exercise were as follows:

1. Alignment with regulatory and corporate governance requirements namely the Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance (as at 28 April 2021) (MCCG 2021) and the Companies Act, 2016;
2. Comparability with market practices;
3. Alignment with shareholders and stakeholders' interests; and
4. Clarity of the policies and procedures stipulated in the draft NEDRP.

On 15 November 2021, the proposed NEDRP together with the report of the NEDRP Benchmarking and Review Exercise were presented to NRC and subsequently to the Board on 25 November 2021 where at this Board meeting, the Board approved the NEDRP presented for implementation effective 17 June 2021.

The summary of the NEDRP is published in the Company's corporate website at <http://www.msmsugar.com/our-company/corporate-governance>.

THE COMMITTEE'S PERFORMANCE

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

STATEMENT BY THE BOARD

This Report on Nomination and Remuneration Committee is made in accordance with a resolution of the Board of Directors duly passed on 21 March 2022.

INVESTMENT AND TENDER COMMITTEE REPORT



THE BOARD IS PLEASED TO PRESENT THE REPORT ON INVESTMENT AND TENDER COMMITTEE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (FY2021).

The role of Investment and Tender Committee (ITC or the Committee) is to review the Business Plans progress and performance of MSM's existing and new strategic investment. The Committee also oversee the operations and ensure governance of procurement processes within the organisation are carried out in a fair, transparent, effective and comprehensive manner in accordance with the limits set out in MSM Group Limits of Authority and Group Procurement Policy.

Members	Type of membership	No. of meetings attended
Datuk Dr Abd Hapiz Abdullah	Chairman/Independent Non-Executive Director	8/8
Choy Khai Choon	Member/Independent Non-Executive Director	8/8
Datuk Lim Thean Shiang	Member/Independent Non-Executive Director	8/8
Azman Ahmad <i>(appointed as Member with effect from 18 October 2021)</i>	Member/Non-Independent Non-Executive Director	3/3

The ITC comprises exclusively of Non-Executive Directors and majority are Independent Directors. The ITC Chairman is an Independent Non-Executive Director. The Board believes that the current ITC's 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.



Roles of the Committee

The main responsibilities of the Committee are:

- To ensure that MSM has in place optimum frameworks, mechanisms, policies and procedures for effective investment and procurement undertakings and activities
- To review proposals related to investments, divestments and procurements of the Group in line with MSM's prevailing related policies and procedures



The full details of the Committee's Term of Reference is published in the Company's corporate website at www.msmsugar.com

INVESTMENT AND TENDER COMMITTEE REPORT



Meetings in 2021

The Committee has held eight (8) meetings during year 2021 and among the key matters discussed were on the divestment of 100% shares in MSM Perlis Sdn Bhd, strategic partnerships to explore new export segments, ramping up plans of MSM Sugar Refinery (Johor) Sdn Bhd and its related matters.

The meetings of the ITC were attended by the Group Chief Executive Officer, Group Chief Operating Officer, Chief Financial Officer and relevant team members who presented their proposals. ITC can award tenders and variation orders up to certain amount as per MSM Group Limits of Authority. All approvals by ITC were informed to the Board and all recommendations were tabled to the Board for further deliberations and approvals.



Focus in 2021

The Committee has undertaken the following key activities during the financial year 2021:

- Reviewed and approved the capital expenditure (CAPEX) projects for 2021 and its implementation
- Monitor the implementation of CAPEX projects and utilisation of funds at MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed and approved the appointment of consultants to dispose MSM Perlis Sdn Bhd's assets and reallocate some assets to MSM Prai Bhd and MSM Sugar Refinery (Johor) Sdn Bhd
- Reviewed the proposal to dispose MSM Group non-core assets
- Reviewed, recommended and approved proposed strategies for improvements & optimisation in both MSM Sugar Refinery (Johor) Sdn Bhd and MSM Prai Bhd to address operational issues
- Reviewed, recommended and approved new gas supply agreement for refineries operations
- Reviewed and approved revisions of MSM Group policies relating to procurement
- Reviewed Group's business strategies for expansion and diversification



Statement by the Board

This Report on Investment and Tender Committee is made in accordance with a resolution of the Board of Directors duly passed on 21 March 2022.

ADDITIONAL COMPLIANCE INFORMATION

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

UTILISATION OF PROCEEDS FROM CORPORATE PROPOSALS

MSM Holdings had on 8 June 2021 entered into a Share Sale Agreement with FGV Integrated Farming Holdings Sdn Bhd for the disposal of the entire equity interest in MSM Perlis Sdn Bhd, a wholly-owned subsidiary of MSM Holdings for total consideration of RM181.11 million in cash, subject to the terms and conditions therein.

The status of the utilisation of the proceeds from the disposal as at 31 December 2021 was as follows:

Purpose	Approved Utilisation RM'000	Actual Utilisation RM'000	Expected timeframe for utilisation upon receipt of the proceeds
Prepayment of borrowings	100,000	100,000	within 3 months
General capital expenditure	50,000	474	within 18 months
General working capital ¹	30,206	30,206	within 6 months
Estimated expenses for the Proposed Disposal	900	900	within 3 months
Total¹	181,106	131,106	

Note:

¹There is a variation or adjustment to the Final Disposal Consideration as a result of the adjustment of Completion Net Working Capital and Completion Net Debt as set out in Section 2.4.2 of Part A of the Circular to Shareholders dated 27 August 2021 has resulted in a RM24.96 million reduction to the amount allocated for general working capital.

NON-AUDIT FEES

The amount of non-audit fees rendered to the Group by its external auditors, PricewaterhouseCoopers PLT (PwC), for the financial year ended 31 December 2021 amounted to RM136,000.

MATERIAL CONTRACTS

Save for those disclosed in the Financial Statements and below, there is no other material contract entered into by the Company or its subsidiaries either still subsisting at the financial year ended 31 December 2021 or entered into since the end of the previous financial year ended 31 December 2020.

Share Sale Agreement dated 8 June 2021 between MSM Holdings and FGV Integrated Farming Holdings Sdn Bhd for the disposal of the entire equity interest in MSM Perlis Sdn Bhd, a wholly-owned subsidiary of MSM Holdings for total consideration of RM181.11 million in cash, subject to the terms and conditions therein.

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

At the 10th Annual General Meeting (AGM) held on 17 June 2021, the Company had obtained a Shareholders' mandate from its Shareholders for the existing Recurrent Related Party Transactions of revenue or trading nature for MSM and its subsidiary companies (MSM) and Shareholders' mandate for the new Recurrent Related Party Transactions of revenue or trading nature for MSM Malaysia Holdings Berhad (MSM) (RRPT Shareholders' Mandate). The RRPT Shareholders' Mandate is valid until the conclusion of the forthcoming 11th AGM of the Company.

ADDITIONAL COMPLIANCE INFORMATION

The Company proposes to seek a renewal of the RRPT Shareholders' Mandate at its forthcoming 11th AGM. The renewal of the RRPT Shareholders' Mandate, if approved by the Shareholders, will be valid until the conclusion of the Company's next 12th AGM. The details of the proposed renewal of the RRPT Shareholders' Mandate will be disclosed in the Circular to Shareholders which will be sent together with the Notice of the 11th AGM.

Pursuant to paragraph 10.09(2)(b) and paragraph 3.1.5 of Practice Note of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the Recurrent Related Party Transaction of revenue or trading nature entered into during the financial year ended 31 December 2021 are as follows:

Transacting Parties	Nature of Relationship	Nature of Transaction	Transaction Value for the year ended 31 December			
			2021 (estimate) RM'000	2021 (actual) RM'000		
MSM Malaysia Holdings Berhad Group (MSM) and FGV Group	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Provision of management services	6,500	2,954
MSM Malaysia Holdings Berhad Group (MSM) and FGV Prodata	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Provision of information technology (IT) services	1,000	47
MSM Malaysia Holdings Berhad Group (MSM) and FGV Security	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Provision of security services	3,250	1,752
MSM Malaysia Holdings Berhad Group (MSM) and FELDA	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Office rental <u>Address</u> Level 44, Menara FELDA, Platinum Park No. 11, Persiaran KLCC 50088 Kuala Lumpur Malaysia <u>Area</u> 15,631 sq ft <u>Duration</u> 23 November 2019 to 22 November 2022 <u>Rental Payment</u> Monthly	2,000	885

Transacting Parties	Nature of Relationship	Nature of Transaction	Transaction Value for the year ended 31 December			
			2021 (estimate) RM'000	2021 (actual) RM'000		
KPF Trading and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Sale of refined sugar	35,000	1,921
MSM Malaysia Holdings Berhad Group (MSM) and KPF Niaga	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Provision of motor vehicle insurance	1,000	302
MSM Malaysia Holdings Berhad Group (MSM) and Felda Travel	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Provision of travel and accommodation services	1,000	61
MSM Malaysia Holdings Berhad Group (MSM) and Felda D'Saji	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Provision of refreshments	1,000	4
MSM Malaysia Holdings Berhad Group (MSM) and FGV Transport	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Provision of freight forwarder and transportation services	30,000	5,772
MSM Malaysia Holdings Berhad Group (MSM) and FGV Transport	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Supply of courier services	1,000	(nil)

ADDITIONAL COMPLIANCE INFORMATION

Transacting Parties	Nature of Relationship	Nature of Transaction	Transaction Value for the year ended 31 December			
			2021 (estimate) RM'000	2021 (actual) RM'000		
FGV Kernel and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Supply of molasses and other sugar products	1,000	49
FGV Integrated Farming and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Supply of molasses and other sugar products	1,500	(nil)
MSM Malaysia Holdings Berhad Group (MSM) and FGV Integrated Farming	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Rental of land <u>Address</u> Mukim Chuping, Perlis, Malaysia <u>Area</u> 369.08 Ha <u>Duration</u> 10 March 2021 to 9 March 2022 <u>Rental Payment</u> In advance for first 6 months, and monthly thereafter	2,000	129
FGV Group and MSM Malaysia Holdings Berhad Group (MSM)	Interested Major Shareholders <ul style="list-style-type: none"> • FGV Sugar • KPF • FGV • FELDA 	Interested Directors <ul style="list-style-type: none"> • Azman Ahmad • Nik Fazila • Dato' Amir 	Interested Person Connected <ul style="list-style-type: none"> • FAHC 	Sale of refined sugar	9,000	60
Total				95,250	13,936	

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



This statement is made pursuant to: Rule 15.26(b) of Bursa Malaysia Securities Berhad Main Market Listing Requirements, Malaysian Code on Corporate Governance 2021 and in accordance with the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

RESPONSIBILITY AND ACCOUNTABILITY

The Board is committed in maintaining and continuously improving the MSM Group and its subsidiaries system of risk management as well as internal controls and is pleased to promote this through the following statement for the group during the year under review.

The Board acknowledges the importance of a sound risk management system and internal control practices for good corporate governance with the objective of safeguarding shareholders' investments and the Group's assets. The Board affirms its overall responsibility for the Group and has undertaken a review on the adequacy and effectiveness of those systems and compliance with relevant laws and regulations. In view of the inherent limitations in any system of internal controls, this system is designed to manage the risk to as low as reasonably practicable in achieving the corporate objectives. The system can only provide with reasonableness, nevertheless it is short of absolute assurance against material misstatement or losses or the occurrence of unforeseeable circumstances.

Audit, Governance and Risk Committee

Audit, Governance and Risk Committee (AGRC) at Board level supports the Board in its risk management and internal control responsibilities. AGRC is tasked with:

- i. overseeing risk management and governance aspects of the Group; and
- ii. assessing the risks and control environment and overseeing financial reporting, including the external and internal audit.

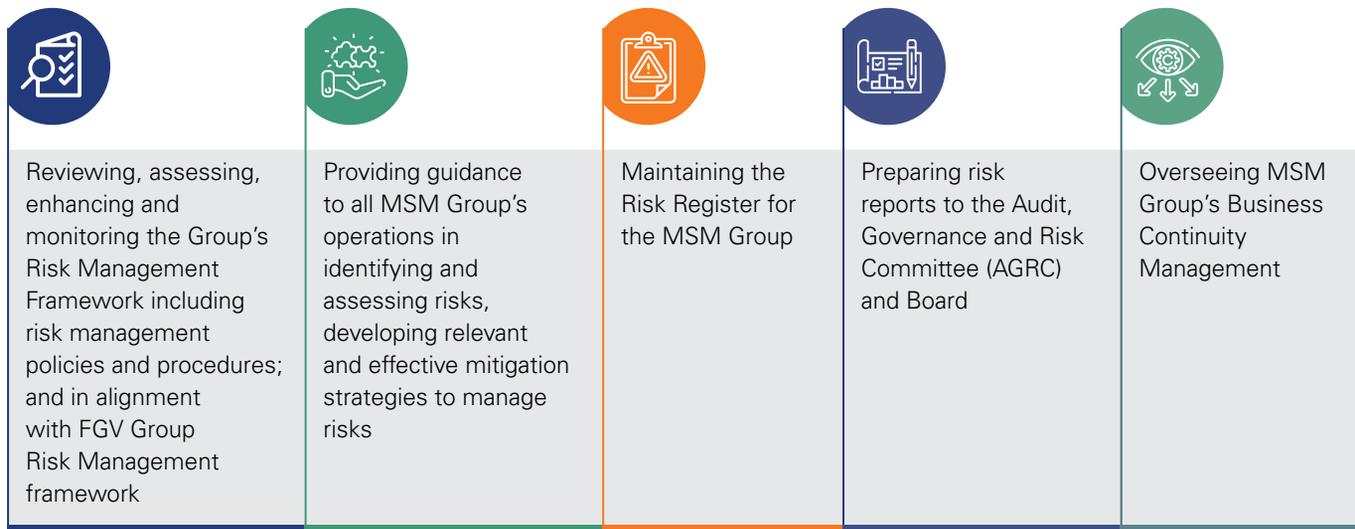
RISK MANAGEMENT

Risk Management is regarded by the Board to be an integral part of the Group's organisational processes, with the objective of maintaining sound system and ensuring its continuing adequacy and integrity. Risk Management is firmly embedded in the Group's Risk Management Framework.

The Management's key role is to identify significant risks, evaluate the risk profile and drive risk mitigation strategies on a regular basis. The management team is also responsible for risk management within their functional areas and to ensure that risk management is embedded in their day-to-day business processes.

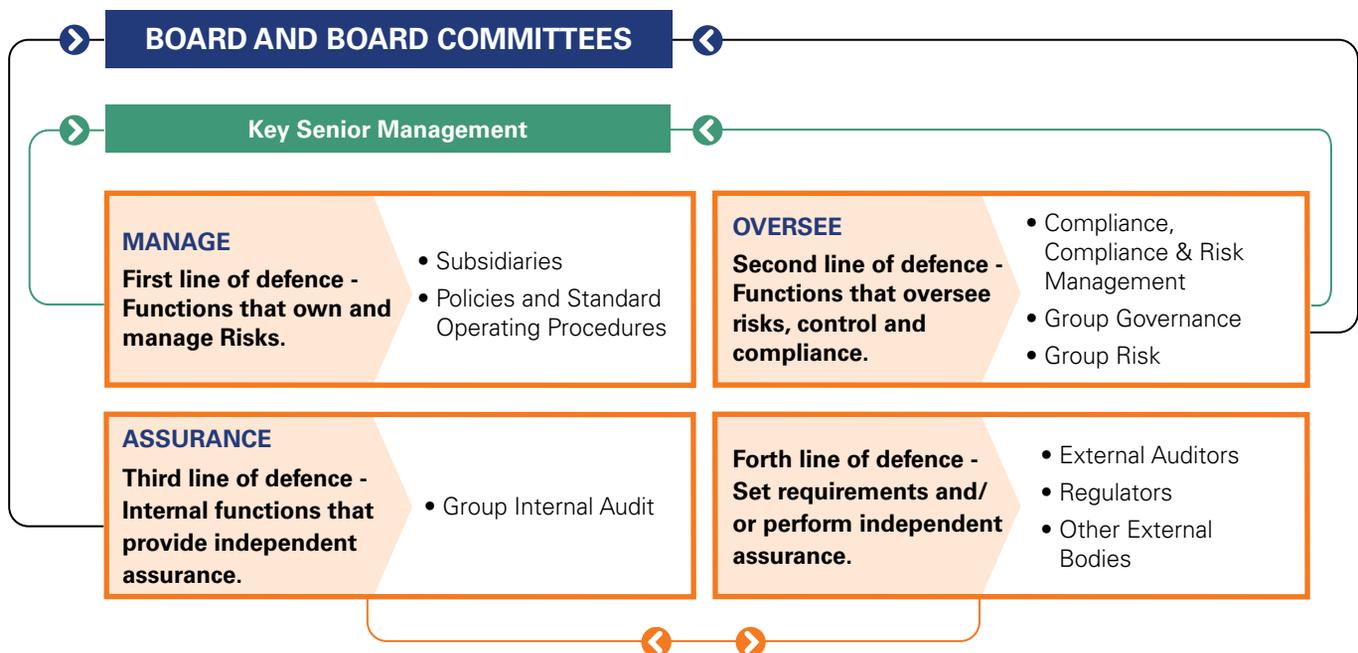
STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group's Risk Management function; undertaken by Corporate Governance & Risk Management (CGRM) adopts an effective and progressive Enterprise Risk Management System (ERMS) to identify, evaluate and monitor the risks faced by the Group, and Management take specific measures to mitigate the risks. CGRM purview include the following responsibilities:



Risk Management Framework and Process

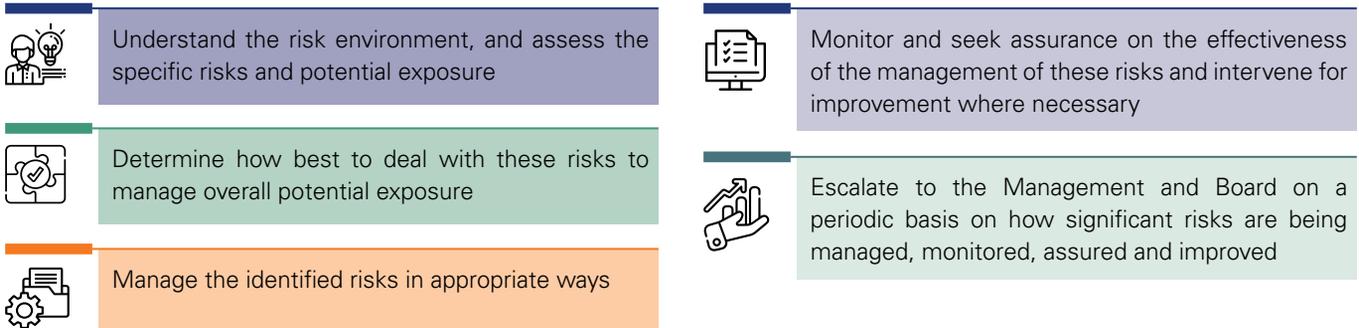
In ensuring effective oversight of risks enterprise-wide level, we have embedded risk management in all our key processes and activities. These are guided by our Enterprise Risk Management and Framework, which was designed in accordance with ISO 31000:2018 Risk Management - Guidelines. An overview of the Group's Risk Management Framework is depicted below:



The Risk Management Framework:

MSM has adopted the 4 lines of defence model as the fundamental approach to ensure the effectiveness of risk management.

The framework seeks to minimise risk incidents and maximise business outcomes by allowing us to:



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



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Overview of Risk Reporting Architecture is illustrated below:



Enterprise Risk Management (ERM) System

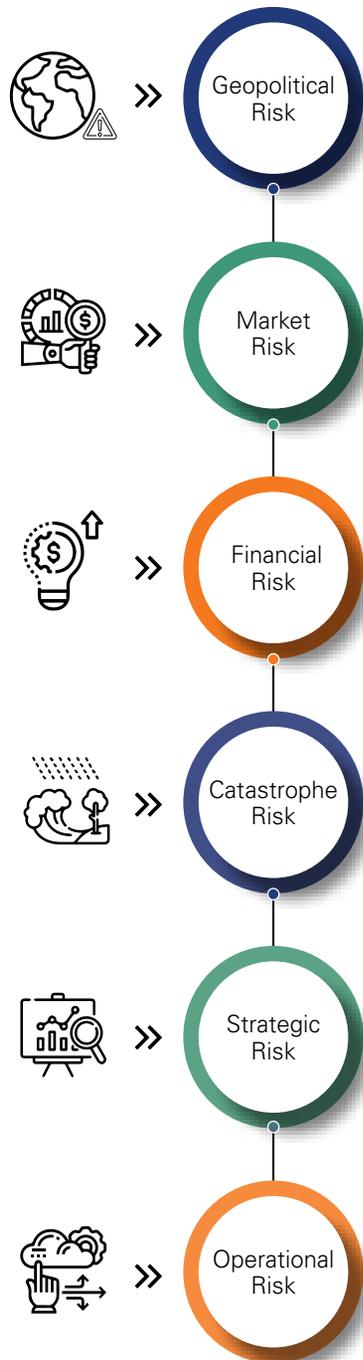
The Enterprise Risk Management framework enables the subsidiaries, operating units and support functions to exercise a consistent approach for risk identification and institutes a common platform to deliberate and manage risks.

The Group has in place a continuous and systematic control structure and process for identifying, evaluating and managing significant risks pertinent to the achievement of the Group's overall corporate objectives. The control structure and process which has been established throughout the Group is updated and reviewed from time to time to suit the changes in the business environment.

Below are the steps of compilation of risk information conducted within the Group:

	Review & Update	<u>Risk Owner</u> Review, update the Risk Register (RR) quarterly in line with the company's strategies and objectives.
	Review, verify, confirm and revise	<u>Risk Champion</u> Review, verify, confirm and revise the Risk Register (RR) that has been updated by Risk Owners. Risk Champion selects the Top 10 Risks for the companies every quarter (Select from established Risk Registers).
	Review & Approve	<u>GCEO/GCOO/HOO/HOD</u> Review and approve/reject the RR & the top 10 risk for each subsidiary.
	Review & Determine	<u>Sector Risk Champion</u> Review and determine the top 10 risk for the sector.
	Review & Approve	<u>Sector Head</u> Review and approve the top 10 risk for the sector.
	Report to Board	Board Reporting on quarterly basis.

Principally, in the ERM System, the Group's key risk factors are categorised as follows:



RISK MANAGEMENT ACTIVITIES

Continuous integration between strategies and risk management was carried out to ensure risk management approach is embedded into business decision.

Listed below are the key risk management activities undertaken by CGRM to reinforce the risk management culture within the Group:

1 Quarterly Risk Reporting for MSM Group

CGRM published its Quarterly Risk Report as a reporting tool to inform the Management, Board Committees and Board of the key risks horizon associated with the Group's business and operations covering the Top 10 and other key risks.

2 Review of Risk Registers

Existing risk registers were reviewed jointly with the respective risk owners at Operation Site via MsTeam approach, to ensure the analysis and corresponding mitigation measures and action plans were effective and adequately documented.

3 BCM Training (By FGV Holdings)

Business Impact Analysis (BIA) Workshop

4 Enhancement of ERM System

In April 2021, the ERMS has undergone enhancement for the whole FGV Group. The training on the enhancement has been conducted.

Categories covered in the ERMS System

- Risk Owner
- Risk Champion and Head of Operation/CEO level
- Sector Risk Champion and Sector Head level

The migration of the enhanced ERMS has been completed and moved into Go-Live phase on 4 June 2021.

5 BCM Quick Response Assessment (BCM QRA)

The BCM QRA has been develop to determine the critical function by each Division/ Department.

The assessment has been identified at MSM Holdings Berhad.

6 Corruption Risk Management (CRM) Training

Conducted 4 Sessions CRM training for companies and corporate centres on the identification of corruption risks and preparation of CRM risk registers.

7 Risk Management Workshop

The Risk Management Workshop was conducted in 3 sessions covering all of MSM Group.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

COVID-19 Pandemic

The pandemic has had significant impact on the Organisation. MSM Group has taken several initiatives in attendance to COVID-19 as per below:

Updated COVID-19 Response Plan

The COVID-19 Response Plan has been updated based on the current situation. The plan clarifies the steps to be taken by Employees and related Department Heads when there are positive cases identified. The revised Response Plan was email blasted to MSM Group on 19 August 2021.

COVID-19 Risk Assessment

Since 2020, the COVID-19 Pandemic has been addressed in the risk assessment by the representatives. The risk that has been updated by the representative also taking into consideration on the monitoring of the employee that been infected with COVID-19.

COVID-19 Report

COVID-19 Report has been reported to the Top Management weekly and also reported to the Board quarterly. In addition, the MSM Group takes initiative to report to FGV Group Risk.

Risk Related to COVID-19

1

Pandemic and movement control orders (MCO) by Government

Wide and fast spread of virus infection from one source country to another forcing governments (local and/or abroad) to take extreme preventive and mitigating measures on a wide scale over a period of months including travel bans.

2

COVID-19 pandemic and the effects towards the Group's investment initiative

Strategies have to be realigned to the market landscape post MCO by prioritising the right initiatives with the highest benefit to cost parity.

3

Rising energy prices (Crude Oil & Natural Gas)

Brent crude oil prices has been trending higher surpassing the USD80 mark. Natural gasses futures have also been spiking pass to USD5-6 mark. Higher energy cost may reduce the overall profit margin of the Group.

4

Freight Charges (CIF)

The freight charges (CIF) of incoming raw sugar vessels.

5

Exposure to Pandemic

Employees are exposed to epidemic or pandemic (such as COVID-19, influenza, SARS, H1N1 etc.)

KEY RISKS & MITIGATIONS

Risk Category	Category	Description	Mitigation
 Market Risk			
Volatility in foreign currency exchange (FOREX) movements	Economic	Exposure to volatility in movement of the global currency markets	i. Monitor the currency market
Freight Charges (CIF)	Economic	Increased global freight costs worldwide due to limited availability of vessels plying routes, new vessels in the market, due to slower production of vessels as a result of worldwide shipyard closures amid the recent Pandemic	i. Monitor global freight charges
Competitive sales	Economic	Competitive sales will lead to a reduction in market share and lower profit margins	i. Engage with government to curb and monitor the number of sugar import AP issuances ii. Improve customer relationships iii. Monitor market demands and competitors' activities iv. Ensure reliable supply and convenient delivery of good quality sugar
 Financial Risk			
Rising energy prices (Crude Oil & Natural Gas)	Environment (renewable energy)	Oil prices have been trending higher surpassing the mark	i. Hedging of Oil prices
Non-compliance of Covenant will trigger an Event of Default (EOD)	Economic	EOD under General Facility Agreement (GFA) will result in financier, accelerating repayment and may trigger cross-default on the other loans	i. Refinancing
Poor generation cash flow from operations	Economic	A low utilisation factor will result in high refining cost	i. Restructure loan with bank

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Category	Category	Description	Mitigation
 Catastrophic Risk			
Pandemic and movement control orders (MCO) by Government	Social	<p>The outbreak now constitutes a global health emergency that can affect the productivity of an organisation and even a country's economy</p> <p>Wide and fast spread of virus infection from one source country to another, force governments (local and/or abroad) to take extreme preventive and mitigating measures on a wide scale over a period, including travel bans</p>	<ol style="list-style-type: none"> All staff/contractors have to abide to the Standard Operating Procedures initiated by the government while working Urging all staff/contractor to be fully vaccinated and take up the booster dose Implementing control measures at plant to curb COVID-19 spread by performing weekly RTK swab test
Health and safety of our workers	Social	<p>Industrial accidents and health pandemics can lead to lowering of reputation, loss of reliability and contamination of products. Quality is of paramount importance</p>	<ol style="list-style-type: none"> Ensure all employees are aware of matters pertaining to hygiene, health epidemics and cleanliness Fully comply with Industrial Safety and environment regulations
 Operational Risk			
<p>Failure of critical equipment/ machinery</p> <p>(Failure/tripping of steam boiler during normal operation, Raw Sugar Weigher Malfunction, Failure of turbine generators, Failure of critical equipment/ machineries)</p>	Operation	<ul style="list-style-type: none"> • Aging machinery, computer software and hardware malfunctions, interruption of utility supplies, production disruption and loss • Malfunction of the weigher will result in error of weighing and wrong recording • Turbine generators tripping will affect the plant production • Any breakdown or downtime will cause plant to shut down or melting stop • All these lead to higher operating cost, lower efficiency and loss of customer confidence 	<ol style="list-style-type: none"> Comprehensive plant and machine upgrading and replacement programme Planned and scheduled maintenance and service Ensure skilled and trained operators and technicians for maintenance work Establish and update standard operating procedures and hazard Identification, Risk Assessment and Determining Control for all activities Establish a consistent schedule of maintenance and servicing of our refining machinery, and where identified have replaced aging machinery with machine upgrades and replacements Ensure maintenance plans are carried out consistently

Risk Category	Category	Description	Mitigation
 Operational Risk			
Cyber threats	Operation	Failure of Data Migration Exposure to threats which are classified under Cyber Security Risk due to IT resources, communications and network systems not being adequately protected	i. Affirm data with process owner and sign off ii. Completeness Data Checking and Sign Off iii. Evaluate Cut Over strategy iv. Identify major changes for critical object i. Incorporate network protection and security on IT/IT communication resources ii. Incorporate network protection and security on IT resources such as firewall iii. Roll Out Cyber Security Assessment
Environmental Issue-IETS for waste water, mud cake disposal & air emission	Environment	To fully comply with the Environmental Act & DOE requirements	i. Competent persons are trained ii. Engage the environmental consultant iii. Prepare Gantt Chart for list of machineries to be repaired, provide the comprehensive maintenance schedule
Quality of raw sugar	Economic	Inconsistency in raw sugar quality from different origins results in very poor quality of raw sugar received and used	i. File complaint and claim to supplier ii. Blending to improve quality
Safety and health hazards	Social	Insufficient drivers and lack of safety awareness that can affect business operation (Logistic)	i. HSE to educate employee on HSE related matters, reducing human errors, and prevention of incidents and fire safety ii. HSE to ensure safety awareness is provided iii. Periodical assessment on driver's health iv. Provide sufficient training and awareness (Defensive Driving)

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTERNAL CONTROL

The Group manages its risks by implementing various internal control mechanisms. The mechanisms apply to all subsidiaries within the Group.

The key elements of our internal control structure are as follows:



Ethics and Integrity

MSM is committed in applying the highest standards of ethical conduct and integrity in conducting its business activities by putting in place adequate Policies & Procedures as the fundamentals for internal control. It is also aligned with the Guidelines on Adequate Procedures for Corporate Liability, which are based on the five guiding principles of T.R.U.S.T. In tightening up the Group's internal control, MSM has developed/enhanced through the following:

Integrity Activities

MSM Malaysia Holdings Berhad has undertaken the following key activities to show our commitment to be an ethical and professional organisation, anchored on ethics, integrity and accountability:

- Corruption Risk Management
- MSM Integrity Pledge
- Governance, Integrity & Risk Periodic Communication
- MSM Anti-Bribery Policy Statement
- Central Depository System
- Establishment of new and revised Policies
- Establishment of Whistleblowing Channel & Committee
- Integrity Compliance Assessment
- Governance and Integrity E-Learning
- Virtual Prodigy Induction
- EXCO Integrity Talk and Pledge
- Vendor Integrity Attestation
- Corporate Governance & Risk Management update to EXCO

Anti-Bribery Policy Statement

MSM is committed to encourage transparent and good ethical conduct and upholding good image of integrity, transparency and accountability in all aspects of its business. The anti-bribery policy statement has been updated and approved on 4th October 2021 and been uploaded in the web



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

Establishment of MSM Whistleblowing Channel (System) & Committee

On 25 May 2021, the Board has approved the establishment of Whistleblowing Channel (System) & Committee in MSM Malaysia Holdings Berhad and its group of Companies for implementation. Previously, MSM adopted FGV whistleblowing reporting channel & committee, being managed by FGV Whistleblowing Secretariat.

The channel which allows reporting of any allegations of misconduct within the Group is also a preventive measure against unethical conduct. The channel thereby supports MSM to maintain the highest standard of ethical and legal conducted within the Group.

MSM External Gift Entertainment and Hospitality Policy

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

MSM Referral Policy

On 25 August 2021, the Board has approved the establishment of MSM Referral Policy. The purpose of this policy is to establish the rules and principles for referrals on criminal cases including but not limited to fraud, bribery and abuse of power to Enforcement Agencies.

This policy provides guided parameters to ensure that referral protocols are adhered to in relation to when the information is received, the results of investigation and any other matters related to it.

MSM Conflict of Interest Policy

On 25 August 2021, the Board has approved the establishment of MSM Conflict of Interest Policy. All employees and third parties of MSM Group shall act, at all times, in the best interest of MSM Group and not based upon their personal interest. Employees must not put themselves in a position where they are involved in an activity for personal gain, to themselves, their 'relative', 'associate' or third parties, or any activity that conflicts with MSM Group's interest.

MSM Code of Business Conduct and Ethics (CoBCE) Policy for Employees

On 25 November 2021, the Board has approved the revision of MSM CoBCE Policy. The MSM CoBCE Policy guides our employees in embracing the Group's values and in complying with applicable law and regulations through honest, transparent and ethical business practices. The MSM CoBCE Policy covers areas such as compliance, integrity, conduct in the workplace, business conduct, protection of the Group's assets, confidentiality and conflict of interest.

Authority and Responsibility

Organisation Structure

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

Limits of Authority (LOA)

A documented Limits of Authority (LOA) with clear lines of accountability and responsibility serves as a tool of reference to identify the appropriate approving authority at various levels of management including matters that require the Board's approval. The new LOA of MSM Group was approved and subsequently implemented effective 23rd November 2020.

Job Description

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Policies and Procedures

The process of development and revision of policies and procedures in MSM is governed by the MSM Governance of Policies and Procedures Policy to ensure documents are thoroughly reviewed by the relevant stakeholders, in compliance with the Malaysian laws and regulations and appropriately approved by the authorised authority. The monitoring mechanism is also embedded in the Governance of Policies and Procedures Policy to ensure the documents are still relevant and reflect the current business environment.

Policies

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

The following are the new and revised policies that were endorsed by AGRC and approved by the Board in 2021:

Sales

5 March 2021

MSM Domestic Sales Policy

Corporate Governance & Risk Management

5 March 2021

MSM Governance of Policies and Procedures Policy

Raw Sugar Procurement Unit (GCEO Office)

5 March 2021

MSM Group Trading Policy

Finance

25 November 2021

MSM Related Party Transactions (RPT) and Recurrent Related Party Transactions (RRPT) Policy

25 May 2021

MSM Receivables Policy

25 May 2021

MSM Credit Control & Sales Payment Term Policy

Procurement

14 July 2021

MSM Group Procurement Policy

Corporate Governance & Risk Management

25 August 2021

MSM Conflict of Interest Policy

25 August 2021

MSM Referral Policy

Human Resources

25 November 2021

MSM Code of Business Conduct & Ethics Policy

Monitoring

Financial and Operational Review

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

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

The Group Chief Executive Officer, Group Chief Operating Officer and Chief Financial Officer present MSM Group's Quarterly Financial Information and Operational Performance analysis to the Audit, Governance and Risk Committee prior to Board's approval and subsequent release to Bursa Malaysia.

Annual Business Plan and Budget

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

Competency

MSM views its employees as invaluable assets. The Group is committed to its employees and professional development at all levels.

In achieving the next level of productivity, excellent service, and performance, MSM has developed SWIIT Values (**S** for Sense of belonging, **W** for winning attitude, **I** for Integrity, **I** for Innovation and **T** for Teamwork) which bring meaningful purpose, practical strategies and goals together to make the organisation aspirations more credible and achievable.

In 2021, the Group has developed a qualifying and accredited competency programme which focus in building a competent workforce in particular food safety, international standard certification and professional finance accreditation as part of the learning roadmap. 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.

INTERNAL AUDIT FUNCTION

The Board acknowledges the importance of the internal audit function. The Internal Audit Function is to provide internal audit services to assist the Audit, Governance and Risk Committee (AGRC) and Board in reviewing the effectiveness, adequacy and integrity of the Group's systems of internal control in managing risks.



More details on Internal Audit activities covered in page 234

REVIEW OF STATEMENT BY EXTERNAL AUDITORS

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

STATEMENT BY THE BOARD

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

This Statement is made in accordance to the resolution of the Board dated 21 March 2022.

FINANCIAL STATEMENTS



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STATEMENT ON DIRECTORS' RESPONSIBILITIES

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

Incorporated on pages 276 to 369 of this Annual Integrated Report, are the financial statements of the Company and the Group for the financial year ended 31 December 2021. 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 2021 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 2021.

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

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

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



DIRECTORS' REPORT

The Directors are pleased to 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 2021.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit for the financial year	125,353	200,895

DIVIDENDS

On 10 March 2022, the Board of Directors agreed to declare the payment of a final single tier dividend of 3.0 sen per ordinary share amounting to RM21.09 million, which is not taxable in the hands of the shareholders pursuant to paragraph 12B of Schedule 6 of the Income Tax Act, 1967.

RESERVES AND PROVISIONS

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

DIRECTORS

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

Datuk Syed Hisham Syed Wazir

Choy Khai Choon

Dato' Muthanna Abdullah

Datuk Dr Abd Hapiz Abdullah

Dato' Rosini Abd Samad

Datuk Lim Thean Shiang

Dato' Amir Hamdan Hj Yusof

Nik Fazila Binti Nik Mohamed Shihabuddin (Appointed on 18.10.2021)

Azman Bin Ahmad (Appointed on 18.10.2021)

Dato' Haris Fadzilah Hassan (Resigned on 07.04.2021)

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

DIRECTORS' REPORT

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration as disclosed in Note 12 to the financial statements) by reason of a contract made by the Company or a related corporation with the Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During and 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 31.12.2021
	At date of appointment	Acquired	Granted	(Disposed)	
Azman Bin Ahmad	3,900	-	-	-	3,900

Shareholdings in FGV Holdings Berhad, the immediate holding company

	Number of ordinary shares				At 31.12.2021
	At 1.1.2021	Acquired	Granted	(Disposed)	
Datuk Syed Hisham Syed Wazir	55,000	-	-	(55,000)	-

AUDITORS' REMUNERATION

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

DIRECTORS' REMUNERATION

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

INDEMNITY AND INSURANCE FOR DIRECTORS AND OFFICERS

The Company maintains a corporate liability insurance for the Directors and officers of the Group throughout the financial year, which provides appropriate insurance cover for the Directors and officers of the Group. The total amount of insurance premium paid by the Group during the financial year amounted to RM82,690 (2020: RM48,500).

DIRECTORS' REPORT

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve (12) months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

IMMEDIATE HOLDING COMPANY

The Directors regard FGV Holdings Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the immediate holding company.

DIRECTORS' REPORT

ULTIMATE HOLDING BODY

The Directors regard FELDA, a body set up under the Land Development Act 1956, as the ultimate holding body of the Company.

AUDITORS

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

This report was approved by the Board of Directors on 21 March 2022. Signed on behalf of the Board of Directors:



DATUK SYED HISHAM SYED WAZIR
CHAIRMAN

Kuala Lumpur



CHOY KHAI CHOON
DIRECTOR

STATEMENT BY DIRECTORS

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

We, Datuk Syed Hisham Syed Wazir and Choy Khai Choon, 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 276 to 369 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance and cash flows of the Group and of the Company for the financial year ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated 21 March 2022.



DATUK SYED HISHAM SYED WAZIR
CHAIRMAN



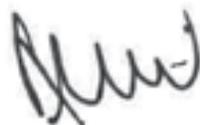
CHOY KHAI CHOON
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

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

I, Ab Aziz Ismail, the Officer primarily responsible for the financial management of MSM Malaysia Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 276 to 369 are, to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



AB AZIZ ISMAIL
(MIA No.: 15850)

Subscribed and solemnly declared by the abovenamed Ab Aziz Ismail in Kuala Lumpur on 21 March 2022, before me.

Lot 333, 3rd Floor
Wisma New Asia
Jalan Raja Chulan
50250 Kuala Lumpur

COMMISSIONER FOR OATHS



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration No. 201101007583 (935722-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MSM Malaysia Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 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 276 to 369.

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' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration No. 201101007583 (935722-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<p>Impairment assessment of goodwill</p> <p>As at 31 December 2021, 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, refining costs, terminal value growth rate, capital expenditure, discount rate and exchange rate.</p> <p>Refer to Note 3(d) in the significant accounting policies, Note 5 in the critical accounting estimates and judgment and Note 19 to the financial statements.</p>	<p>We performed the following procedures on the cash flow projections to support the impairment assessment of goodwill prepared by the management and approved by the Board of Directors of the Company:</p> <ul style="list-style-type: none"> • We assessed the reasonableness of the key assumptions used by management in the VIU calculations, in particular selling price, raw sugar price, sales volume, refining costs, terminal value growth rate, discount rate and exchange rate by comparing with business plans, historical results and market trends; • We assessed the reliability of management's forecast through the review of past trends of actual financial performance against previous forecasted results; • We examined the sensitivity analysis prepared by the management on selling prices, raw sugar price, sales volume, refining costs, capital expenditure, discount rate and exchange rate to evaluate the impact on the impairment assessment; and • We assessed the adequacy of the disclosures in relation to goodwill in the financial statements. <p>Based on our procedures, we noted no significant exceptions.</p>

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration No. 201101007583 (935722-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill</p> <p>The carrying values of property, plant and equipment, right-of-use assets and intangible assets other than goodwill of the Group as at 31 December 2021 is RM1,220.5 million, RM83.0 million and RM46.0 million respectively ("non-financial assets").</p> <p>As at 31 December 2021, the Group's market capitalisation of RM899.8 million was below the carrying value of its net assets of RM1,712.6 million which is an indication that the non-financial assets of the Group may be impaired.</p> <p>Consequently, management performed an impairment assessment on the Group's non-financial assets. Management concluded that the non-financial assets were not impaired as at 31 December 2021.</p> <p>We focused on this area as the recoverable amount of the assets based on VIU calculations require management's judgment on the assumptions used in the calculations, in particular selling price, raw sugar price, sales volume, refining costs, capital expenditure, realisability of the assets at terminal year, discount rate and exchange rate.</p> <p>Refer to Note 3(k) in the significant accounting policies, Note 5 in the critical accounting estimates and judgment and Note 17 to the financial statements.</p>	<p>We performed the following procedures on the cash flow projections to support the impairment assessment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill prepared by the management and approved by the Board of Directors of the Company:</p> <ul style="list-style-type: none"> • We assessed the reasonableness of the key assumptions used by management in the VIU calculations, in particular selling price, raw sugar price, sales volume, refining costs, realisability of assets at terminal year, discount rate and exchange rate by comparing with business plans, historical results and market trends; • We assessed the reliability of management's forecast through the review of past trends of actual financial performance against previous forecasted results; • We examined the sensitivity analysis prepared by the management on selling prices, raw sugar price, sales volume, refining costs, capital expenditure, discount rate and exchange rate to evaluate the impact on the impairment assessment; and • We assessed the adequacy of the disclosures in the financial statements. <p>Based on our procedures, we noted no significant exceptions.</p>

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration No. 201101007583 (935722-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Statements by the Chairman and Group Chief Executive Officer, Corporate Governance Reports (including Audit, Governance and Risk Committee Report and Statement of Risk Management and Internal Control) and other sections of the Annual Integrated Report 2021, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MSM MALAYSIA HOLDINGS BERHAD

(Incorporated in Malaysia) Registration No. 201101007583 (935722-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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, actions taken to eliminate threats or safeguards applied

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, is disclosed in Note 20 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.


PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants


MAHESH A/L RAMESH
03428/04/2023 J
Chartered Accountant

Kuala Lumpur
21 March 2022

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Continuing operations					
Revenue	6	2,259,698	2,184,463	254,579	127,085
Cost of sales		(2,098,744)	(2,016,920)	-	-
Gross profit		160,954	167,543	254,579	127,085
Other operating income	7	9,897	1,566	28,923	117
Selling and distribution expenses		(28,293)	(26,101)	-	-
Administrative expenses		(66,106)	(62,374)	(22,336)	(21,584)
Impairment of investments in subsidiaries	20	-	-	-	(27,362)
(Impairment)/reversal of impairment of financial assets, net	8	(1,635)	(6,565)	(13,433)	419
Reversal of impairment of non-financial assets	17,18,19	16,427	11,775	-	-
Other operating expenses		(7,682)	(14,232)	-	-
Other gains/(losses), net	9	41,998	(2,816)	-	-
Profit from operations		125,560	68,796	247,733	78,675
Finance income	10	2,587	3,835	-	-
Finance costs	10	(47,045)	(36,784)	(42,387)	(28,909)
Profit before zakat and taxation	11	81,102	35,847	205,346	49,766
Zakat	13	(1,000)	(1,486)	-	-
Taxation	14	(43,487)	(30,498)	(4,451)	(2,448)
Profit for the financial year from continuing operations		36,615	3,863	200,895	47,318
Discontinued operations					
Profit/(loss) from discontinued operations, net of tax	16	88,738	(75,091)	-	-
Profit/(loss) for the financial year		125,353	(71,228)	200,895	47,318
Other comprehensive income/(loss):					
<u>Items that may be subsequently reclassified to profit or loss</u>					
Currency translation difference		143	(536)	-	-
Cash flow hedges		5,542	(4,241)	5,542	(4,241)
		5,685	(4,777)	5,542	(4,241)
Total comprehensive income/(loss) for the financial year		131,038	(76,005)	206,437	43,077

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Total profit/(loss) for the financial year attributable to owners of the Company arising from:					
- Continuing operations		36,615	3,863	200,895	47,318
- Discontinued operations		88,738	(75,091)	-	-
		125,353	(71,228)	200,895	47,318
Total other comprehensive income/(loss) for the financial year attributable to owners of the Company arising from:					
- Continuing operations		42,300	(914)	206,437	43,077
- Discontinued operations		88,738	(75,091)	-	-
		131,038	(76,005)	206,437	43,077
Basic and diluted earnings/(loss) per share attributable to equity holders of the Company (sen)					
	15				
- from continuing operations		5.21	0.55		
- from discontinued operations		12.62	(10.68)		
		17.83	(10.13)		

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	17	1,220,510	1,255,235	2,288	1,970
Right-of-use assets	18	83,036	92,642	551	1,212
Intangible assets	19	622,185	625,112	1,116	2,214
Investments in subsidiaries	20	-	-	1,271,851	1,301,238
Loans due from a subsidiary	21	-	-	1,041,370	931,963
Lease receivables	22	-	-	82,732	83,859
Deferred tax assets	32	-	-	372	158
		1,925,731	1,972,989	2,400,280	2,322,614
Current assets					
Inventories	24	421,059	274,485	-	-
Receivables	23	307,243	227,177	388	176
Tax recoverable		-	8,118	-	547
Amounts due from subsidiaries	25	-	-	19,265	14,799
Amounts due from other related companies	25	3,048	465	94	-
Amount due from immediate holding company	25	1	1,461	-	136
Loans due from a subsidiary	21	-	-	-	70,090
Lease receivables	22	-	-	2,167	2,167
Deposits, cash and bank balances	28	194,775	195,921	53,782	20,360
		926,126	707,627	75,696	108,275
Assets held for sale	29	18,982	89,664	-	-
Total assets		2,870,839	2,770,280	2,475,976	2,430,889

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	30	718,255	718,255	718,255	718,255
Reorganisation deficit	31	(1,039,632)	(1,039,632)	-	-
Merger relief reserve	31	1,733,939	1,733,939	1,733,939	1,733,939
Foreign exchange reserve	31	1,442	1,299	-	-
Cash flow hedge reserve	31	(3,667)	(9,209)	(3,667)	(9,209)
Retained earnings/(accumulated losses)		302,227	176,874	(524,027)	(724,922)
Equity attributable to owners of the Company		1,712,564	1,581,526	1,924,500	1,718,063
Non-current liabilities					
Deferred tax liabilities	32	39,911	47,010	-	-
Borrowings	34	363,885	518,636	363,885	518,636
Loan due to a subsidiary	26	-	-	92,554	98,662
Lease liabilities	37	3,549	3,772	-	664
Derivatives financial liabilities	27	3,571	10,163	3,571	10,163
		410,916	579,581	460,010	628,125
Current liabilities					
Payables	33	301,234	157,091	6,520	2,528
Provision for taxation		5,291	-	751	-
Amounts due to subsidiaries	25	-	-	5	751
Loan due to a related company	26	-	47,152	-	10,108
Loan due to a subsidiary	26	-	-	31,228	30,194
Amounts due to other related companies	25	3,936	1,643	117	4
Amount due to ultimate holding body	25	-	221	-	221
Amount due to immediate holding company	25	2,982	12,503	1,887	6,096
Borrowings	34	429,171	388,464	50,236	33,914
Lease liabilities	37	996	1,170	722	885
Derivative financial liabilities	27	3,749	929	-	-
		747,359	609,173	91,466	84,701
Total liabilities		1,158,275	1,188,754	551,476	712,826
Total equity and liabilities		2,870,839	2,770,280	2,475,976	2,430,889

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	Share capital (Note 30) RM'000	Reorgani- sation deficit (Note 31) RM'000	Merger relief reserve (Note 31) RM'000	Foreign exchange reserve (Note 31) RM'000	Cash flow hedge reserve (Note 31) RM'000	Retained earnings RM'000	Total RM'000
2021							
At 1 January 2021	718,255	(1,039,632)	1,733,939	1,299	(9,209)	176,874	1,581,526
Profit for the financial year	-	-	-	-	-	125,353	125,353
Other comprehensive income for the financial year, net of tax:							
<u>Item that will be subsequently reclassified to profit or loss</u>							
- currency translation differences	-	-	-	143	-	-	143
- cash flow hedges	-	-	-	-	5,542	-	5,542
Total comprehensive income for the financial year	-	-	-	143	5,542	125,353	131,038
At 31 December 2021	718,255	(1,039,632)	1,733,939	1,442	(3,667)	302,227	1,712,564
2020							
At 1 January 2020	718,255	(1,039,632)	1,733,939	1,835	(4,968)	248,102	1,657,531
Loss for the financial year	-	-	-	-	-	(71,228)	(71,228)
Other comprehensive loss for the financial year, net of tax:							
<u>Item that will be subsequently reclassified to profit or loss</u>							
- currency translation differences	-	-	-	(536)	-	-	(536)
- cash flow hedges	-	-	-	-	(4,241)	-	(4,241)
Total comprehensive loss for the financial year	-	-	-	(536)	(4,241)	(71,228)	(76,005)
At 31 December 2020	718,255	(1,039,632)	1,733,939	1,299	(9,209)	176,874	1,581,526

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Company	Non-distributable				Total RM'000
	Share capital (Note 30) RM'000	Merger relief reserve (Note 31) RM'000	Cash flow hedge reserve (Note 31) RM'000	Accumulated losses RM'000	
2021					
At 1 January 2021	718,255	1,733,939	(9,209)	(724,922)	1,718,063
Profit for the financial year	-	-	-	200,895	200,895
Other comprehensive income for the financial year, net of tax: <u>Item that will be subsequently reclassified to profit or loss</u>					
- cash flow hedges	-	-	5,542	-	5,542
Total comprehensive income for the financial year	-	-	5,542	200,895	206,437
At 31 December 2021	718,255	1,733,939	(3,667)	(524,027)	1,924,500
2020					
At 1 January 2020	718,255	1,733,939	(4,968)	(772,240)	1,674,986
Profit for the financial year	-	-	-	47,318	47,318
Other comprehensive (loss)/income for the financial year, net of tax: <u>Item that will be subsequently reclassified to profit or loss</u>					
- cash flow hedges	-	-	(4,241)	-	(4,241)
Total comprehensive (loss)/income for the financial year	-	-	(4,241)	47,318	43,077
At 31 December 2020	718,255	1,733,939	(9,209)	(724,922)	1,718,063

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) for the financial year from:					
- Continuing operations		36,615	3,863	200,895	47,318
- Discontinued operations		88,738	(75,091)	-	-
		125,353	(71,228)	200,895	47,318
Adjustments for:					
Taxation		43,487	30,498	4,451	2,448
Depreciation of property, plant and equipment		75,402	72,830	650	657
Gain on disposal of property, plant and equipment		(902)	(18)	(197)	-
Depreciation of right-of-use asset		2,748	3,001	661	496
Loss on lease modification		-	453	-	453
Loan modification (costs)/credit recharged to a subsidiary		-	-	(9,749)	11,695
Intangible assets written off		-	534	-	534
Reversal of impairment of property, plant and equipment		(16,427)	(3,807)	-	-
Reversal of impairment of right-of-use assets		-	(7,968)	-	-
Property, plant and equipment written off		2,654	1,393	-	-
Rent concession		-	(219)	-	-
Amortisation of intangible assets		4,690	5,709	1,424	1,474
Amortisation of advance payment		-	2,204	-	-
Loss on disposal of asset held for sale		-	12	-	-
Unrealised loss on sugar future contracts		963	-	-	-
Unrealised loss on brent crude oil forward option		2,133	-	-	-
Unrealised (gain)/loss on foreign currency exchange translation		(1,506)	2,627	-	-
Unrealised (gain)/loss on foreign currency exchange forward contracts		(276)	929	-	-
Asset held for sale written-off		-	387	-	-
Inventories written down to net realisable value during the financial year		13,436	65	-	-
Reversal of prior year inventories written down to net realisable value		(65)	-	-	-
Gain on disposal of a subsidiary		(6,287)	-	(28,781)	-
Dividend income		-	-	(186,000)	(75,000)
Interest income		(2,587)	(3,835)	(44,968)	(49,803)
Interest expense		47,045	36,784	42,387	28,909
Impairment loss of investment in a subsidiary		-	-	-	27,362
Impairment loss/(reversal of impairment) loans due from subsidiaries		-	-	13,433	(419)
Impairment of trade and other receivables		4,835	7,219	-	-
Reversal of impairment loss of amount due from related company		(3,200)	(654)	-	-
Inventories written off		6,081	1,376	-	-
Allowance for inventory obsolescence		10,957	18,545	-	-
Zakat		1,000	1,486	-	-
Ineffective portion of cash flow hedge		(830)	417	(830)	417
Non-Cash item from continuing operations		183,351	169,968	(207,519)	(50,777)
Non-Cash item from discontinued operations	16(iii)	(87,098)	73,503	-	-
Operating profit/(loss) before changes in working capital		221,606	172,243	(6,624)	(3,459)

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
(CONTINUED)					
Changes in working capital:					
Inventories		(176,983)	24,572	-	-
Receivables		(88,355)	51,976	(212)	711
Payables		151,132	35,563	2,833	910
Intercompany		(8,714)	5,029	(9,487)	(6,271)
Changes in working capital from continuing operations		(122,920)	117,140	(6,866)	(4,650)
Changes in working capital from discontinued operation	16(iii)	(3,533)	(12,481)	-	-
Cash generated from/(used in) operations		95,153	276,902	(13,490)	(8,109)
Zakat paid		(1,000)	(1,486)	-	-
Tax paid		(36,525)	(32,930)	(3,367)	(4,175)
Tax refunded		5,986	-	-	-
Net cash generated from/(used in) operating activities		63,614	242,486	(16,857)	(12,284)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	36	(41,768)	(22,271)	(968)	(378)
Purchase of intangible assets		(1,763)	(596)	(326)	(561)
Proceeds from disposal of property, plant and equipment		902	25	197	-
Proceeds from disposal of asset held for sale		-	1,148	-	-
Investment in subsidiary		-	-	(122,000)	-
Interest received		2,587	3,835	928	633
Dividend received		-	-	186,000	75,000
Loans to subsidiaries		-	-	-	(3,627)
Repayment of loan by subsidiaries		-	-	-	98,112
Proceeds from disposal of a subsidiary		181,106	-	181,106	-
Proceeds from lease receivables		-	-	2,167	2,167
Investing cash generated from/ (used in) continuing operations		141,064	(17,859)	247,104	171,346
Investing cash used in discontinued operation	16(iii)	1,815	619	-	-
Net cash generated from/(used in) investing activities		142,879	(17,240)	247,104	171,346

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Drawdown of loan due to a related company		20,000	61,920	-	29,000
Repayment of loan due to a related company		(67,232)	(84,919)	(10,000)	(56,000)
Drawdown of loan due to a subsidiary		-	-	-	75,000
Repayment of loan due to a subsidiary		-	-	(10,001)	(45,000)
Drawdown of borrowings		1,146,470	1,179,063	-	-
Repayment of borrowings		(1,269,676)	(1,303,815)	(148,006)	(137,928)
Principal payment of lease liability		(1,221)	(221)	(827)	(158)
Interest payment of lease liability		(241)	(241)	(57)	(63)
Interest paid		(38,442)	(50,850)	(27,934)	(37,906)
Changes in restricted cash		(696)	1,578	(696)	1,578
Net cash used in financing activities		(211,038)	(197,485)	(197,521)	(171,477)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENT					
		(4,545)	27,761	32,726	(12,415)
Effect of foreign exchange rate changes		2,703	(798)	-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR					
		179,924	152,961	4,363	16,778
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR					
	28	178,082	179,924	37,089	4,363

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Cash flows and non-cash changes in liabilities arising from financing activities are as follows:

Group	At 1 January RM'000	Cash drawdown RM'000	Cash repayment RM'000	Non-cash interest RM'000	Rent Concession/ Lease modification RM'000	Addition RM'000	At 31 December RM'000
2021							
Islamic term loan	552,550	-	(175,708)	37,279	-	-	414,121
Bankers' acceptance	354,550	1,146,470	(1,132,073)	9,988	-	-	378,935
Borrowings	907,100	1,146,470	(1,307,781)	47,267	-	-	793,056
Loan due to a related company	47,152	20,000	(67,569)	417	-	-	-
Lease liabilities	4,942	-	(1,462)	241	-	824	4,545
	959,194	1,166,470	(1,376,812)	47,925	-	824	797,601
2020							
Islamic term loan	631,719	-	(99,997)	20,828	-	-	552,550
Term loan	71,909	-	(74,455)	2,546	-	-	-
Bankers' acceptance	341,156	1,179,063	(1,177,550)	11,881	-	-	354,550
Borrowings	1,044,784	1,179,063	(1,352,002)	35,255	-	-	907,100
Loan due to a related company	70,431	61,920	(87,582)	2,383	-	-	47,152
Lease liabilities	5,656	-	(462)	241	(493)	-	4,942
	1,120,871	1,240,983	(1,440,046)	37,879	(493)	-	959,194
2021							
Company	At 1 January RM'000	Cash drawdown RM'000	Cash repayment RM'000	Non-cash interest RM'000	Lease Modification RM'000	At 31 December RM'000	
Borrowings - Islamic term loan	552,550	-	(175,708)	37,279	-	414,121	
Loan due to a related company	10,108	-	(10,232)	124	-	-	
Loan due to a subsidiary	128,856	-	(10,001)	4,927	-	123,782	
Lease liabilities	1,549	-	(884)	57	-	722	
	693,063	-	(196,825)	42,387	-	538,625	
2020							
Borrowings - Islamic term loan	631,719	-	(99,997)	20,828	-	552,550	
Term loan	71,909	-	(74,455)	2,546	-	-	
Loan due to a related company	37,116	29,000	(57,360)	1,352	-	10,108	
Loan due to a subsidiary	94,758	75,000	(45,022)	4,120	-	128,856	
Lease liabilities	1,981	-	(221)	63	(274)	1,549	
	837,483	104,000	(277,055)	28,909	(274)	693,063	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1 GENERAL INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur. The principal place of business of the Company is located at Level 44, Menara Felda, Platinum Park, No. 11, Persiaran KLCC, 50088 Kuala Lumpur.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 20 of the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The immediate holding company is FGV Holdings Berhad ("FGVH"), a company incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The ultimate holding body is Federal Land Development Authority ("FELDA"), a body set up under the Land Development Act 1956.

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial period.

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

(i) The Group and Company has applied the following standards and amendments for the first time for the financial year beginning on 1 January 2021:

- Amendments to MFRS 16 'COVID-19 - Related Rent Concessions'
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform - Phase 2'

The amendments listed above did not have significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

The Group's and Company's Islamic term loan is based on 1-month Kuala Lumpur Interbank Offered Rate (KLIBOR). The Group and Company will closely monitor the regulators' announcement on the alternative benchmark rate or discontinuation of publication of the KLIBOR for the relevant tenor; and engage the counterparties to discuss necessary changes to the related contracts, including the Islamic profit rate swap the Group and the Company has entered into.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2 BASIS OF PREPARATION (CONTINUED)

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

Accounting pronouncements that are currently being assessed by the Directors:

Effective for annual periods beginning on or after 1 January 2022 with earlier application permitted

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 'Proceeds before intended use'
- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract'
- Annual Improvements to MFRS 9 'Fees in the 10% test for derecognition of financial liabilities'
- Annual improvements to MFRS 141 'Taxation in Fair Value Measurements'
- Annual improvements to Illustrative Example Accompanying MFRS 16 Leases 'Lease Incentives'
- Annual improvements to MFRS 1 'Subsidiary as First-time Adopter'

Effective annual periods beginning on or after 1 January 2023

- Amendments to MFRS 101 'Classification of liabilities as current and non-current'
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a single transaction'
- Amendments to MFRS 101 and MFRS Practice Statement 2 'Disclosure of Accounting Policies'
- Amendments to MFRS 108 'Definition of Accounting Estimates'

The accounting pronouncements that are not yet effective are not expected to have any significant impact on the financial statements of the Group and Company.

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 when the acquired set of activities and asset meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Acquisition accounting (continued)

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss (Note 3(d)).

Predecessor accounting

Acquisitions of subsidiaries and businesses under common control that meet the conditions of a merger are accounted for using the predecessor basis of accounting.

Under the predecessor basis of accounting, the results of subsidiaries and businesses under common control are presented as if the business combination had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit or debit difference is classified as reorganisation reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated, unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency with the policies adopted by the Group.

Non-controlling interests is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interests in the acquiree at the non-controlling interests' proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interests consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences or other reserves that relate to the subsidiary and is recognised in profit or loss.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interests, even if the attribution of losses to the non-controlling interests results in a debit balance in the non-controlling interests.

In the Company's financial statements, investments in subsidiaries are shown at cost less accumulated impairment losses.

Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount (Note 3(f)).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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

(d) Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries over the Group's share of the fair value of their identifiable net assets including contingent liabilities at the date of acquisition. Goodwill on acquisition in respect of a subsidiary is included in the consolidated statement of financial position as intangible assets. Negative goodwill represents the total of consideration transferred, non-controlling interest recognised and previously held interest measured being less than where the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed. See significant accounting policies Note 3(k) on impairment of non-financial assets.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(k) on impairment of non-financial assets.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Intangible assets with indefinite useful lives and intangible assets under development are not amortised but tested for impairment annually or more frequently if the events or changes in circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is also reviewed annually to determine whether the useful life assessment continues to be supportable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Intangible assets (continued)

Intangible assets are amortised using the straight line basis over their estimated useful lives as follows:

<u>Intangible assets</u>	<u>Estimated useful lives</u>
Brand	25 years
Software	3 – 5 years

Amortisation on intangible assets under development commences when the assets are ready for their intended use.

The nature of the intangible assets are as follows:

- (i) Brand is related to a sugar brand 'Prai' acquired as part of the acquisition of the sugar business.
- (ii) Software relates to information technology ("IT") used within the Group.

(f) Financial assets

Classification

The Group classifies its financial assets in the following categories:

- (i) those to be measured subsequently at fair value (either through profit or loss or other comprehensive income); and
- (ii) those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Measurement (continued)

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

(i) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

(ii) FVOCI

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

(iii) FVPL

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Impairment

(a) Impairment for debt instruments

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

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

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

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Group and the Company expect to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

(i) General 3-stage approach for other receivables, loans and amount due from subsidiaries and related companies that are non-trade related

At each reporting date, the Group and Company measure ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

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

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

(ii) Simplified approach for trade receivables and amounts due from subsidiaries and related companies that are trade related

The Group and Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and amounts due from subsidiaries and related companies that are trade related.

The measurement details of ECL are disclosed in the relevant notes to the financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Impairment (continued)

(b) Significant increase in credit risk

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- External credit rating (as far as available).
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the debtor.
- Significant increases in credit risk on other financial instruments of the same debtor.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model as applicable.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(c) Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Group defines a financial instrument as default, when the counterparty fails to make contractual payment within 180 days of when they fall due.

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants.
- concessions have been made by the lender relating to the debtor's financial difficulty.
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation.
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Financial assets (continued)

Impairment (continued)

(d) Groupings of instruments for ECL measurement

(i) Collective assessment

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

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

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

(ii) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

Other receivables, loans and amount due from intercompany, are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored separately.

(e) Write-off

(i) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables are presented as net impairment losses on the face of profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

(ii) Other debt instruments

The Group writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(f) Subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Financial liabilities

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method except for derivatives in a loss position, if any, which are measured through profit or loss.

For financial liabilities other than derivatives, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Gains or losses arising from changes in fair value of derivatives are recognised in profit or loss within other gain/losses, net. Net gains or losses on derivatives include exchange differences.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Foreign exchange differences are capitalised to the extent of the capitalisation of the related borrowing costs.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially 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.

When the basis to determine the future contractual cash flows of the borrowings are modified entirely as a result of IBOR reform, the Group applied the reliefs provided in the Phase 2 amendments of IBOR reform with no modification gain or loss is recognised.

In situations where some or all of a change in the basis for determining the contractual cash flows of a borrowing does not meet the criteria of the Phase 2 amendments, the Group first applies the practical expedient to the changes required by IBOR reform, including updating the effective interest rate of the borrowings. Any additional changes are accounted for as modification of borrowings in accordance with the requirement in MFRS 9 (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the borrowings is not derecognised).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Offsetting financial instruments

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

(i) Property, plant and equipment

Property, plant and equipment are initially stated at cost. All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

See significant accounting policies Note 3(g) on borrowing costs. To the extent a legal or constructive obligation to a third party exists, the acquisition cost includes estimated cost of dismantling and removing the assets are restoring the site.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Major spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they are expected to be used during more than one period.

A bearer plant is a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The bearer plants of the Group are oil palms, rubber trees and mango trees. Immature bearer plants are measured at accumulated costs of planting of bearer plants, similar to accounting for a self-constructed item of property, plant and equipment. Bearer plants are classified as immature until the trees are available for harvest.

At that point, bearer plants are measured at amortised cost and depreciated over their useful life which is estimated to be 20 to 25 years.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment (continued)

All property, plant and equipment are depreciated on a straight line basis to write off the cost of each asset to their residual values over their estimated useful lives as follows:

Principal annual rates used are summarised as follows:

<u>Property, plant and equipment</u>	<u>Estimated useful lives</u>
Buildings	20 – 25 years
Plant and machinery	3 – 20 years
Furniture, fittings, equipment and motor vehicles	3 – 11 years
Bearer plants	
- Oil palms	22 years, or the lease term if shorter
- Rubber trees	20 years, or the lease term if shorter
- Mango trees	25 years, or the lease term if shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale. Depreciation on assets under construction commences when the assets are ready for their intended use.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in "other operating income" in profit or loss.

At each statement of financial position date, the Group assess whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(k) on impairment of non-financial assets.

(j) Inventories

Inventories which consist of raw materials, work-in-progress, finished goods, molasses and consumables are stated at lower of cost and net realisable value.

Cost is determined on the weighted average cost basis. Raw material cost comprises the landed cost of goods purchased and in the case of work-in-progress and finished goods, includes materials, direct labour, other direct charges and an appropriate proportion of factory overheads. Consumables comprise the actual purchase costs.

Net realisable value is the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of non-financial assets

Assets that have an indefinite useful life for example goodwill or intangible asset not ready to use, are not subject to amortisation and are tested annually for impairment, or when events or circumstances occur indicating that impairment may exist. Property, plant and equipment and other non-current non-financial assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The impairment loss is charged to profit or loss. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Impaired assets, except goodwill, are reviewed for possible reversal of impairment at each reporting date and is recognised in profit or loss.

The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(l) Current and deferred income taxes

Tax expenses for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current and deferred tax is measured using the tax rates that have been enacted or substantively enacted at the statement of financial position date in the countries where the Group's subsidiaries operate generate taxable income.

Deferred tax is provided for on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilised.

Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(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 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currencies

Functional and presentation currency

Items included in the financial statements of 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 a 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 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition

(i) Revenue from contracts with customers

- Sales of goods

The Group's revenue which represents income arising in the course of the Group's and the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group and the Company transfer the control of the goods and services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

A contract with customer exists when the contract has commercial substance, the Group, the Company and their customers have approved the contract and intend to perform their respective obligations, the Group's, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Group and the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and service tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Group and the Company estimate the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract.

The Group sells refined sugar, liquid sugar, sugar premix, raw sugar and molasses in connection to the sugar operation. In addition, the Group also sells rubber, palm oil and mango through its plantation segment.

Revenue from sales of goods from the sugar operation and plantation are recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

- Sales with a right of return

When the customer has a right to return the goods within a given period, the Group is obliged to refund the purchase price. Revenue is adjusted for the expected value of the returns and cost of sales are adjusted for the value of the corresponding goods expected to be returned.

A refund liability for the expected refunds to customers is recognised as adjustment to revenue and correspondingly in trade and other payables. At the same time, the Group has a right to recover the goods from the customer where the customer exercises his right of return and recognises a refund asset and a corresponding adjustment to cost of sales the refund asset is measured by reference to the former carrying amount of the product.

Accumulated experience is used to estimate such returns at the time of sale at a portfolio level using the expected value method. Because the number of goods returned has been steady for years, management assessed that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

- Revenue from rendering services

Revenue from rendering services including management fees are recognised when the services are performed by reference to completion of the specific services.

Transportation services performed after the transfer of control of sales of goods from the sugar operation to customers are regarded as a separate performance obligation and recognised over time depending on the terms of the contract.

- Receivables, contract asset and contract liabilities

A receivable is recognised when the goods are delivered or services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

- Contract cost

During the previous financial year, the Group has elected the practical expedient to recognise incremental contract cost of obtaining contract with period of less than one year as an expense when incurred.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Company are as follows:

(a) Rental income - recognised on a straight-line basis over the lease terms.

(b) Finance income - recognised using effective interest method.

Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(c) Dividend income

Dividend income from investments are recognised in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits.

Dividends that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at FVOCI.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Dividend distribution

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the statement of financial position date. A dividend proposed or declared after the statement of financial position date, but before the financial statements are authorised for issue, is not recognised as a liability at the reporting date.

(q) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(r) Leases

The Group and Company as a lessee

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

(a) ROU assets

ROU assets are measured at cost comprising the following:

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

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

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

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

At each statement of financial position date, the Group assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See significant accounting policies Note 3(k) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (continued)

The Group and Company as a lessee (continued)

(b) Lease liabilities

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

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

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

Lease payments are allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

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

(c) Lease term

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases (continued)

The Group and Company as a lessee (continued)

(d) Reassessment of lease liabilities

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

A change in lease payments (including rent concession, except for COVID-19-related rent concessions), other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, is accounted for as a lease modification if it is not part of the original terms and conditions of the lease. The lease modification is accounted for as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

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

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

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

The Group and Company as a lessor

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

(a) Finance leases

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

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

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

(b) Sublease classification

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

(ii) Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Termination benefits

The Group pays termination benefits in cases of termination of employment within the framework of the restructuring. Termination benefits are recognised as a liability and an expense when the Group has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

(t) Equity instruments

Ordinary shares are classified as equity.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(u) Contingent liabilities

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence and non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However contingent liabilities do not include financial guarantee contracts.

(v) Segment reporting

Segment information is presented in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time recognised as finance cost.

(x) Onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(y) Non-current assets held for sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter, the assets (or disposal group) are recognised at the lower of their carrying amount and fair value less cost to sell. Assets classified as held for sale, or included within a disposal group that is classified as held for sale, are not depreciated. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are included in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 27 to the financial statements. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within 'finance income/(costs)' and 'foreign exchange losses'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in profit or loss and presented separately after net operating profit.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss within 'finance income/(costs)' (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash flow hedge (continued)

The Group has applied the following Phase 1 reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform' until the uncertainty arising from IBOR reform no longer being present:

- When considering the 'highly probable' requirement, the Group has assumed that the IBOR interest rate on which the Group's hedged borrowings is based does not change as a result of IBOR reform.
- In assessing whether the hedge is expected to be highly effective on a forward-looking basis the Group has assumed that the IBOR interest rate on which the cash flows of the hedged borrowings and the interest rate swap that hedges it are based is not altered by IBOR reform.
- The Group has not recycled the cash flow hedge reserve for designated hedges that are subject to the IBOR reform.

The Group has applied the following reliefs provided by the Amendments to MFRS 9 and MFRS 7 'Interest Rate Benchmark Reform - Phase 2':

- Hedge designation: When the Phase 1 amendments cease to apply, the Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of the following changes:
 - a) designating an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
 - b) amending the description of the hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
 - c) amending the description of the hedging instrument.

The Group amends its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made. These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships.

- Amounts accumulated in the cash flow hedge reserve: When the Group amends its hedge designation as described above, the accumulated amount outstanding in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate. For discontinued hedging relationships, when the interest rate benchmark on which the hedged future cash flows were based has changed as required by IBOR reform, the amount accumulated in the cash flow hedge reserve is also deemed to be based on the alternative benchmark rate for the purpose of assessing whether the hedged future cash flows are still expected to occur.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk management policies

The Group is exposed to market risk (including foreign currency exchange risk, commodity price risk and finance rate risk), credit risk and liquidity risk arising from its business activities. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance. The Group uses relevant derivative financial instruments to hedge the risk of such commercial exposure and ensure the implementation risk action plans to effectively mitigate the risks.

The Board of Directors has overall responsibility for the oversight of financial risk management which includes risk identification, operational or strategic, and the subsequent action plans to manage these risks. Management is responsible for identifying, monitoring and managing the Group's risk exposures.

Market risk

(i) Foreign currency exchange risk

The Group operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD").

The Group manages its currency exposure through foreign currency forward contracts.

As at 31.12.2021, a 10% weakening of the USD against Malaysia Ringgit ("RM") at the date of statement of financial position would increase the Group's profit after tax of approximately RM11,077,000.

As at 31.12.2020, a 10% weakening of the USD against Malaysia Ringgit ("RM") at the date of statement of financial position would reduce the Group's loss after tax of approximately RM5,536,000.

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 profit after tax and equity would decrease or increase by RM10,846,000 (2020: loss after tax and equity would decrease or increase by RM6,845,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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 Company has been in constant engagement with its lender to manage its finance rate risk and has been advised that the current KLIBOR is still being referenced for its borrowings. The Company has also been informed that currently, the lender shall be guided by further announcement by Bank Negara Malaysia (BNM) on the timeline for the migration to the alternative reference rate (ARR) upon the cessation of the current KLIBOR rate. Upon the issuance of the guidelines, the lenders will engage the Company on the transition plan.

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Financial assets</u>				
At fixed rate:				
Fixed deposits	81,119	127,748	37,395	16,688
At floating rate (exposed to cash flow finance rate risk):				
Loans to subsidiaries	-	-	1,041,370	1,002,053
	81,119	127,748	1,078,765	1,018,741

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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Financial liabilities</u>				
At fixed rate:				
Loan due to a related company	-	47,152	-	10,108
Borrowings	378,935	354,550	-	-
	378,935	401,702	-	10,108
At floating rate (exposed to cash flow finance rate risk):				
Borrowings	414,121	552,550	414,121	552,550
Loan due to a subsidiary	-	-	123,782	128,856
	414,121	552,550	537,903	681,406
	793,056	954,252	537,903	691,514

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(iii) Finance rate risk (continued)

If finance rates on its floating rate financial liabilities increased/decreased by 10 basis points with all other variables held constant, the loss after tax of the Group will decrease/increase by RM315,000 (2020: loss after tax of the Group will increase/decrease by RM420,000).

If finance rates on its floating rate financial liabilities increased/decreased by 10 basis points with all other variables held constant, the profit after tax of the Company will decrease/increase by RM409,000 (2020: profit after tax of the Company will decrease/increase by RM518,000).

Other financial assets and financial liabilities are non-finance bearing, and therefore are not affected by changes in finance rates.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures from outstanding receivables.

The Group adopts the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including payments in advance, security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Receivables, amounts due from subsidiaries and other related companies' exposure are closely monitored and continuously followed up.

The Group's deposits, cash and bank balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

(a) Impairment of financial assets

The Group's financial assets that are subject to the expected credit loss (ECL) model include trade receivables. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

(i) Trade receivables, lease receivable, amounts due from subsidiaries and related companies that are trade related using simplified approach

The Group applies the MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(a) Impairment of financial assets (continued)

- (ii) Other receivables, loans and amounts due from immediate holding company, subsidiaries and other related companies that are non-trade related using general 3-stage approach

The Group uses three categories for other receivables which reflect their credit risk and how the loss allowance is determined for each of those categories (3 stage approach). These financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due	Lifetime ECL
Non-performing	Interest and/or principal repayments are 180 days past due or there is evidence indicating the asset is credit-impaired	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting obligations due to shortage of funds. The Group maintains a sufficient level of cash and cash equivalents to meet the Group's working capital requirements by closely monitoring its cash flows. Due to the nature of its business, the Group has adopted prudent liquidity risk management in maintaining and obtaining sufficient credit facilities from financial institutions.

Cash flow forecasting is performed in the operating entities of the Group and then aggregated by management. Management monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal statements of financial position ratio targets and, if applicable, external regulatory or legal requirements – for example, currency restrictions. As at 31 December 2021, the Group has no undrawn committed borrowing facilities (2020: RM Nil).

Based on the term sheet and consent letters obtained from its lender, financial covenants shall be computed based on the Group's consolidated annual audited financial statement for the financial year ended 31 December 2021 onwards. As at 31 December 2021, the Group and the Company have complied with all of the financial covenants.

The Company plans to manage its liquidity risk by receiving income in the form of dividends and management fees from its subsidiaries and to restructure the repayment of loan due to a subsidiary to meet its obligations over the next twelve months. The Company also plans to meet the covenants requirement for the financial year ending 31 December 2022 by monetising its non-core assets. As a consequence, the Company will be able to meet its debt obligations as and when they fall due within the next twelve months.

Surplus cash is invested in profit bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the Group held cash investments of RM81,119,000 (2020: RM127,748,000) and other liquid assets of RM113,656,000 (2020: RM68,173,000) that are expected to readily generate cash inflows for managing liquidity risk. At the reporting date, the Company held cash investments of RM37,395,000 (2020: RM16,688,000) and other liquid assets of RM16,387,000 (2020: RM3,672,000) that are expected to readily generate cash inflows for managing liquidity risk.

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining maturity periods at the reporting date to the contractual maturity dates. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The table below summaries the maturity profile of the Group's and Company's financial liabilities based on the remaining maturity periods at the statement of financial position date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

	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
Group					
<u>At 31 December 2021</u>					
Payables	301,234	-	-	-	301,234
Amounts due to other related companies	3,936	-	-	-	3,936
Amount due to immediate holding company	2,982	-	-	-	2,982
Borrowings	444,299	75,697	264,355	52,291	836,642
Lease liabilities	1,239	501	741	5,755	8,236
Total undiscounted financial liabilities	735,690	76,198	265,096	58,046	1,153,030
<u>At 31 December 2020</u>					
Payables	157,091	-	-	-	157,091
Loan due to a related company	47,152	-	-	-	47,152
Amounts due to other related companies	1,643	-	-	-	1,643
Amount due to ultimate holding body	221	-	-	-	221
Amount due to immediate holding company	12,503	-	-	-	12,503
Borrowings	411,601	70,346	253,014	278,512	1,013,473
Lease liabilities	1,187	944	618	5,961	8,710
Total undiscounted financial liabilities	631,398	71,290	253,632	284,473	1,240,793
Company					
<u>At 31 December 2021</u>					
Payables	6,520	-	-	-	6,520
Amounts due to subsidiaries	5	-	-	-	5
Amounts due to other related companies	117	-	-	-	117
Amount due to immediate holding company	1,887	-	-	-	1,887
Loan due to a subsidiary	31,228	17,224	58,097	28,468	135,017
Borrowings	65,365	75,697	264,355	52,291	457,708
Lease liabilities	738	-	-	-	738
Total undiscounted financial liabilities	105,860	92,921	322,452	80,759	601,992
<u>At 31 December 2020</u>					
Payables	2,528	-	-	-	2,528
Amounts due to subsidiaries	751	-	-	-	751
Amounts due to other related companies	4	-	-	-	4
Amount due to immediate holding company	6,096	-	-	-	6,096
Loan due to a subsidiary	30,194	17,338	58,585	34,931	141,048
Loan due to a related company	10,108	-	-	-	10,108
Amount due to ultimate holding body	221	-	-	-	221
Borrowings	57,051	70,346	253,014	278,512	658,923
Lease liabilities	885	738	-	-	1,623
Total undiscounted financial liabilities	107,838	88,422	311,599	313,443	821,302

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management policies

The Group's and Company's primary objectives on capital management policies are to safeguard the Group's and Company's ability to maintain healthy capital ratios to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group and Company manage its capital structure and make 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 2021 and 31 December 2020.

The Group considers its debts and equity attributable to owners of the Company as capital and monitor capital using gearing ratio. This ratio is calculated as net debt divided by total capital of the Group and Company. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated statement of financial position), lease liabilities and loan due to a related company less deposits, cash and bank balances. At Company level, net debt also includes loan due to a subsidiary. Total capital is calculated as 'equity attributable to owners of the Company as shown in the consolidated statement of financial position plus the net debt of the Group and Company.

The gearing ratio analysis for the Group and the Company are as disclosed below:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net debt	602,826	763,273	484,843	672,703
Equity attributable to owners of the Company	1,712,564	1,581,526	1,924,500	1,718,063
Total capital	2,315,389	2,344,799	2,409,343	2,390,766
Gearing ratio	26%	33%	20%	28%

The decrease in the Company's gearing ratio in 2021 is due to full repayment of loan due to a related company and overall lower borrowings level.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation

Financial instruments that are measured in the statement of financial position at fair value are disclosed by the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's financial assets and liabilities that are measured at fair value at 31 December 2021 and 31 December 2020:

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group - Liabilities				
<u>As at 31 December 2021</u>				
Financial liabilities at fair value through profit or loss:				
Derivatives				
- Foreign exchange forward contract	(653)	-	(653)	-
- Sugar commodity futures contracts	(963)	(963)	-	-
- Brent crude oil option contracts	(2,133)	(2,133)	-	-
Derivatives used for hedging:				
- Islamic profit rate swap	(3,571)	-	(3,571)	-
<u>As at 31 December 2020</u>				
Financial liabilities at fair value through profit or loss:				
Derivatives				
- Foreign exchange forward contract	(929)	-	(929)	-
Derivatives used for hedging:				
- Islamic profit rate swap	(10,163)	-	(10,163)	-
Company - Liabilities				
<u>As at 31 December 2021</u>				
Derivatives used for hedging:				
- Islamic profit rate swap	(3,571)	-	(3,571)	-
<u>As at 31 December 2020</u>				
Derivatives used for hedging:				
- Islamic profit rate swap	(10,163)	-	(10,163)	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Fair value estimation (continued)

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 sugar commodity futures contracts and Brent crude oil option contracts.

(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 JUDGEMENTS

Estimates and judgements are continually evaluated by Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash generating units ('CGU') to which the goodwill is allocated. Estimating the recoverable amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The recoverable amounts of CGUs were determined based on the higher of fair value less cost to sell and value-in-use ("VIU") calculations. The VIU is the net present value of the projected future cash flows derived from the CGU discounted at an appropriate discount rate. Projected future cash flows are estimates made based on historical, industry trends, general market and economic condition and other available information. Projected future cash flows are based on Group's judgement in terms of assessing future uncertain parameters such as selling price, raw sugar price, sales volume and terminal value growth rate. These judgements are based on the historical track record and expectations of future events that are believed to be reasonable under current circumstances.

As a result of these impairment assessments, the Group did not recognise any impairment. A forecast period of 8 years together with a terminal value growth rate was used to derive the recoverable amount. An extended forecast period of 8 years is used to show the full impact following the rationalisation plan within the Group.

The key assumptions and sensitivity analysis are as disclosed in Note 19 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of non-financial assets

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

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

Refer to Notes 17, 18 and 19 to the financial statements for the details of the impairment assessment carried out by management on the Group's property, plant and equipment, ROU assets and intangible assets.

6 REVENUE – CONTINUING OPERATIONS

The Group and Company derive the following types of revenue:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue from contract with customers	2,259,698	2,184,463	13,637	14,102
Revenue from other sources	-	-	240,942	112,983
	2,259,698	2,184,463	254,579	127,085

Disaggregation of revenue from contracts with customers:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Revenue from contract with customers</u>				
Management fee income	-	-	13,637	14,102
Sales of goods (refined sugar and molasses)	2,252,740	2,184,051	-	-
Rendering of services (transportation services)	6,958	412	-	-
	2,259,698	2,184,463	13,637	14,102

Revenue from other sources

Interest income	-	-	54,717	38,108
Dividend income	-	-	186,000	75,000
Others	-	-	225	(125)
	-	-	240,942	112,983
	2,259,698	2,184,463	254,579	127,085

Timing of revenue recognition

- at a point in time	2,252,740	2,184,051	-	-
- over time	6,958	412	13,637	14,102
	2,259,698	2,184,463	13,637	14,102

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

6 REVENUE – CONTINUING OPERATIONS (CONTINUED)

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

	Group	
	2021 RM'000	2020 RM'000
Sales of goods	8,212	12,749

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting date, of which the Group expects to recognise is RM8,212,151 (2020: RM12,748,902) as revenue in 2022 (2020: 2021).

7 OTHER OPERATING INCOME – CONTINUING OPERATIONS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Gain on disposal of a subsidiary (Note 20)	6,287	-	28,721	-
Income from sale of scrap	344	357	-	-
Gain on disposal of property, plant and equipment (Note 17)	902	18	197	-
Unrealised gains on foreign currency exchange translation	1,506	-	-	-
Realised gains on foreign currency exchange translation	851	1,187	-	-
Others	7	4	5	117
	9,897	1,566	28,923	117

8 IMPAIRMENT/(REVERSAL OF IMPAIRMENT) OF FINANCIAL ASSETS, NET – CONTINUING OPERATIONS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Impairment loss of trade and other receivables (Note 23)	4,835	7,219	-	-
Reversal of impairment loss of amount due from a related company (Note 25)	(3,200)	(654)	-	-
Impairment/(reversal) of impairment loss of loans due from subsidiaries (Note 21)	-	-	13,433	(419)
	1,635	6,565	13,433	(419)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unrealised fair value (losses)/gains-net				
- Sugar futures contract	(963)	-	-	-
- Brent crude oil forward option	(2,133)	-	-	-
- Foreign currency exchange forward contracts	276	(929)	-	-
	(2,820)	(929)	-	-
Realised fair value gains/(losses)-net				
- Sugar futures contract	13,005	(1,903)	-	-
- Foreign currency exchange forward contracts	851	16	-	-
	13,856	(1,887)	-	-
Liquidation of excess raw sugar contracts	30,962	-	-	-
	41,998	(2,816)	-	-

10 FINANCE INCOME AND COSTS – CONTINUING OPERATIONS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Finance income:				
Interest income	2,587	3,835	-	-
Finance costs:				
Interest on:				
- bankers' acceptances	(9,988)	(11,881)	-	-
- term loans*	(37,279)	(23,374)	(37,279)	(23,374)
- loan due to a related company	(417)	(2,383)	(124)	(1,352)
- loan due to a subsidiary	-	-	(4,927)	(4,120)
- lease liabilities	(241)	(241)	(57)	(63)
	(47,925)	(37,879)	(42,387)	(28,909)
Amount capitalised on qualifying assets				
- property, plant and equipment (Notes 17, 36)	880	1,095	-	-
	(47,045)	(36,784)	(42,387)	(28,909)

* Term loan finance costs for the Group and Company includes loan modification cost of RM9,749,080 (2020: loan modification credit of RM11,695,000).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

11 PROFIT BEFORE ZAKAT AND TAXATION – CONTINUING OPERATIONS

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Cost of raw sugar consumed	1,562,563	1,326,838	-	-
Changes in inventories of work in progress, refined sugar and molasses	(146,574)	44,767	-	-
Inventories written off	6,081	1,376	-	-
Allowance for inventory obsolescence	10,957	18,545	-	-
Net realisable value of inventories				
- write down of inventories to net realisable value during the financial year	13,436	65	-	-
Distribution and transport expenses	30,442	26,101	-	-
Natural gas and fuel consumed	116,398	155,884	-	-
Property, plant and equipment				
- Depreciation	75,402	72,830	650	657
- Write offs	2,654	1,393	-	-
- Gain on disposal of property, plant and equipment	(902)	(18)	(197)	-
- Reversal of impairment	(16,427)	(3,807)	-	-
Right-of-use assets				
- Depreciation	2,748	3,001	661	496
- Reversal of impairment	-	(7,968)	-	-
Intangible assets				
- Amortisation	4,690	5,709	1,424	1,474
- Write offs	-	534	-	534
Amortisation of advance payment	-	2,204	-	-
Asset held for sale				
- Loss on disposal	-	12	-	-
- Written off	-	387	-	-
Gain on disposal of a subsidiary	(6,287)	-	(28,721)	-
Insurance claim	7,244	-	-	-
Loan modification charge/(credit)	9,749	(11,695)	9,749	(11,695)
Principal auditors' remuneration				
- Audit fee – current year	441	507	161	161
- Other assurance services	284	284	284	284
Other auditors' remuneration				
- Audit fee	-	61	-	-
- Other services	31	-	-	-
Repair and maintenance	47,856	45,074	741	1,193
Tyre expenses	478	301	-	-
Diesel and fuel	1,897	2,444	-	-
Staff costs*	86,776	79,462	13,423	10,311
Rental expenses for short term leases and low value assets	693	624	-	-
Unrealised foreign exchange (gain)/loss	(1,506)	2,627	-	-
Separation cost	1,174	11,445	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages, salaries and bonuses	61,917	56,285	10,623	7,861
Defined contribution plan	9,261	8,630	1,623	1,369
Other employee benefits	15,598	14,547	1,177	1,081
	86,776	79,462	13,423	10,311

12 DIRECTORS' REMUNERATION – CONTINUING OPERATIONS

2021	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	1,128	-	1,128
- Non-Independent Non-Executive	222	-	222
	1,350	-	1,350
Meeting allowances:			
- Independent Non-Executive	394	-	394
- Non-Independent Non-Executive	78	-	78
	472	-	472
Benefits in kind:			
- Independent Non-Executive Director	69	-	69
- Non-Independent Non-Executive	13	-	13
	82	-	82
Other benefits:			
- Independent Non-Executive	31	-	31
- Non-Independent Non-Executive	2	-	2
	33	-	33
	1,937	-	1,937

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12 DIRECTORS' REMUNERATION – CONTINUING OPERATIONS (CONTINUED)

2020	Receivable from the Company RM'000	Receivable from subsidiaries RM'000	Group RM'000
Fees:			
- Independent Non-Executive	818	-	818
- Non-Independent Non-Executive	331	-	331
	1,149	-	1,149
Meeting allowances:			
- Independent Non-Executive	260	-	260
- Non-Independent Non-Executive	62	-	62
	322	-	322
Benefits in kind:			
- Independent Non-Executive Director	127	-	127
- Non-Independent Non-Executive	16	-	16
	143	-	143
Other benefits:			
- Independent Non-Executive	23	-	23
- Non-Independent Non-Executive	2	-	2
	25	-	25
	1,639	-	1,639

13 ZAKAT – CONTINUING OPERATION

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Movement in zakat liability:				
At beginning of financial year	-	-	-	-
Current financial year's zakat expense	1,000	1,486	-	-
Zakat paid	(1,000)	(1,486)	-	-
At the end of financial year	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

14 TAXATION – CONTINUING OPERATIONS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax	40,793	34,060	4,242	2,236
Under accrual in prior financial year	2,622	490	423	301
	43,415	34,550	4,665	2,537
Deferred tax (Note 32)	72	(4,052)	(214)	(89)
	43,487	30,498	4,451	2,448

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation after zakat	80,102	34,361	205,346	49,766
Tax at Malaysian tax rate of 24% (2020: 24%)	19,225	8,247	49,283	11,944
Tax effects of:				
- expenses not deductible for tax purposes	13,515	8,621	2,519	9,770
- income not subject to tax	(6,219)	(4,715)	(47,774)	(19,567)
- under accrual in prior financial year	2,622	490	423	301
- temporary differences not recognised	14,292	17,546	-	-
- temporary differences in respect of prior years	52	309	-	-
	43,487	30,498	4,451	2,448

15 EARNINGS/(LOSS) PER SHARE

Continuing operations	Group	
	2021 RM'000	2020 RM'000
Profit for the financial year attributable to owners of the Company	36,615	3,863
Weighted average number of ordinary shares in issue ('000)	702,980	702,980
Basic and diluted earnings per share (sen)	5.21	0.55
Discontinued operations		
Profit/(Loss) for the financial year attributable to owners of the Company	88,738	(75,091)
Weighted average number of ordinary shares in issue ('000)	702,980	702,980
Basic and diluted profit/(loss) per share (sen)	12.62	(10.68)

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16 PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS

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

(ii) Analysis of the profit and loss of discontinued operations is as follows:

	2021 RM'000	2020 RM'000
Revenue	-	-
Cost of sales	-	-
Gross profit	-	-
Other operating income	89,493	619
Administrative expenses	(755)	(555)
Other operating expenses	-	(75,155)
Profit/(Loss) before taxation	88,738	(75,091)
Taxation - deferred tax (Note 32)	-	-
Profit/(Loss) from discontinued operation	88,738	(75,091)

(iii) Analysis of the cash flows of discontinued operations is as follows:

	2021 RM'000	2020 RM'000
Operating cash flows	(1,893)	(14,069)
Investing cash flows	1,815	619
Total cash outflow	(78)	(13,450)

(iv) Profit/(Loss) before taxation from discontinued operations is stated after charging/(crediting):

	2021 RM'000	2020 RM'000
Reversal of impairment of asset held for sale	-	(1,762)
Impairment of property, plant and equipment	-	43,705
(Reversal of impairment)/Impairment of receivables	(16)	20
Depreciation of property, plant and equipment	-	2,011
Depreciation of right-of-use assets	-	2,674
Property, plant and equipment written-off	-	27,244
Staff costs	183	307
Gain on disposal of a subsidiary	(85,527)	-
Inventories written off	-	177
Gain on disposal of property, plant and equipment	(1,572)	(566)

During the financial year ended 31 December 2019, the recoverability of plantation assets which included leasehold land and bearer plants was determined based on the offer price received from a potential buyer. Following the assessment, an impairment of RM1,762,000 was made during financial year ended 31 December 2019 upon reclassification of the asset to Assets Held for Sale from Right-of-Use Assets and Property, Plant and Equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16 PROFIT/(LOSS) FROM DISCONTINUING OPERATION (CONTINUED)

(iv) Profit/(Loss) before taxation from discontinued operations is stated after charging/(crediting): (continued)

During the financial year ended 31 December 2020, the Group had exercised its right to rescind the sales and purchase agreement previously entered to dispose its plantation assets. Pursuant to this, the related assets were reclassified from Assets Held for Sale to Right-of-Use Assets and Property, Plant and Equipment and continued to be depreciated.

In the financial year ended 31 December 2020, the Group has performed a valuation exercise on its assets. Pursuant to the valuation exercise, the Group has reversed an impairment charge of RM1,762,000 recorded previously.

The fair value was within Level 2 of the fair value hierarchy as this was based on comparison of prices for similar assets.

On 29 September 2021, MSM Malaysia Holdings Berhad ("the Company") completed the disposal of the entire equity of MSM Perlis Sdn Bhd ("MSMP"), a wholly owned subsidiary of the Company, for a total cash consideration of RM181,106,000, which resulted in a gain on disposal of RM91,814,000. Further details of the gain on disposal is reflected in Note 20 to the financial statements.

Of the total gain, RM85,527,000 is shown as gain on disposal from discontinued operations.

17 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Assets under construction RM'000	Bearer plants - Oil Palm, Rubber and Mango RM'000	Total RM'000
2021							
<u>Cost</u>							
At 1 January 2021	6,486	482,712	1,538,409	90,929	7,419	46,328	2,172,283
Additions	-	788	3,123	1,714	32,579	-	38,204
Write-offs	-	(184)	(4,927)	(152)	(618)	-	(5,881)
Disposal	-	-	(110)	(3,838)	-	-	(3,948)
Disposal of a subsidiary	-	(48,506)	(197,889)	(17,654)	(1,461)	(46,328)	(311,838)
Reclassifications	-	977	24,771	589	(26,337)	-	-
At 31 December 2021	6,486	435,787	1,363,377	71,588	11,582	-	1,888,820
<u>Accumulated depreciation</u>							
At 1 January 2021	-	120,319	565,594	56,587	-	2,623	745,123
Charge for the financial year	-	9,633	59,360	6,409	-	-	75,402
Write-offs	-	(40)	(3,085)	(102)	-	-	(3,227)
Disposal	-	-	(51)	(3,552)	-	-	(3,603)
Disposal of a subsidiary	-	(28,900)	(98,806)	(16,070)	-	(2,623)	(146,399)
At 31 December 2021	-	101,012	523,010	43,272	-	-	667,296
<u>Accumulated impairment</u>							
At 1 January 2021	-	20,489	104,390	1,880	1,461	43,705	171,925
Reversal of impairment during the financial year	-	-	(16,427)	-	-	-	(16,427)
Transfer to Assets Held for Sale (Note 29)	-	-	11,300	-	-	-	11,300
Disposal	-	-	(59)	(286)	-	-	(345)
Disposal of a subsidiary	-	(19,606)	(99,083)	(1,584)	(1,461)	(43,705)	(165,439)
At 31 December 2021	-	883	121	10	-	-	1,014
<u>Net book value</u>							
At 31 December 2021	6,486	333,892	840,244	28,306	11,582	-	1,220,510

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Furniture, fittings, equipment and motor vehicles RM'000	Assets under construction RM'000	Bearer plants - Oil Palm, Rubber and Mango RM'000	Total RM'000
2020							
<u>Cost</u>							
At 1 January 2020	6,486	479,404	1,511,215	97,468	19,771	-	2,114,344
Additions	-	8	1,557	894	27,584	-	30,043
Transfer from Assets Held for Sale (Note 29)	-	7,530	1,621	2,958	-	73,572	85,681
Transfer to Assets Held for Sale (Note 29)	-	(7,526)	(883)	(2,205)	-	-	(10,614)
Write-offs	-	(245)	(8,222)	(9,659)	-	(27,244)	(45,370)
Disposal	-	(4)	(737)	(1,060)	-	-	(1,801)
Reclassifications	-	3,545	33,858	2,533	(39,936)	-	-
At 31 December 2020	6,486	482,712	1,538,409	90,929	7,419	46,328	2,172,283
<u>Accumulated depreciation</u>							
At 1 January 2020	-	109,683	516,851	60,351	-	-	686,885
Charge for the financial year	-	11,388	55,766	6,175	-	1,512	74,841
Transfer from Assets Held for Sale (Note 29)	-	4,278	1,440	2,628	-	1,111	9,457
Transfer to Assets Held for Sale (Note 29)	-	(4,774)	(729)	(2,083)	-	-	(7,586)
Write-offs	-	(253)	(7,024)	(9,456)	-	-	(16,733)
Disposal	-	(3)	(710)	(1,028)	-	-	(1,741)
At 31 December 2020	-	120,319	565,594	56,587	-	2,623	745,123
<u>Accumulated impairment</u>							
At 1 January 2020	-	20,489	108,197	1,880	1,461	-	132,027
Impairment loss charged in the financial year	-	-	-	-	-	43,705	43,705
Reversal of impairment during the financial year	-	-	(3,807)	-	-	-	(3,807)
At 31 December 2020	-	20,489	104,390	1,880	1,461	43,705	171,925
<u>Net book value</u>							
At 31 December 2020	6,486	341,904	868,425	32,462	5,958	-	1,255,235

Included in the Group's assets under construction during the financial year are finance costs capitalised amounting to RM880,000 (2020: RM1,095,000) (Note 10) applying a capitalisation rate of 2.82% (2020: 3.36%).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

Group	Mature				Immature				Total bearer plant RM'000
	Oil palms RM'000	Rubber		Total RM'000	Oil palm RM'000	Rubber		Total RM'000	
		trees RM'000	Mango RM'000			trees RM'000	Mango RM'000		
31.12.2020									
<u>Cost</u>									
At 1 January 2020	-	-	-	-	-	-	-	-	-
Transfer from asset held for sale	1,608	22,219	676	24,503	-	48,872	197	49,069	73,572
Write offs	-	-	-	-	-	(27,244)	-	(27,244)	(27,244)
At 31 December 2020	1,608	22,219	676	24,503	-	21,628	197	21,825	46,328
<u>Accumulated depreciation</u>									
At 1 January 2020	-	-	-	-	-	-	-	-	-
Transfer from asset held for sale	329	725	57	1,111	-	-	-	-	1,111
Charge for the financial year	91	1,387	34	1,512	-	-	-	-	1,512
At 31 December 2020	420	2,112	91	2,623	-	-	-	-	2,623
<u>Accumulated impairment loss</u>									
At 1 January 2020	-	-	-	-	-	-	-	-	-
Impairment loss	1,188	20,107	585	21,880	-	21,628	197	21,825	43,705
At 31 December 2020	1,188	20,107	585	21,880	-	21,628	197	21,825	43,705
<u>Net book value</u>									
At 31 December 2020	-	-	-	-	-	-	-	-	-

Bearer plants comprise oil palms, rubber trees and mango trees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment assessment

Financial year ended 31 December 2021

(a) **MSM Sugar Refinery (Johor) Sdn Bhd (“MSM Johor”)**

MSM Johor has recorded continuous losses due to its low utilisation capacity since previous financial years, and this has been identified as indicator for impairment for the assets.

The recoverable amount was determined using value in use calculation based on cash flow projections for a finite projection period of 20 years, based on the weighted average remaining useful life of property, plant and equipment.

The recoverable amount of MSM Johor’s assets calculated based on value in use calculation was RM1,428 million exceed the carrying value by RM195 million.

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

Key assumptions	2021
Selling price, RM/MT	2,690 – 2,800
Raw sugar price, US cents/lbs	15.0 – 20.3
Sales volume, MT’000	381 – 655
Freight charges, USD/MT	30.0 – 35.0
Natural gas price, RM/MMBtu	30.0 – 33.1
Discount rate %	10%
Exchange rate (RM – USD)	RM4.25/USD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment assessment (continued)

Financial year ended 31 December 2021 (continued)

(a) MSM Sugar Refinery (Johor) Sdn Bhd ("MSM Johor") (continued)

The sensitivity on the MSM Johor's assets recoverable amount to key assumptions are as follows:

Key assumptions	Sensitivity	VIU Higher/(Lower) by RM'000
Sales volume	30% reduction in FY22 and FY23	(43,000)
Freight charges	Increase to USD60/MT in FY22 (USD 30/MT FY23 onwards)	(32,400)
Natural gas price	Increase to RM40/MMBtu in FY22	(21,100)
Fine syrup sales volume	Reduce by 12KMT - 16KMT	(8,800)

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

(b) Reversal of impairment loss

In the current financial year, the Group carried out an assessment on the recoverable amount of certain plant and machinery assets previously impaired during the financial year ended 31 December 2019. Following the assessment, the Group has reversed a total impairment of RM5,127,000 as a result of increase in service potential through the commencement of utilisation of these assets.

In addition, in December 2021, the Company received an offer in respect of certain plant and machinery from a scrap metal purchaser. These plant and machinery are part of assets impaired in financial year ended 31 December 2019 following cessation of refinery operations in MSM Perlis. Following this offer, a reversal of impairment loss of RM11,300,000 had been recognised based on the recoverable amount of the assets which is equivalent to the offer price.

As the assets were planned for disposal to the scrap metal purchaser, the assets have been reclassified to Assets Held for Sale (Note 29) from Property, Plant and Equipment. Sale of these assets was completed on 17 February 2022.

(c) MSM Perlis Sdn Bhd ("MSM Perlis")

During the financial year ended 31 December 2019, the recoverable amount of plantation assets which included leasehold land and bearer plant assets was determined based on the offer received from a potential buyer.

During the financial year ended 31 December 2020, following the rescission of sale and purchase agreement of the assets' disposal, the plantation assets were transferred to Property, Plant and Equipment and Right-Of-Use Assets, as indicated in Note 18 to the financial statements, from Assets Held for Sale.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Impairment assessment (continued)

Financial year ended 31 December 2021 (continued)

(c) MSM Perlis Sdn Bhd ("MSM Perlis") (continued)

After considering the condition of the bearer plants as a result of the cessation of the plantation operations and a fire during the financial year ended 31 December 2020 which resulted in a write-off of RM27,244,000, an impairment assessment was performed on bearer plants. The assessment indicated the recoverable amount of the bearer plant assets as nil. Accordingly, an impairment of RM43,705,000 was recorded in the financial year ended 31 December 2020.

During the current financial year, the Group carried out an assessment on the recoverable amount of certain plant and machinery assets previously impaired in financial year ended 31 December 2019. Following the assessment, the Group has reversed a total impairment of RM5,127,000 as a result of a change in the recoverable amount of these assets.

During the financial year ended 31 December 2020, leasehold plantation land and leasehold factory land located at Chuping, Perlis were transferred to Assets Held for Sale following offer received from potential buyer.

On 29 September 2021, MSM Malaysia Holdings Berhad ("the Company") completed the disposal of the entire equity of MSM Perlis Sdn Bhd ("MSMP"), a wholly owned subsidiary of MSMH, for a total cash consideration of RM181,106,000. The assets and liabilities of MSMP were deconsolidated upon completion of the disposal. The effects of the disposal is reflected in Note 20 to the financial statements.

Company	Furniture fittings, equipment, and motor vehicles RM'000
2021	
<u>Cost</u>	
At 1 January 2021	5,801
Addition	968
Disposal	(534)
At 31 December 2021	6,235
<u>Accumulated depreciation</u>	
At 1 January 2021	3,831
Charge for the financial year	650
Disposal	(534)
At 31 December 2021	3,947
<u>Net book value</u>	
At 31 December 2021	2,288

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture fittings, equipment, and motor vehicles RM'000
2020	
<u>Cost</u>	
At 1 January 2020	5,423
Addition	378
At 31 December 2020	5,801
<u>Accumulated depreciation</u>	
At 1 January 2020	3,174
Charge for the financial year	657
At 31 December 2020	3,831
<u>Net book value</u>	
At 31 December 2020	1,970

18 RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Building RM'000	Total RM'000
Group			
2021			
<u>Cost</u>			
At 1 January	100,989	6,199	107,188
Addition	-	824	824
Transfer to asset held for sale (Note 29)	(10,573)	-	(10,573)
At 31 December 2021	90,416	7,023	97,439
<u>Accumulated depreciation</u>			
At 1 January 2021	12,594	1,952	14,546
Charge for the financial year	1,755	993	2,748
Transfer to asset held for sale (Note 29)	(2,891)	-	(2,891)
At 31 December 2021	11,458	2,945	14,403
<u>Net book value</u>			
At 31 December 2021	78,958	4,078	83,036

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18 RIGHT-OF-USE ASSETS (CONTINUED)

	Leasehold land RM'000	Building RM'000	Total RM'000
Group			
2020			
<u>Cost</u>			
At 1 January	110,437	10,709	121,146
Transfer from asset held for sale (Note 29)	99,225	-	99,225
Transfer to asset held for sale (Note 29)	(108,673)	-	(108,673)
Lease modification	-	(3,301)	(3,301)
Lease expiry	-	(1,209)	(1,209)
At 31 December 2020	100,989	6,199	107,188
<u>Accumulated depreciation</u>			
At 1 January 2020	12,067	4,937	17,004
Charge for the financial year	4,877	798	5,675
Transfer from asset held for sale (Note 29)	17,687	-	17,687
Transfer to asset held for sale (Note 29)	(22,037)	-	(22,037)
Lease modification	-	(2,574)	(2,574)
Lease expiry	-	(1,209)	(1,209)
At 31 December 2020	12,594	1,952	14,546
<u>Accumulated impairment</u>			
At 1 January 2020	7,968	-	7,968
Reversal of impairment during the financial year	(7,968)	-	(7,968)
At 31 December 2020	-	-	-
<u>Net book value</u>			
At 31 December 2020	88,395	4,247	92,642

In the financial year ended 31 December 2020, the Group has carried out a valuation exercise on its assets. Pursuant to the valuation exercise, the Group has reversed an impairment charge of RM7,968,000 made previously. The fair value is within Level 2 of the fair value hierarchy as this is based on comparison of prices for similar assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18 RIGHT-OF-USE ASSETS (CONTINUED)

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

	Group	
	2021 RM'000	2020 RM'000
Rental of short term assets	693	624
Principal payments of lease liabilities	1,221	221
Interest payment of lease liabilities	241	241
	2,155	1,086

Company	Building RM'000
<u>2021</u>	
<u>Cost</u>	
At 1 January 2021	1,708
<u>Accumulated depreciation</u>	
At 1 January 2021	496
Charge for the financial year	661
At 31 December 2021	1,157
<u>Net book value</u>	
At 31 December 2021	551
<u>2020</u>	
<u>Cost</u>	
At 1 January 2020	5,009
Lease modification	(3,301)
At 31 December 2020	1,708
<u>Accumulated depreciation</u>	
At 1 January 2020	2,574
Lease modification	(2,574)
Charge for the financial year	496
At 31 December 2020	496
<u>Net book value</u>	
At 31 December 2020	1,212

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

	Company	
	2021 RM'000	2020 RM'000
Principal payments of lease liabilities	827	158
Interest payment of lease liabilities	57	63
	884	221

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19 INTANGIBLE ASSETS

Net book value	Group			Total RM'000	Company Software RM'000
	Goodwill RM'000	Brand RM'000	Software RM'000		
2021					
As at 1 January 2021	576,240	86,033	14,555	676,828	8,107
Additions	-	-	1,763	1,763	326
Disposal of a subsidiary	-	-	(1,278)	(1,278)	-
As at 31 December 2021	576,240	86,033	15,040	677,313	8,433
<u>Accumulated amortisation</u>					
As at 1 January 2021	-	37,978	13,559	51,537	5,893
Charge for the financial year	-	3,226	1,464	4,690	1,424
Disposal of a subsidiary	-	-	(1,099)	(1,099)	-
As at 31 December 2021	-	41,204	13,924	55,128	7,317
<u>Accumulated Impairment</u>					
As at 1 January 2021	-	-	179	179	-
Disposal of a subsidiary	-	-	(179)	(179)	-
As at 31 December 2021	-	-	-	-	-
<u>Net Book Value</u>					
As at 31 December 2021	576,240	44,829	1,116	622,185	1,116
2020					
As at 1 January 2020	576,240	86,033	14,493	676,766	8,080
Additions	-	-	596	596	561
Write-offs	-	-	(534)	(534)	(534)
As at 31 December 2020	576,240	86,033	14,555	676,828	8,107
<u>Accumulated amortisation</u>					
As at 1 January 2020	-	34,752	11,076	45,828	4,419
Charge for the financial year	-	3,226	2,483	5,709	1,474
As at 31 December 2020	-	37,978	13,559	51,537	5,893
<u>Accumulated Impairment</u>					
As at 31 December 2020	-	-	179	179	-
<u>Net Book Value</u>					
As at 31 December 2020	576,240	48,055	817	625,112	2,214

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19 INTANGIBLE ASSETS (CONTINUED)

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 an eight-year period and applying a terminal value multiple using a long term sustainable growth rate. An extended forecast period of eight years is used to show the full impact following the rationalisation plan within the Group.

The recoverable amount calculated based on VIU exceeded the carrying value by RM646 million (2020: RM257 million).

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

Key assumptions	2021	2020
Selling price, RM/MT	2,690 - 2,800	1,866 - 2,690
Raw sugar price, US cents/lbs	15.0 - 20.3	13.2 - 15.0
Sales volume, MT'000	1,088 - 1,181	1,148 - 1,340
Landed cost, RM/MT	2.9 - 15.0	2.9 - 15.0
Natural gas, RM/MMBtu	30.0 - 33.1	30.0 - 34.9
Terminal value growth rate, %	2%	2%
Discount rate, %	9% - 10%	11% - 12%
Exchange rate (RM – USD)	RM4.25/USD	RM4.40/USD

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19 INTANGIBLE ASSETS (CONTINUED)

Goodwill (continued)

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.

2021

Key assumptions	Sensitivity	VIU Higher/(Lower) by RM'000
Landed Cost	Increase by RM15/mt	(105,500)
Domestic sales volume	Reduce by 30%	(42,900)
Fine syrup sales volume	Reduce by 24kmt - 29kmt	(50,200)
Natural gas	Increase by 10%	(38,500)

A reduction in domestic selling price by RM297/MT, increase in raw sugar price by USD1.2 cents/lbs, reduction in terminal value growth rate by 4.6%, increase in discount rate by 1.8%, decrease in domestic sales volume by 18.9% and increase in exchange rate by RM0.33/USD would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

2020

Key assumptions	Sensitivity	VIU Higher/(Lower) by RM'000
Exchange rate	Reduce by RM0.13/USD	202,700
Raw sugar price	*	154,800
Domestic and industry sales volume	Domestic reduce by 28mt - 88mt; Industry reduce by 33mt - 131mt;	(321,700)
Discount rate	Discount rate reduce by 1%	417,400
Capital expenditure	Increase by RM79m	(87,100)
Selling premium	Reduce in selling premium by USD50/mt	(11,000)

* Raw sugar price increase by RM0.50/USD in FY2021, reduce by RM0.75/USD in FY2022, reduce by RM2.90/USD in FY2023 and constantly reduce by RM0.30/USD in FY2024 to FY2028.

A reduction in domestic selling price by RM36/MT, increase in raw sugar price by USD0.2 cents/lbs, reduction in terminal value growth rate by 0.6%, increase in discount rate by 0.4%, decrease in domestic sales volume by 3.8% and increase in exchange rate by RM0.06/USD would, all changes taken in isolation, result in the recoverable amount being equal to the carrying amount.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2021 RM'000	2020 RM'000
<u>Unquoted investments, at cost</u>		
At 1 January	2,157,406	2,157,406
Additional investment in a subsidiary (Note 20(a))	122,000	-
Disposal of investment in subsidiary (Note 20(b))	(913,937)	-
At 31 December	1,365,469	2,157,406
<u>Accumulated impairment</u>		
At 1 January	856,168	828,806
Charged during the year (Note 20(c))	-	27,362
Disposal of investment in subsidiary (Note 20(b))	(762,550)	-
At 31 December	93,618	856,168
Net investment in subsidiaries	1,271,851	1,301,238

(a) Capital injection in a subsidiary

During the financial year ended 31 December 2021, MSM Malaysia Holdings Berhad ("the Company") made a capital injection of RM122,000,000 to MSM Perlis Sdn Bhd ("MSMP") for the purpose of balance sheet restructuring prior to disposal of MSMP.

(b) Disposal of a subsidiary during the financial year

On 29 September 2021, the Company completed the disposal of the entire equity of MSMP, a wholly owned subsidiary of the Company, for a total cash consideration of RM181,106,000, which resulted in a gain on disposal of RM91,814,000 to the Group and a gain on disposal of RM28,721,000 to the Company after net cost to sell.

The effect of the disposal of MSM Perlis Sdn. Bhd. on the financial position of the Group as at the financial year end is as follows:

Net asset disposed	RM'000
Asset held for sale	89,421
Receivables	439
Income tax recoverable	533
Cash and cash equivalents	5,204
Payables	(72)
Deferred tax liabilities	(7,171)
Net asset disposed	88,354
Cost to sell	938
Gain on disposal of a subsidiary [#]	91,814
Proceeds from disposal of a subsidiary	181,106

[#] Of the total gain, RM6,287,000 is shown as gain disposal for continuing operations and RM85,527,000 is shown as gain on disposal from discontinued operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(c) Impairment in subsidiaries

Investments in subsidiaries was impaired in the financial year ended 31 December 2020 as there was indication that the carrying amount would not be fully recovered. The impairment charge was recognised based on a combination of the value-in-use and fair value less costs to sell methods using the following key assumptions:

Value in use

Key assumptions

2020

Selling price, RM/MT	1,866 - 2,690
Raw sugar price, US cents/lbs	13.2 - 15.0
Sales volume, MT'000	498 - 671
Terminal value growth rate, %	2%
Pre-tax discount rate, %	12% - 13%

Fair value less costs to sell

Included in the cash generating unit is the fair value less costs to sell for a piece of land of RM175,000,000.

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 directly held by Group	
			2021	2020	2021	2020
			%	%	%	%
<u>Direct subsidiaries</u>						
MSM Prai Berhad	Malaysia	Sugar refining, sales and marketing of refined sugar products	100	100	100	100
MSM Trading & Distribution Sdn Bhd	Malaysia	Buy and sell commodities products either through physical or paper transaction that would add revenue streams, improve quality, productivity and efficiency of operations	100	100	100	100
MSM Sugar Refinery (Johor) Sdn Bhd	Malaysia	Sugar refining, sales and marketing of refined sugar products	100	100	100	100
MSM Trading International DMCC*	United Arab Emirates	Trading in sugar (under liquidation)	100	100	100	100
<u>Indirect subsidiary</u>						
MSM Logistics Sdn Bhd	Malaysia	Provision of transportation services	-	-	100	100

* Audited by firms other than member firms of PricewaterhouseCoopers International Limited.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 LOANS DUE FROM A SUBSIDIARY

	Company	
	2021 RM'000	2020 RM'000
Islamic term loan – MSM Sugar Refinery (Johor) Sdn Bhd	1,054,083	1,002,053
Loss allowance (Note 8)	(13,433)	-
	1,041,370	1,002,053
Analysed as:		
Current	-	70,090
Non-current	1,041,370	931,963
Total loans to subsidiaries	1,041,370	1,002,053

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

	2021 %	2020 %
	per annum	per annum
Islamic term loan	4.36 - 4.37	4.36 - 5.67

Islamic term loan is unsecured, with interest charged at a rate which is at the prevailing rate based on a licensed bank's Islamic term loan facility rate on the day of the drawing. Subject to the provisions of the agreements, the amount of the facility shall be repaid commencing from 2023 for a period of 12 years.

(a) Reconciliation of loss allowance

Loan due from subsidiaries using general 3 stage approach

The loss allowance for loan due from subsidiaries as at 31 December 2021 reconciles to the opening loss allowance for that provision as follows:

	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
Opening loss allowance as at 1 January 2020 (calculated under MFRS 9)	-	(419)	-	(419)
Reversal of loss allowance (Notes 1a, 8)	-	419	-	419
Closing loss allowance as at 31 December 2020	-	-	-	-
Individual financial assets transferred to under-performing (credit-impaired financial assets) (Notes 1b, 8)	-	(13,433)	-	(13,433)
Closing loss allowance as at 31 December 2021	-	(13,433)	-	(13,433)

Note 1a:

The reversal of loss allowance in the previous financial year of RM419,000 was recorded after repayment made during that year.

Note 1b:

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

21 LOANS DUE FROM SUBSIDIARIES (CONTINUED)

(b) Maximum exposure to credit risk

The following table contains an analysis of the credit risk exposure of the subsidiaries for which an ECL allowance is recognised. Their gross carrying amounts disclosed below also represents the Group's maximum exposure to credit risk on these assets:

Group internal credit rating	Expected credit loss	Basis for recognition of expected credit loss provision	Estimated gross carrying amount at default RM'000	Loss allowance RM'000	Carrying amount (net of loss allowance) RM'000
<u>2021</u>					
Performing	-	12 months ECL	-	-	-
Under performing	1.3%	Lifetime ECL	1,054,803	(13,433)	1,054,803
<u>2020</u>					
Performing	-	12 months ECL	1,002,053	-	1,002,053
Under performing	-	Lifetime ECL	-	-	-

22 LEASE RECEIVABLES

	Company	
	2021 RM'000	2020 RM'000
Not later than 1 year	2,167	2,167
Later than 1 year	82,732	83,859
	84,899	86,026

The leased asset is in respect of a piece of leasehold land acquired for the construction of a sugar refinery which the Company leases to a subsidiary of the Company. The Company and its subsidiary had agreed that the total investment recovery cost of RM87,346,451 as at 30 April 2016, which is the commencement date of the lease agreement for the said land, will be recovered by the subsidiary over a period of 59 years. Accordingly, the Company has transferred the net book value of the leasehold land amounting to RM87,346,451 as at 30 April 2016 from property plant and equipment to lease receivables in 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

22 LEASE RECEIVABLES (CONTINUED)

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

	Company	
	2021 RM'000	2020 RM'000
Within 1 year	2,167	2,167
In the second year	2,167	2,167
In the third year	2,167	2,167
In the fourth year	2,167	2,167
In the fifth year	2,167	2,167
After the fifth year	104,540	106,707
Total undiscounted lease payments receivable	115,375	117,542
Unearned finance income	(30,476)	(31,516)
Net investment in the lease	84,899	86,026

23 RECEIVABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current assets:				
Trade receivables	265,099	227,029	-	-
Other receivables	41,493	4,032	20	20
Deposits	4,054	2,989	11	11
Prepayments	12,248	4,002	357	145
	322,894	238,052	388	176
Loss allowance – Trade receivables	(7,603)	(10,632)	-	-
Loss allowance – Other receivables	(8,048)	(243)	-	-
Total receivables	307,243	227,177	388	176

The receivables are denominated as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ringgit Malaysia	237,173	193,110	388	176
US Dollar	70,070	33,751	-	-
Others	-	316	-	-
	307,243	227,177	388	176

Credit term of trade receivables range between 30 to 60 days (2020: 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23 RECEIVABLES (CONTINUED)

- (a) Included in other receivables are cash placed for sugar futures trading facilities of RM17,970,000 (2020: RM Nil).
- (b) Reconciliation of loss allowance
- (i) Trade receivables using simplified approach

The Group and the Company applies MFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue earned over a period of 24 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as the Group has not identified any forward looking assumptions which correlate to the historical loss rates.

The movement of loss allowance for trade receivables as at 31 December 2021 is as follows:

	Trade receivables	
	2021	2020
	RM'000	RM'000
At 1 January	(10,632)	(3,025)
Decrease/(Increase) in loss allowance recognised in profit or loss during the year (Note 8)	3,029	(7,607)
At 31 December	(7,603)	(10,632)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23 RECEIVABLES (CONTINUED)

(b) Reconciliation of loss allowance (continued)

(i) Trade receivables using simplified approach (continued)

31 December 2021

The following table contains an analysis of the credit risk exposure of trade receivables for which an ECL allowance is recognised, based on collective impairment assessment:

	Current RM'000	Less than 30 days past due RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
31 December 2021						
Gross carrying amount						
- trade receivables	209,976	6,114	2,910	886	45,213	265,099
Individual assessment						
- credit impaired	-	-	-	-	(3,660)	(3,660)
Individual assessment						
- non-credit impaired	-	-	-	-	(37,648)	(37,648)
	209,976	6,114	2,910	886	3,905	223,791
Expected loss rate	0.12%	1.00%	5.54%	12.35%	81.87%	
Collective loss allowance	(263)	(61)	(161)	(109)	(3,197)	(3,791)
Carrying amount (net of loss allowance)	209,713	6,053	2,749	777	708	220,000

Decrease in loss allowance since prior year is due receipts from customers during the financial year.

The following table contains an analysis of the credit risk exposure of trade receivables for which an ECL allowance is recognised, based on individual impairment assessment:

	Non-credit impaired RM'000	Credit- impaired RM'000	Total RM'000
31 December 2021			
Gross carrying amount	37,648	3,660	41,308
Loss allowance	(152)	(3,660)	(3,812)
Carrying amount (net of loss allowance)	37,496	-	37,496

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

23 RECEIVABLES (CONTINUED)

(b) Reconciliation of loss allowance (continued)

(i) Trade receivables using simplified approach (continued)

31 December 2020

The following table contains an analysis of the credit risk exposure of trade receivables for which an ECL allowance is recognised, based on collective impairment assessment:

	Current RM'000	Less than 30 days past due RM'000	More than 30 days past due RM'000	More than 60 days past due RM'000	More than 90 days past due RM'000	Total RM'000
31 December 2020						
Gross carrying amount						
- trade receivables	188,243	19,267	5,111	1,953	12,455	227,029
Expected loss rate	0.32%	2.79%	8.00%	16.23%	70.41%	
Loss allowance	(598)	(538)	(409)	(317)	(8,770)	(10,632)
Carrying amount (net of loss allowance)	187,645	18,729	4,702	1,636	3,685	216,397

(ii) Other receivables using general 3 stage approach

The loss allowance for other receivables as at 31 December 2021 reconciles to the opening loss allowances for that provision as follows:

	Performing RM'000	Under- performing RM'000	Non- performing RM'000	Total RM'000
Opening loss allowance as at 1 January 2020				
(calculated under MFRS 9)	-	(611)	-	(611)
Reversal of loss allowance (Note 8)	-	368	-	368
Closing loss allowance as at 31 December 2020	-	(243)	-	(243)
Individual financial assets transferred to under-performing (credit-impaired financial assets) (Note 8)	-	(7,864)	-	(7,864)
Reversal of loss allowance (Notes 16)	-	16	-	16
Changes in allowance from disposal of a subsidiary	-	43	-	43
Closing loss allowance as at 31 December 2021	-	(8,048)	-	(8,048)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

24 INVENTORIES

	Group	
	2021 RM'000	2020 RM'000
At cost:		
- Raw materials	194,342	144,789
- Work-in-progress	30,521	22,276
- Finished goods	103,060	67,297
- Consumable stores	23,454	32,883
- Molasses	261	252
At net realisable value:		
- Raw materials	57,427	-
- Work-in-progress	11,994	6,988
	421,059	274,485

Write downs of inventories to net realisable value amounted to RM13,436,000 (2020: RM 65,000). These were recognised as an expense during the year and included in cost of sales in the statement of profit or loss (Note 11).

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Current assets</u>				
Amounts due from:				
Subsidiaries	-	-	19,265	14,799
Other related companies	3,048	3,665	94	-
Less: loss allowance	-	(3,200)	-	-
Immediate holding company	1	1,461	-	136
	3,049	1,926	19,359	14,935
<u>Current liabilities</u>				
Amounts due to:				
Subsidiaries	-	-	5	751
Other related companies	3,936	1,643	117	4
Immediate holding company	2,982	12,503	1,887	6,096
Ultimate holding body	-	221	-	221
	6,918	14,367	2,009	7,072

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

- (a) Amounts due from/(to) subsidiaries are unsecured, interest free, denominated in Ringgit Malaysia and have credit terms of 30 to 180 days (2020: 30 to 180 days).
- (b) Amounts due from/(to) other related companies are unsecured, interest free, denominated in Ringgit Malaysia and have credit terms of 30 to 60 days (2020: 30 to 60 days).
- (c) The amount due from/(to) the immediate holding company represents non-trade balance, which is expected to be settled within the normal credit period of 90 days (2020: 90 days) and is denominated in Ringgit Malaysia, unsecured and interest free.
- (d) Amount due to ultimate holding body relates to office rental charges which is denominated in Ringgit Malaysia, unsecured and interest free and repayable within 60 days.
- (e) The fair value of amount due from/(to) subsidiaries, other related companies, immediate holding company and ultimate holding body approximates its carrying value, as the impact of discounting is not significant.

Reconciliation of loss allowance

To measure the expected credit losses, amounts due from subsidiaries, other related companies and immediate holding company have been grouped based on shared credit risk characteristics and the days past due.

For amounts due from subsidiaries, other related companies and immediate holding company which are trade related, the expected loss rates are based on the payment profiles of revenue earned over a period of 24 months before 31 December 2021 or 31 December 2020 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as the Group has not identified any forward looking assumptions which correlate to the historical loss rates.

No loss allowances have been recognised on amounts due from subsidiaries, other related companies and immediate holding company during the year other than reversal of loss allowances on amount due from a related company of RM3,200,000 (2020: RM654,000) (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26 LOANS DUE TO A SUBSIDIARY AND TO A RELATED COMPANY

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Non-current liability</u>				
<u>Loans due to a subsidiary</u>				
<u>Unsecured:</u>				
- Financing in nature	-	-	92,554	98,662
<u>Current liability</u>				
<u>Loans due to a subsidiary</u>				
<u>Unsecured:</u>				
- Financing in nature	-	-	31,228	30,194
<u>Loan due to a related company</u>				
<u>Unsecured:</u>				
- Financing in nature	-	47,152	-	10,108

Loan due to a subsidiary relates to a short term and long term funding facility from a subsidiary. The loan is unsecured, denominated in Ringgit Malaysia and the average interest rate of the loan ranges from 3.02% - 4.48% (2020: 3.02% - 4.48% per annum). Short term funding is repayable in 6 months from the drawdown date. Long term funding is repayable within 7 years.

Loan due to a related company relates to short term funding facility from subsidiary of the immediate holding company. The average interest rate of the loan is 2.92% (2020: 2.85% - 4.45%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

27 DERIVATIVE FINANCIAL INSTRUMENTS

Group

	2021		2020	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Non-current:</u>				
Islamic profit rate swap	-	(3,571)	-	(10,163)
<u>Current:</u>				
Sugar futures contracts	-	(963)	-	-
Brent crude oil options contracts	-	(2,133)	-	-
Foreign exchange forward contract	-	(653)	-	(929)
	-	(7,320)	-	(11,092)

	2021		2020	
	Notional amount RM'000	Derivative liabilities RM'000	Notional amount RM'000	Derivative liabilities RM'000
Sugar futures contracts	1,882	(963)	-	-
Brent crude oil options contracts	4,155	(2,133)	-	-
Foreign exchange forward contracts	88,234	(653)	74,778	(929)
Islamic profit rate swap	208,333	(3,571)	291,667	(10,163)
	302,064	(7,320)	366,445	(11,092)

Company

	2021		2020	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
<u>Non-current:</u>				
Islamic profit rate swap	-	(3,571)	-	(10,163)

	2021		2020	
	Notional amount RM'000	Derivative liabilities RM'000	Notional amount RM'000	Derivative liabilities RM'000
Islamic profit rate swap	208,333	(3,571)	291,667	(10,163)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

28 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed deposits with licensed investment bank in Malaysia	81,119	127,748	37,395	16,688
Cash and bank balances	113,656	68,173	16,387	3,672
Deposits, cash and bank balances	194,775	195,921	53,782	20,360
Less: Restricted cash	(16,693)	(15,997)	(16,693)	(15,997)
Cash and cash equivalents	178,082	179,924	37,089	4,363

The effective interest rates of the fixed deposits range from 1.60% - 2.13% (2020: 1.57% - 3.30%) per annum for the Group and range from 1.60% - 2.13% (2020: 1.57% - 3.30%) per annum for the Company respectively. All fixed deposits have original maturity terms of 3 months or less (2020: 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	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Ringgit Malaysia	118,721	150,447	53,782	20,360
US Dollar	76,054	44,231	-	-
AE Dirham	-	1,243	-	-
	194,775	195,921	53,782	20,360

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
AAA	81,119	127,748	37,395	16,688

AAA – A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term financial institution rated assigned by RAM Ratings.

AA – A financial institution rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.

A – A financial institution rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.

For long-term ratings, RAM Ratings applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscripts 1 indicates that the financial institution ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscripts 3 indicates that the financial institution ranks at the lower end of its generic rating category.

NOTES TO THE FINANCIAL STATEMENTS

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29 ASSETS HELD FOR SALE

On 29 September 2021, MSM Malaysia Holdings Berhad (“the Company”) completed the disposal of the entire equity of MSM Perlis Sdn Bhd (“MSMP”), a wholly owned subsidiary of MSMH, for a total cash consideration of RM181,106,000. The assets and liabilities of MSMP were deconsolidated upon completion of the disposal.

Two vacant land in Pulau Indah has been reclassified to Assets Held for Sale as it met MFRS 5 criteria, and the disposal is expected to be completed in 2022.

In December 2021, the Company received an offer in respect of certain plant and machinery from a scrap metal purchaser. These plant and machinery are part of assets impaired in financial year ended 31 December 2019 following cessation of refinery operations in MSMP. Following this offer, the Group has reversed the impairment recognised of RM11,300,000 based on the recoverable amount of the assets which is equivalent to the offer price.

As the assets were planned for disposal, the assets have been reclassified to Assets Held for Sale from Property, Plant and Equipment. Sale of assets was completed on 17 February 2022.

The details are as follows:

	Leasehold land RM'000	Plant and machinery RM'000	Building and office equipment RM'000	Total RM'000
<u>Group</u>				
<u>2021</u>				
As at 1 January 2021	86,636	154	2,874	89,664
Transferred from property, plant and equipment (Note 17)	-	11,300	-	11,300
Transferred from right-of-use-assets (Note 18)	7,682	-	-	7,682
Disposal	-	(152)	(91)	(243)
Disposal of subsidiary (Note 20)	(86,636)	(2)	(2,783)	(89,421)
As at 31 December 2021	7,682	11,300	-	18,982

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29 ASSETS HELD FOR SALE (CONTINUED)

	Leasehold land RM'000	Bearer plant- oil palm, rubber, and mango RM'000	Plant and machinery RM'000	Building and office equipment RM'000	Total RM'000
<u>Group</u>					
<u>2020</u>					
As at 1 January 2020	79,776	72,461	181	5,129	157,547
Transferred to property, plant and equipment (Note 17)	-	(72,461)	(181)	(3,582)	(76,224)
Transferred to right-of-use assets (Note 18)	(81,538)	-	-	-	(81,538)
Transferred from property, plant and equipment (Note 17)	-	-	154	2,874	3,028
Transferred from right-of-use assets (Note 18)	86,636	-	-	-	86,636
Written-off during the year	-	-	-	(387)	(387)
Disposal	-	-	-	(1,160)	(1,160)
Reversal of impairment loss	1,762	-	-	-	1,762
As at 31 December 2020	86,636	-	154	2,874	89,664

30 SHARE CAPITAL

	Group and Company			
	2021	2020	2021	2020
	Number of shares	Number of shares	RM'000	RM'000
Issued and fully paid up:				
Ordinary shares				
At 1 January/31 December	702,980,000	702,980,000	718,255	718,255

NOTES TO THE FINANCIAL STATEMENTS

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31 RESERVES

(i) Reorganisation deficit (non-distributable)

Reorganisation deficit comprises the difference between the fair value of 577,979,800 new ordinary shares issued at RM3.50 per share on 20 May 2011 and the carrying amounts of the sugar business as at January 2010. It is recognised as reorganisation deficit in accordance with the predecessor method of accounting.

(ii) Merger relief reserve (non-distributable)

Merger relief reserve comprises the 577,979,800 new ordinary shares with a par value of RM0.50 each issued at a fair value of RM3.50 per share for the acquisition of entire equity interests in MSM Prai Berhad and MSM Perlis Sdn Bhd on 20 May 2011. The difference between par value and fair value is recognised as merger relief reserve in accordance with section 60(4) of the Companies Act 1965.

(iii) Foreign exchange reserve

The foreign exchange reserve is used to record exchange difference arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(iv) Cash flow hedge reserve

The Group manages its cash flow interest rate risk with floating-to-fixed interest rate swaps which are designated in cash flow hedge relationships.

To the extent this hedge is effective, the change in fair value of the hedge instrument is recognised in the cash flow hedge reserve. The gain or loss relating to the ineffective portion of the interest rate swaps is reclassified to profit or loss and recognised within 'finance cost'.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32 DEFERRED TAX LIABILITIES/(ASSETS)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax liabilities/(assets)				
- Subject to income tax	39,911	39,839	(372)	(158)
- Subject to RPGT	-	7,171	-	-
	39,911	47,010	(372)	(158)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax liabilities/(assets):				
- Deferred tax liabilities to be recovered after more than 12 months	11,813	22,322	-	72
- Deferred tax liabilities to be recovered within 12 months	28,098	24,688	(372)	(230)
Deferred tax liabilities/(assets) (net)	39,911	47,010	(372)	(158)
At 1 January	47,010	51,062	(158)	(69)
Disposal of MSM Perlis	(7,171)	-	-	-
	39,839	51,062	(158)	(69)
Charged/(Credited) to profit and loss (Notes 14 and 16):				
- property, plant and equipment	3,989	(5,506)	(24)	(5)
- payables and accruals	(2,258)	(563)	(190)	(84)
- intangible assets	(2,421)	3,015	-	-
- receivables	271	(573)	-	-
- accrued interest	-	163	-	-
- right-of-use assets	(81)	(81)	-	-
- derivatives financial assets	676	(575)	-	-
- lease liabilities	(104)	68	-	-
Charged/(Credited) to profit and loss	72	(4,052)	(214)	(89)
At 31 December	39,911	47,010	(372)	(158)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32 DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	22,960	18,971	48	72
- asset held for sale	-	7,171	-	-
- right-of-use assets	639	720	-	-
- intangible assets	20,456	22,877	-	-
- receivables	271	-	-	-
	44,326	49,739	48	72
Offsetting	(4,415)	(2,729)	(48)	(72)
Deferred tax liabilities (after offsetting)	39,911	47,010	-	-
Deferred tax assets (before offsetting)				
- derivatives	-	676	-	-
- payables and accruals	3,497	1,239	420	230
- lease liabilities	918	814	-	-
	4,415	2,729	420	230
Offsetting	(4,415)	(2,729)	(48)	(72)
Deferred tax assets (after offsetting)	-	-	372	158

The amount of unused tax losses and deductible temporary differences (subject to approval by the Inland Revenue) for which no deferred tax assets are recognised in the statement of financial position of the Group as the Directors are of the view it is not probable that sufficient taxable profits will be available to allow the deferred tax assets to be utilised is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Continuing operations</u>				
Unused tax losses	304,711	291,268	-	-
Deductible temporary differences	107,642	61,533	-	-
	412,353	352,801	-	-
<u>Discontinuing operation</u>				
Unused tax losses	-	17,669	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

32 DEFERRED TAX LIABILITIES/(ASSETS) (CONTINUED)

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, unutilised tax losses will be imposed with a limit of utilisation for 7 consecutive years. In Budget 2022, the existing time limit to carry forward unutilised business losses to be extended to 10 consecutive YAs. The existing transitional provision for unutilised business losses from YA2018 be allowed to be carried forward for 10 consecutive YAs, until YA2028.

The Group's unused tax losses as of 31 December 2021 for which no deferred tax assets were recognised based on the year of assessment ("YA") expiry are as follows:

	Group	
	2021	2020
	RM'000	RM'000
<u>Continuing operations</u>		
Expiring in 2025	-	85,010
Expiring in 2026	-	178,813
Expiring in 2027	-	27,445
Expiring in 2028	85,010	-
Expiring in 2029	178,813	-
Expiring in 2030	27,445	-
Expiring in 2031	13,443	-
	304,711	291,268
<u>Discontinuing operation</u>		
Expiring in 2025	-	9,252
Expiring in 2026	-	5,801
Expiring in 2027	-	2,616
	-	17,669

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

33 PAYABLES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current liabilities:				
Trade payables	5,339	5,905	-	-
Other payables	59,321	43,205	4,119	210
Accruals	232,846	99,809	2,401	2,318
Unpaid balance for acquisition of property, plant and equipment (Note 36)	3,728	8,172	-	-
Total payables	301,234	157,091	6,520	2,528

Trade payables carry credit periods between 30 to 60 days (2020: 30 to 60 days).

The fair value of the payables approximates their carrying value, as the impact of discounting is not significant.

The payables are denominated as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
- Ringgit Malaysia	300,863	151,634	6,520	2,528
- United States Dollar	371	5,141	-	-
- Pound Sterling	-	316	-	-
	301,234	157,091	6,520	2,528

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

34 BORROWINGS

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-current liabilities:				
Islamic term loans				
- Secured	363,885	518,636	363,885	518,636
Current liabilities:				
Islamic term loans				
- Secured	50,236	33,914	50,236	33,914
Bankers' acceptances				
- Unsecured	378,935	354,550	-	-
	429,171	388,464	50,236	33,914
	793,056	907,100	414,121	552,550

All borrowings are denominated in Ringgit Malaysia.

Bankers' acceptances

The average interest rates of the borrowings range approximately 2.30% to 3.30% (2020: 3.27% to 3.57%) per annum.

Islamic term loans

The average interest rates of the borrowings range approximately 4.36% to 4.37% (2020: 4.36% to 5.67%) per annum.

The Islamic term loans which have a tenure of 12 years (2020: 12 years) are secured against a leasehold land, debenture and certain bank balances of the Group.

The Group and the Company are required to comply with certain financial covenants i.e. consolidated net debt and financing to equity ratio, consolidated net debt and financing to earnings before interest, tax, depreciation and amortisation ("EBITDA") ratio and consolidated finance payment cover ratio (collectively known as "financial covenants"). The financial covenants are to be complied with annually (2020: annually).

As at 31 December 2021, the Group and the Company have complied with all of the financial covenants.

In the financial year ended 31 December 2020, the Group and the Company obtained a consent letter from its lender to defer the imposition of all the financial covenants for financial year ending 31 December 2020. The imposition is conditional upon the Group and the Company obtaining an official valuation report addressed to its lender on a land leased by the Company and a prepayment of RM40,000,000. These conditions have been confirmed as fulfilled by the lender on 28 December 2020.

In the financial year ended 31 December 2021, the Company has made an additional prepayment of RM114,256,000. As a result of the prepayments, the Company has recorded a loan modification cost of RM9,749,000.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances.

Federal Land Development Authority ("FELDA"), the Group and Company's ultimate holding body effective from 24 December 2020, is a statutory body corporate set up under the Land Development Act 1956, and controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 – "Related Party Disclosures", FELDA and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Company.

Apart from the individually significant transactions as disclosed in the financial statements, the Group and the Company have collectively, but not individually, significant transactions with other government-related entities which include but not limited to the following:

- Deposit placing with and deposit taking from government-related entities
- Utilities services provided by the government-related entities

These transactions are conducted in the ordinary course of the Group's business on terms consistently applied in accordance with the Group's internal policies and processes. These terms do not depend on whether the counterparties are government-related entities or not.

Related parties and their relationship with the Group are as follows:

Related parties	Relationship
Federal Land Development Authority ("FELDA")	Ultimate holding body
FGV Holdings Berhad ("FGVH")	Immediate holding company
Koperasi Permodalan FELDA Malaysia Berhad ("KPF")	Related company
Felda Holdings Berhad ("FHB")	Subsidiary of FGVH
FGV Capital Sdn Bhd ("FGVC")	Subsidiary of FGVH
MSM Perlis Sdn Bhd ("MSM Perlis")	Subsidiary of FGVH
FGV Integrated Farming Holdings Sdn Bhd ("FGVIF")	Subsidiary of FGVH
FGV R&D Sdn Bhd ("FGV R&D")	Subsidiary of FGVH
KPF Trading Sdn Bhd (Felda Trading Sdn Bhd) ("KPF Trading")	Subsidiary of KPF
KPF Niaga Sdn Bhd ("KPF Niaga")	Subsidiary of KPF
Felda D'Saji Sdn Bhd ("D'Saji")	Subsidiary of KPF
FGV Prodata Systems Sdn Bhd ("FPSB")	Subsidiary of FHB
FGV Security Services Sdn Bhd ("FSS")	Subsidiary of FHB
FGV Transport Sdn Bhd ("FGVT")	Subsidiary of FHB
Felda Travel Sdn Bhd ("Felda Travel")	Subsidiary of FHB
FGV Agri Services Sdn Bhd ("FASSB")	Subsidiary of FHB
Delima Oil Products Sdn Bhd ("D.O.P")	Subsidiary of FHB
FGV Kernel Products Sdn Bhd ("FKPSB")	Subsidiary of FHB
Felda Engineering Services Sdn Bhd ("Felda Engineering")	Subsidiary of FHB
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 Trading & Distribution Sdn Bhd ("MSM Trading")	Subsidiary company
MSM Trading International DMCC ("MSM Trading International")	Subsidiary company

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(i) Transactions with FGVH and subsidiaries of FGVH:				
- management fees:				
- current year	2,954	2,819	1,697	1,616
- sales of refined sugar	(16)	-	-	-
- interest expense	417	2,383	124	1,352
- other services	(759)	203	1	194
	2,596	5,405	1,822	3,162
(ii) Transactions with FHB and subsidiaries of FHB:				
- sales of refined sugar	(43)	(11)	-	-
- security services (FSS)	1,752	1,197	-	59
- transportation services	5,771	8,523	-	-
- other services	59	880	103	19
(iii) Transactions with subsidiaries of KPF:				
- sales of refined sugar	(1,921)	(1,376)	-	-
- insurance service	302	279	-	-
- provision of refreshment	4	7	4	7
(iv) Transaction with FELDA				
- rental	885	409	885	409

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Significant transactions with related parties (continued)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(v) Transactions with subsidiaries:				
Dividends received from:				
- MSM Prai	-	-	(186,000)	(75,000)
Interest received/receivable from:				
- MSM Perlis	-	-	-	(815)
- MSM Johor	-	-	(52,750)	(35,606)
Interest paid/payable to:				
- MSM Prai	-	-	4,927	(4,120)
Management fees from:				
- MSM Prai	-	-	(8,040)	(8,040)
- MSM Perlis	-	-	(1,395)	(1,860)
- MSM Logistics	-	-	(182)	(182)
- MSM Johor	-	-	(4,020)	(4,020)
Office rental from:				
- MSM Johor	-	-	(16)	(35)
- MSM Prai	-	-	(202)	(203)
- MSM Logistic	-	-	(5)	(7)
Land rental from:				
- MSM Johor	-	-	(2,167)	(2,167)
(vi) Transactions with subsidiaries:				
Loan modification recharge (receivable)/payable				
from MSM Johor	-	-	(9,749)	11,695
Lease interest recharge receivable from MSM Johor	-	-	(1,040)	(1,053)

These transactions were undertaken on agreed terms between the related parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant financial year end balances are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Amount due to immediate holding company, FGVH	(2,982)	(12,503)	(1,887)	(6,096)
Amount due from immediate holding company, FGVH	1	1,461	-	136
Amounts due from/(to) other related companies				
<u>Due from</u>				
- KPF	2,950	464	-	-
- Other related companies	98	1	94	-
	3,048	465	94	-
<u>Due to</u>				
- Ultimate holding body, FELDA	-	(221)	-	(221)
- Other related companies	(3,936)	(1,643)	(117)	(4)
	(3,936)	(1,864)	(117)	(225)
Loan due to a related company, FGVC	-	(47,152)	-	(10,108)
Amounts due from subsidiaries:				
- MSM Perlis	-	-	-	437
- MSM Prai	-	-	7,102	913
- MSM Logistics	-	-	215	18
- MSM Johor	-	-	11,769	13,163
- MSM Trading	-	-	6	4
- MSM Trading International	-	-	173	264
	-	-	19,265	14,799
Amounts due to subsidiaries:				
- MSM Perlis	-	-	-	(751)
- MSM Johor	-	-	(5)	-
Loans due from subsidiaries, net of repayments:				
- MSM Johor	-	-	1,041,370	1,002,053
	-	-	1,041,370	1,002,053
Loans due to a subsidiary, net of repayments:				
- MSM Prai	-	-	(123,782)	(128,856)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35 SIGNIFICANT RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

Key management personnel comprise Directors and senior management and above of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly.

The aggregate amount of emoluments received/receivable by Directors of the Group during the year is disclosed in Note 12 to the financial statements.

The aggregate amount of emoluments received/receivable by other key management personnel of the Group and Company during the year is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salary, allowances and bonuses	7,200	7,413	4,941	4,924
Defined contribution plan	1,160	1,231	785	812
Other employee benefits	43	750	33	204
Total	8,403	9,394	5,759	5,940

Benefits-in-kind provided to other key management personnel of the Group and of the Company amounted to RM20,400 (2020: RM18,177) and RM20,400 (2020: RM18,177) respectively.

36 PURCHASE OF PROPERTY, PLANT AND EQUIPMENT

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Aggregate cost of property, plant and equipment	38,204	30,043	968	378
Capitalisation of borrowing cost	(880)	(1,095)	-	-
Unpaid balances included in other payables and accruals (Note 33)	(3,728)	(8,172)	-	-
Cash paid in respect of previous financial years acquisition	8,172	1,495	-	-
Total	41,768	22,271	968	378

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

37 LEASE LIABILITIES

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	4,942	5,656	1,549	1,981
Addition	824	-	-	-
Lease modification	-	(274)	-	(274)
Rent concession	-	(219)	-	-
Payment of lease liabilities	(1,462)	(462)	(884)	(221)
Interest expense on lease liabilities	241	241	57	63
At 31 December	4,545	4,942	722	1,549
Classified as:				
Current	996	1,170	722	885
Non-Current	3,549	3,772	-	664
	4,545	4,942	722	1,549

38 CAPITAL COMMITMENTS

Capital expenditure not provided for in the financial statements are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Property, plant and equipment:				
- contracted and not provided for	99,982	32,233	374	-
- authorised and not contracted for	155,470	188,799	5,792	2,070
	255,452	221,032	6,166	2,070

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39 FINANCIAL INSTRUMENTS

The analysis of classification of financial instruments are as follows:

Group	Amortised cost		Fair value through profit or loss	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>As at 31 December</u>				
<u>Financial assets</u>				
<u>Current assets</u>				
Receivables (excluding prepayments, GST receivables and advance payments)	294,995	223,175	-	-
Amount due from immediate holding company	1	1,461	-	-
Amounts due from other related companies	3,048	465	-	-
Deposits, cash and bank balances	194,775	195,921	-	-
Total financial assets	492,819	421,022	-	-
<u>Financial liabilities</u>				
<u>Non-current liabilities</u>				
Borrowings	363,855	518,636	-	-
Lease liabilities	3,549	3,772	-	-
Derivatives financial liabilities	-	-	3,571	10,163
	367,434	522,408	3,571	10,163
<u>Current liabilities</u>				
Payables (excluding GST payables)	301,234	157,091	-	-
Amount due to immediate holding company	2,982	12,503	-	-
Amounts due to other related companies	3,936	1,643	-	-
Amount due to ultimate holding body	-	221	-	-
Loan due to a related company	-	47,152	-	-
Borrowings	429,171	388,464	-	-
Lease liabilities	996	1,170	-	-
Derivative financial liabilities	-	-	3,749	929
	738,319	608,244	3,749	929
Total financial liabilities	1,105,753	1,130,652	7,320	11,092

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39 FINANCIAL INSTRUMENTS (CONTINUED)

The analysis of classification of financial instruments are as follows: (continued)

Company	Amortised cost		Fair value through profit or loss	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>As at 31 December</u>				
<u>Financial assets</u>				
<u>Non-current assets</u>				
Loans due from subsidiaries	1,041,370	931,963	-	-
Lease receivables	82,732	83,859	-	-
	1,124,102	1,015,822	-	-
<u>Current assets</u>				
Receivables (excluding prepayments, GST receivables and advance payments)	31	31	-	-
Amount due from subsidiaries	19,265	14,799	-	-
Amounts due from other related companies	94	-	-	-
Loans due from subsidiaries	-	70,090	-	-
Deposits, cash and bank balances	53,782	20,360	-	-
Amount due to immediate holding company	-	136	-	-
Lease receivables	2,167	2,167	-	-
	75,339	107,583	-	-
Total financial assets	1,199,441	1,123,405	-	-
<u>Financial liabilities</u>				
<u>Non-current liabilities</u>				
Borrowings	363,885	518,636	-	-
Lease liabilities	-	664	-	-
Loan due to subsidiary	92,554	98,662	-	-
Derivatives financial liabilities	-	-	3,571	10,163
	456,439	617,962	3,571	10,163
<u>Current liabilities</u>				
Payables (excluding GST payables)	6,520	2,528	-	-
Amounts due to subsidiaries	5	751	-	-
Amounts due to other related companies	117	4	-	-
Amount due to ultimate holding body	-	221	-	-
Loan due to a subsidiary	31,228	30,194	-	-
Loan due to a related company	-	10,108	-	-
Amount due to immediate holding company	1,887	6,096	-	-
Borrowings	50,236	33,914	-	-
Lease liabilities	722	885	-	-
	90,715	84,701	-	-
Total financial liabilities	547,154	702,663	3,571	10,163

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40 SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal management reporting provided to the chief operating decision maker (CODM). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group Chief Executive Officer. The Group Chief Executive Officer considers the business primarily a product perspective.

The reportable operating segments have been identified as follows:

- (i) Sugar - sugar refining and sales, marketing of refined sugar and commodity trading
- (ii) Palm oil, rubber and mango – palm oil, rubber and mango plantation

Reconciliation represents income and expenses related to the corporate office, which is the investment holding entity. Included in reconciliation are cash and cash equivalents, accruals of the holding company.

The Group Chief Executive Officer, which is the chief operating decision maker, reviews the internal management reports on a basis that is consistent with the presentation as per the statement of comprehensive income.

The segment information provided to the Group Chief Executive Officer for the reportable segments for the financial year is as follows:

Group	Continuing operations			Discontinuing operation	Total RM'000
	Sugar RM'000	Reconciliation RM'000	Subtotal RM'000	Rubber, palm oil and mango RM'000	
<u>2021</u>					
Total segment revenue	2,259,698	-	2,259,698	-	2,259,698
Revenue from external customer	2,259,698	-	2,259,698	-	2,259,698
Finance income	1,659	928	2,587	-	2,587
Finance cost	(42,058)	(4,987)	(47,045)	-	(47,045)
Depreciation and amortisation	(80,105)	(2,735)	(82,840)	-	(82,840)
(Impairment loss)/reversal of impairment (net)					
- financial assets	(1,635)	-	(1,635)	16	(1,619)
- non-financial assets	16,427	-	16,427	-	16,427
Profit before zakat and taxation	78,697	2,405	81,102	88,738	169,840
Taxation	(39,036)	(4,451)	(43,487)	-	(43,487)
Zakat	(1,000)	-	(1,000)	-	(1,000)
Profit after taxation for the financial year					125,353
Total assets	2,812,247	58,592	2,870,839	-	2,870,839
Total liabilities	1,144,707	13,568	1,158,275	-	1,158,275
Addition to property, plant and equipment	37,236	968	38,204	-	38,204
Addition to intangible assets	1,437	326	1,763	-	1,763

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40 SEGMENT INFORMATION (CONTINUED)

The segment information provided to the Group Chief Executive Officer for the reportable segments for the financial year is as follows: (continued)

Group	Continuing operations			Discontinuing operation	Total RM'000
	Sugar RM'000	Reconciliation RM'000	Subtotal RM'000	Rubber, palm oil and mango RM'000	
<u>2020</u>					
Total segment revenue	2,184,463	-	2,184,463	-	2,184,463
Revenue from external customer	2,184,463	-	2,184,463	-	2,184,463
Finance income	3,202	633	3,835	-	3,835
Finance cost	(32,063)	(4,721)	(36,784)	-	(36,784)
Depreciation and amortisation	(78,913)	(2,627)	(81,540)	(4,685)	(86,225)
(Impairment loss)/reversal of impairment (net)					
- financial assets	(6,565)	-	(6,565)	(20)	(6,585)
- non-financial assets	11,775	-	11,775	(41,943)	(30,168)
Profit/(Loss) before zakat and taxation	62,036	(26,189)	35,847	(75,091)	(39,244)
Taxation	(28,050)	(2,448)	(30,498)	-	(30,498)
Zakat	(1,486)	-	(1,486)	-	(1,486)
Loss after taxation for the financial year					(71,228)
Total assets	2,575,520	112,738	2,688,258	82,022	2,770,280
Total liabilities	1,161,675	14,539	1,176,214	12,540	1,188,754
Addition to property, plant and equipment	29,665	378	30,043	-	30,043
Addition to intangible assets	35	561	596	-	596

Analysis of revenue

The analysis of revenue by geographical locations is as follows:

	Group	
	2021 RM'000	2020 RM'000
Malaysia	1,753,616	1,715,271
Asia	384,194	353,200
Australia	6,020	5,847
Europe	97,642	102,344
Others	18,226	7,801
	2,259,698	2,184,463

All non-current assets other than financial instruments are located in Malaysia.

41 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 21 March 2022.

ADDITIONAL INFORMATION





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ANALYSIS OF SHAREHOLDINGS

AS AT 21 MARCH 2022

Total Issued Shares : 702,980,000
Class of Shares : Ordinary share
Voting Right : One (1) vote per ordinary share

INFORMATION ON SUBSTANTIAL SHAREHOLDERS (5% AND ABOVE)

No.	Name of Shareholders	Direct		Deemed Interests	
		No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
1.	FGV SUGAR SDN BHD	281,369,800	40.03	-	-
2.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	107,393,952	15.28	-	-
3.	FGV HOLDINGS BERHAD	77,150,248	10.97	281,369,800*	40.03
4.	AMANAHRAYA TRUSTEES BERHAD	52,654,500	7.49	-	-

* Deemed interested by virtue of its interests in FGV Sugar Sdn Bhd, its wholly owned subsidiary.

INFORMATION ON DIRECTORS' SHAREHOLDINGS

No.	Name of Directors	Direct Interest	
		No. of Shares Held	% of Issued Shares
1.	Datuk Syed Hisham Syed Wazir	-	-
2.	Choy Khai Choon	-	-
3.	Dato' Muthanna Abdullah	-	-
4.	Datuk Dr Abd Hapiz Abdullah	-	-
5.	Dato' Rosini Abd Samad	-	-
6.	Datuk Lim Thean Shiang	-	-
7.	Dato' Amir Hamdan Hj Yusof	-	-
8.	Azman Ahmad	3,900	0.00
9.	Nik Fazila Nik Mohamed Shihabuddin	-	-

INFORMATION ON GROUP CHIEF EXECUTIVE OFFICER'S SHAREHOLDINGS

No.	Name of Group Chief Executive Officer	Direct Interest	
		No. of Shares Held	% of Issued Shares
1.	Syed Feizal Syed Mohammad	-	-

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	674	6.34	3,732	0.00
100 to 1,000	2,687	25.26	1,664,311	0.24
1,001 to 10,000	5,148	48.39	24,847,216	3.53
10,001 to 100,000	1,903	17.89	57,242,341	8.14
100,001 to less than 5% of issued shares	222	2.09	100,653,900	14.32
5% and above of issued shares	5	0.05	518,568,500	73.77
Total	10,639	100	702,980,000	100

LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
1.	FGV SUGAR SDN BHD	281,369,800	40.03
2.	FGV HOLDINGS BERHAD	77,150,248	10.97
3.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	66,305,852	9.43
4.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	52,654,500	7.49
5.	KOPERASI PERMODALAN FELDA MALAYSIA BERHAD	41,088,100	5.84
6.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	9,598,000	1.37
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	9,338,500	1.33
8.	TEOH HOOI BIN	4,619,100	0.66
9.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 2 - WAWASAN	4,000,000	0.57
10.	NGA KO TONG	3,202,800	0.46
11.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES)	2,028,000	0.29
12.	PAK NGA PROPERTY SDN BHD	2,000,000	0.28
13.	CHEN CHIH LIANG	1,992,500	0.28
14.	LEE BEE LIAN	1,799,400	0.26
15.	TING CHEK HUA	1,685,000	0.24
16.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR SELINA SHARMALAR SOLOMON (8112136)	1,632,100	0.23
17.	CHAH CHING BOO	1,425,200	0.20

ANALYSIS OF SHAREHOLDINGS

AS AT 21 MARCH 2022

No.	Name of Shareholders	No. of Shares Held	% of Issued Shares
18.	TEE KONG PENG	1,185,000	0.17
19.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAW CHAI SOON (E-KLC)	1,100,000	0.16
20.	LEE HONG CHEN	1,064,000	0.15
21.	AFFIN HWANG NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHOR CHUN LANG (D01)	1,000,000	0.14
22.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT TAM SENG @ TAM SENG SEN (E-PTS)	1,000,000	0.14
23.	TEOH KING LONG	1,000,000	0.14
24.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SAW CHAI HOCK (E-KLC)	962,000	0.14
25.	BRANDON GOHUMPU	960,200	0.14
26.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DEVA DASSAN SOLOMON (E-SS2)	932,500	0.13
27.	KHOR KENG SAW @ KHAW AH SOAY	840,200	0.12
28.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR JACKY YAP YOU WEI (E-KLG/BTG)	800,000	0.11
29.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR INBAMANAY A/P M J ARUMANAYAGAM (8061712)	775,800	0.11
30.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK N.A. (NFS)	754,500	0.11

SUMMARY OF PROPERTIES LEASED

AS AT 31 DECEMBER 2021

No.	Name of Lessor/Lessee or Landlord/Tenant or Grantor/Grantee Lot no/Postal Address	Description of property/ Existing use	Built-up area/Land area (square metre unless otherwise stated)	Tenure/ Date of expiry	Rental per annum (Unless otherwise stated) (RM unless otherwise stated)
MSM PRAI BERHAD					
1.	H.S. (D) 28162, Lot 286 Bandar Prai, Daerah Seberang Perai Tengah, Pulau Pinang - Plot A & B 798, Main Road, 13600 Prai Penang	Property erected with molasses tanks, refined sugar warehouse, raw sugar warehouse, container parking area, railway lines and packaging materials warehouse	3,471.5/ 97,494 sq ft	A lease for 30 years/ Expiring on 30 November 2024 with option to renew for another 30 years	26,323
2.	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 sq ft	A lease for 30 years/ Expiring on 30 November 2024 with option to renew for another 30 years	16,355
3.	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 sq ft	A lease for 30 years/ Expiring on 30 November 2024 with option to renew for another 30 years	163,480
4.	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 sq ft	A lease for 3 years/ Expiring on 31 May 2024 with option to renew for another 10 years	252,096
5.	Penang Port Commission (as lessor)/ Kilang Gula Felda Perlis Sdn Bhd (as lessee) Bulk Cargo Terminal, 13600 Prai, Penang	Storage godown/ Currently used as a storage facility for refined sugar and raw sugar	7,580.12/ Not Applicable	A lease for 22 years/ Expiring on 31 January 2025	235,023

LIST OF TOP 10 PROPERTIES OWNED

AS AT 31 DECEMBER 2021

No.	Location Address/Lot No.	Acquisition Date	Tenure	Existing Use	Land Area (hectares unless otherwise stated)	Age of plant & building (years)	Year Lease Expiring	NBV as at 31/12/2021 (RM'000)
1.	PLO 46, Jalan Ipil 2 Tanjung Langsat Industrial Complex, Mukim Sungai Tiram, 81700 Pasir Gudang Johor Darul Takzim	31.3.2020	-	Building for Sugar Refinery	50.63 acres	1.8	-	287,135
2.	PLO 46, Jalan Ipil 2 Tanjung Langsat Industrial Complex Mukim Sungai Tiram, 81700 Pasir Gudang Johor Darul Takzim	30.4.2015	Leasehold	Raw & Refinery Sugar Warehouse and Operational for MSM Refinery Johor SB	50.63 acres	-	2075	78,945
3.	798, Main Road, 13600 Prai Seberang Perai, Penang Malaysia	26.3.1995	-	Building for Sugar refinery	859,693 sq metres	56.8	-	25,798
4.	Lot 60 & 61, Jalan BRP 8/1 Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh Selangor	15.9.1993	-	Facility for sugar distribution and storage	9,913 sq metres	28.3	-	10,907
5.	H.S.(D) 119796, PT121676 Mukim Kelang, Daerah Klang Selangor	24.4.2013	Leasehold	Vacant land	10,670 sq metres	-	2097	4,042
6.	H.S.(D) 119797, PT121677 Mukim Kelang, Daerah Klang Selangor	24.4.2013	Leasehold	Vacant land	9,697 sq metres	-	2097	3,640
7.	H.S.(D) 31964, PT 34446 Mukim Batu, Daerah Gombak, Negeri Selangor Lot 60, Jalan BRP 8/1 Perusahaan Bukit Rahman Putra 47000 Sungai Buloh Selangor	15.9.1993	Freehold	Facility for sugar distribution and storage	1.214	-	-	2,228

No.	Location Address/Lot No.	Acquisition Date	Tenure	Existing Use	Land Area (hectares unless otherwise stated)	Age of plant & building (years)	Year Lease Expiring	NBV as at 31/12/2021 (RM'000)
8.	H.S.(D) 31965, PT 34447 Mukim Batu, Daerah Gombak, Negeri Selangor Lot 61, Jalan BRP 8/1 Perusahaan Bukit Rahman Putra 47000 Sungai Buloh Selangor	30.8.2002	Freehold	Facility for sugar distribution and storage	1.10543	-	-	2,029
9.	H.S.(D) 31962, PT 34444 Mukim Batu Daerah Gombak Negeri Selangor Lot 58, Jalan BRP 8/1 Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh Selangor	15.9.1993	Freehold	Bays for trucks and primers	0.519	-	-	953
10.	H.S.(D) 31963, PT 34445 Mukim Batu Daerah Gombak Negeri Selangor Lot 59, Jalan BRP 8/1 Perusahaan Bukit Rahman Putra, 47000 Sungai Buloh Selangor	15.9.1993	Freehold	Vacant land	0.353	-	-	648

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Eleventh Annual General Meeting (11th AGM) of MSM Malaysia Holdings Berhad (MSMH or the Company) will be held entirely on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Electronic Voting (RPEV) facilities via online meeting platform provided by Boardroom Share Registrars Sdn Bhd at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC – D6A357657) on **Wednesday, 8 June 2022 at 11.00 a.m** or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions:

As Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.
Please refer to Explanatory Note 1
2. To approve the payment of Directors' fees for the Non-Executive Chairman and for each of the Non-Executive Directors from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023 be paid on a monthly basis.
Please refer to Explanatory Note 2 and Note 3 **(Resolution 1)**
3. To approve the payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors for the period from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023.
Please refer to Explanatory Note 2 and Note 4 **(Resolution 2)**
4. To re-elect the following Directors who retire by rotation in accordance with Clause 99 of the Company's Constitution and who, being eligible, offer themselves for re-election:
 - i. Dato' Muthanna Abdullah **(Resolution 3)**
 - ii. Choy Khai Choon **(Resolution 4)****Please refer to Explanatory Note 5**
5. To re-elect the following Directors who retire in accordance with Clause 105 of the Company's Constitution and who, being eligible, offer themselves for re-election:
 - i. Nik Fazila Nik Mohamed Shihabuddin **(Resolution 5)**
 - ii. Azman Ahmad **(Resolution 6)****Please refer to Explanatory Note 6**
6. To re-appoint Messrs. PricewaterhouseCoopers PLT as auditors of the Company for the financial year ending 31 December 2022 and to authorise the Board of Directors to determine their remuneration.
Please refer to Explanatory Note 7 **(Resolution 7)**

As Special Business

To consider and if thought fit, to pass the following as Ordinary Resolution:

7. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE EXISTING RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE FOR MSM 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 8)

"**THAT**, subject always to the Companies Act, 2016, the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Listing Requirements), other applicable laws, guidelines, rules and regulations, and the approval of the relevant governmental/regulatory authorities (where applicable), approval be and is hereby given to the Company and its subsidiaries to enter into all arrangements and/or transactions involving the interests of the related parties as specified in Appendix 1 of the Circular to the Shareholders dated 27 April 2022, 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 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;

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 8

NOTICE OF ANNUAL GENERAL MEETING

8. **AUTHORITY FOR DIRECTORS TO ALLOT AND ISSUE SHARES PURSUANT TO SECTION 75 OF THE COMPANIES ACT, 2016** **(Resolution 9)**

“**THAT**, pursuant to Section 75 of the Companies Act, 2016 and subject always to the Company’s Constitution, the Listing Requirements and approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby 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 9

9. To transact any other business of the Company for which due notice shall be given in accordance with the Company’s Constitution and the Companies Act, 2016.

BY ORDER OF THE BOARD

KOO SHUANG YEN
Company Secretary
(SSM PC NO.: 201908003534)
(MIA 7556)

Kuala Lumpur
27 April 2022

NOTES

1. Fully Virtual AGM

- a. Our Company will conduct its 11th AGM on a fully virtual basis through live streaming and online remote voting using the RPEV facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Online Meeting Platform). Please follow the procedures provided in the **Administrative Guide** for the 11th AGM in order to register, participate and vote remotely via RPEV facilities.
- b. With the RPEV facilities, a Shareholder may exercise his/her right to participate (including to pose questions to the Board/Management of our Company) and vote at the 11th AGM, in the comfort of their home.
- c. The venue of the 11th AGM is the Online Meeting Platform which is located in Malaysia being the main venue and is strictly for the purpose of compliance with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue. In a fully virtual general meeting, all meeting participants including the Chairman of the meeting, Board members, Senior Management and Shareholders are required to participate in the meeting online through the Online Meeting Platform only.
- d. The Administrative Guide has taken into account the latest measures to-date to deal with the COVID-19 situation announced and/or implemented in Malaysia which affects the holding or conduct of general meetings. In view of the uncertainties and the surge in COVID-19 infections, the Company will have to observe the guidelines or new procedures as may be issued by the Government from time to time, which may affect the administration of the 11th AGM as set out in this Administrative Guide. Any material developments or updates on the 11th AGM will be announced on the website of Bursa Malaysia Securities Berhad and published onto the Company's corporate website regularly.

2. Proxy

- a. Shareholders who are unable to participate in the 11th AGM may appoint Proxy(ies) to vote on their behalf. Where a Shareholder appoints two (2) Proxies, each Proxy appointed shall represent a minimum of one hundred (100) shares and the appointment of such Proxies shall not be valid unless the Shareholder specifies the proportion of his/her shareholding to be represented by each of such Proxy. Independent Scrutineer will be present to verify that the voting is conducted properly and fairly.
- b. Where a member of the Company is an exempt authorised 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 authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with provisions of Section 25A(1) of SICDA.
- c. Where an exempt authorised 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.

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.

NOTICE OF ANNUAL GENERAL MEETING

- d. The appointment of Proxy may be made in a hardcopy form or by electronic means as follows:

In Hardcopy Form

The Proxy Form shall be deposited at the office of the Share Registrar of the Company at **Boardroom Share Registrars Sdn Bhd, Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia** no later than **Monday, 6 June 2022 at 11.00 a.m.**, and in default the Proxy Form shall not be treated as valid.

By Electronic Means

The Proxy Form may be submitted:

- i to the Share Registrar of the Company, **Boardroom Share Registrars Sdn Bhd** via e-mail to **bsr.helpdesk@boardroomlimited.com**, no later than **Monday, 6 June 2022 at 11.00 a.m.** or
- ii via electronic means (**E-PROXY LODGEMENT**) no later than **Monday, 6 June 2022 at 11.00 a.m.** (please refer to the Annexure to the Proxy Form for further information on submission via e-Proxy).

3. Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees

For Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees who wish to participate and vote remotely via RPEV facilities at the 11th AGM of the Company, please refer to the procedures under item 2 of the Administrative Guide for the 11th AGM.

4. Shareholders entitled to participate and vote

For purposes of determining a Shareholder who shall be entitled to participate and vote at the 11th AGM of the Company, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 63 of the Company's Constitution and Section 34(1) of SICDA, to issue a General Meeting Record of Depositors as at **31 May 2022**. **Only a depositor whose name appears on the General Meeting Record of Depositors as at 31 May 2022 shall be entitled to participate and vote at the 11th AGM or appoint a Proxy(ies) to participate and vote on such depositor's behalf.**

5. Request for remote participation user ID and password

The registration for remote participation will be open from **11.00 a.m. Wednesday, 27 April 2022 until 11.00 a.m. Monday, 6 June 2022**. Please follow the procedures provided in the Administrative Guide for the 11th AGM in order to participate in the 11th AGM remotely via RPEV facilities.

6. Voting

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all resolutions set out in the Notice of the 11th AGM of the Company will be put to vote by poll. Poll Administrator will be appointed to conduct the poll via e-voting process and Independent Scrutineers will be appointed to verify the poll results.

Shareholders can proceed to vote on the resolutions and submit their votes at any time from the commencement of the 11th AGM at 11.00 a.m. until a time when the Chairman of the meeting announces the completion of the voting session. Upon completion of the voting session for the 11th AGM, the Independent Scrutineers will verify and announce the poll results followed by the Chairman of the meeting's declaration whether the resolutions are duly passed.

EXPLANATORY NOTES ON ORDINARY BUSINESS

Explanatory Note 1:

Audited Financial Statements for the financial year ended 31 December 2021

This agenda item is meant for presentation and discussion only as under the provisions of Section 340(1)(a) of the Companies Act, 2016 and Clause 135 of the Company's Constitution, the Audited Financial Statements does not require the final approval of Shareholders and hence, will not be put forward for voting.

Explanatory Note 2:

Non-Executive Directors' Remuneration

2.1 Section 230(1) of the Companies Act, 2016 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 11th AGM on the Directors' remuneration in two (2) separate resolutions as below:

a. **Resolution 1:**

Payment of Directors' fees for the Non-Executive Chairman and for each of the Non-Executive Directors from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023 be paid on a monthly basis; and

b. **Resolution 2:**

Payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors for the period from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023.

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note 3:

Resolution 1: Payment of Directors' fee for the Non-Executive Chairman and for each of the Non-Executive Directors from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023 be paid on a monthly basis.

3.1 The Non-Executive Directors Remuneration Policy was last revised in 2021 based on the benchmarking review of the remuneration framework for the Non-Executive Directors of MSM carried out by KPMG Management & Risk Consulting Sdn Bhd, the appointed independent consultant. The Board approved the Nomination and Remuneration Committee's (NRC) recommendation for the payment of Directors' fees for the Non-Executive Chairman and for each of the Non-Executive Directors from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023 (Relevant Period) to remain unchanged as approved at the 10th AGM of the Company held last year, as set out in the table below:

NON-EXECUTIVE DIRECTORS' (NED) ANNUAL FEES	Approved at the 10 th AGM held on 17 June 2021		Approval sought at the 11 th AGM	
	Chairman	Member	Chairman	Member
Board of Directors	RM315,000	RM120,000	RM315,000	RM120,000
Board Committees' Fees				
- Audit, Governance and Risk Committee	RM64,000	RM32,000	RM64,000	RM32,000
- Nomination and Remuneration Committee	RM35,000	RM20,000	RM35,000	RM20,000
- Investment and Tender Committee	RM32,000	RM16,000	RM32,000	RM16,000

3.2 The proposed Ordinary Resolution 1, if passed, will allow the Company to pay the Board and Board Committee's fees on monthly basis to the Non-Executive Chairman and to each Non-Executive Directors for the Relevant Period based on the proposed revised remuneration structure above.

Explanatory Note 4:

Resolution 2: Payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors for the period from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023.

4.1 The Directors' benefits payable to the Non-Executive Chairman and Non-Executive Directors are proposed to remain unchanged as approved at the 10th AGM of the Company held last year as set out in the table below:

DESCRIPTION	Approved at the 10 th AGM held on 17 June 2021		Approval sought at 11 th AGM	
	CHAIRMAN	NEDS	CHAIRMAN	NEDS
Meeting Allowance (per meeting attended)				
Board	RM2,000	RM2,000	RM2,000	RM2,000
Audit, Governance and Risk Committee	RM2,000	RM2,000	RM2,000	RM2,000
Nomination and Remuneration Committee	RM2,000	RM2,000	RM2,000	RM2,000
Investment and Tender Committee	RM2,000	RM2,000	RM2,000	RM2,000

DESCRIPTION	Approved at the 10 th AGM held on 17 June 2021		Approval sought at 11 th AGM	
	CHAIRMAN	NEDS	CHAIRMAN	NEDS
Company car	1 unit, 2,000 cc with RM180,000 per annum for car utility	-	1 unit, 2,000 cc with RM180,000 per annum for car utility	-
Driver allowance or Security allowance	RM2,500 per month	-	RM2,500 per month	-
Group insurance	Provided	Provided	Provided	Provided
Medical coverage	Provided	Provided	Provided	Provided
Mobile phone bill	Reimbursement for a fixed plan	-	Reimbursement for a fixed plan	-

- 4.2 The Company is seeking Shareholders' approval on the benefits payable to the Non-Executive Chairman and Non-Executive Directors for the Relevant Period based on the proposed benefits (excluding Directors' fees) set out above.
- 4.3 Payment of the benefits payable will be made by the Company on a monthly basis and/or as and when incurred based on the proposed benefits set out above effective from 8 June 2022, if the proposed Ordinary Resolution 2 is passed at the 11th AGM.
- 4.4 The Board is of the view that it is just and equitable for the Directors to be paid benefits payable on a monthly basis and/or as and when incurred, particularly after they have discharged their responsibilities and rendered their services to the Company and its subsidiaries throughout the Relevant Period.

Explanatory Note 5:

Resolutions 3 and 4: Re-election of Directors who retire by rotation in accordance with Clause 99 of the Company's Constitution

- 5.1 Clause 99 of the Company's Constitution states that at every AGM, at least one-third (1/3) of the Directors for the time being shall retire from office. In addition, all Directors shall be eligible for re-election.
- 5.2 For the purpose of determining the eligibility of the Directors to stand for re-election at the 11th AGM, the NRC has conducted an assessment on each of the retiring Directors in line with Practice 5.1 of the Malaysian Code on Corporate Governance 2021. Apart from the quantitative analysis of the Director's performance, the NRC also considered the other elements, among others, the following:
- The Individual Director assessment as part of the Board Effectiveness Assessment 2021 (BEA 2021) carried out internally which focuses more on soft governance aspects of the Director (individual contribution, communication with members, their decision making and traits); and
 - Special skills and knowledge an individual Director brings to the organisation.

NOTICE OF ANNUAL GENERAL MEETING

- 5.3 Based on the Individual Director assessment results of the BEA 2021 and the Directors' contribution to the Board, the NRC determined that each of the Director has met the performance criteria required of an effective and high performance Board and has the ability to continuously discharging their duties diligently as Directors of the Company.
- 5.4 The Independent Non-Executive Directors concerned have also provided their annual declaration/confirmation of independence in January 2022.
- 5.5 Based on the above, the Board approved that the Directors who retire by rotation in accordance with Clause 99 of the Company's Constitution namely, Dato' Muthanna Abdullah and Choy Khai Choon are eligible to stand for re-election. Both retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and Board Committee meetings.
- 5.6 The independence of Dato' Muthanna Abdullah and Choy Khai Choon who have served as Independent Non-Executive Director of the Company have been assessed by the NRC. Both Dato' Muthanna Abdullah and Choy Khai Choon satisfy the criteria of an Independent Director as defined under Listing Requirements, which include being independent of management, free from any business or other relationship which could interfere with the exercise of independent judgement, objectivity or the ability to act in the best interests of the Company, and also being independent of its major shareholders. Based on the NRC assessment, the Board affirmed Dato' Muthanna Abdullah and Choy Khai Choon to continue to act as Independent Non-Executive Director of the Company. Dato' Muthanna Abdullah and Choy Khai Choon has not exceeded the nine (9) years tenure as Independent Director.

Explanatory Note 6:

Resolutions 5 and 6: Re-election of Directors who retire in accordance with Clause 105 of the Company's Constitution

- 6.1 Clause 105 of the Company's Constitution stipulates at any time and from time to time, the Director shall have power to appoint any person to be a Director either to fill a casual vacancy or as an additional Director by way of ordinary resolution. Any Director so appointed shall hold office only until the next AGM and shall then be eligible for re-election.
- 6.2 Nik Fazila Nik Mohamed Shihabuddin and Azman Ahmad, whom were appointed during the financial year and before the 11th AGM, have successfully completed the Mandatory Accreditation Programmes pursuant to the provision of the Listing Requirements.

Explanatory Note 7:

Resolution 7: Re-appointment of Auditors

- 7.1 The present auditors, Messrs. PricewaterhouseCoopers PLT (PwC), has indicated their willingness to continue their services for another year. The Audit, Governance and Risk Committee (AGRC) 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 Listing Requirements.
- 7.2 The Board at its meeting held on 21 March 2022 approved the AGRC's recommendation for the Shareholders' approval to be sought at the 11th AGM on the re-appointment of PwC as external auditors of the Company for the financial year ending 2022, under Resolution 7 in accordance with Section 340(1)(c) and Section 274(1)(a) of the Companies Act, 2016.

ABSTENTION FROM VOTING

1. All the Non-Executive Directors who are Shareholders of the Company will abstain from voting on Ordinary Resolutions 1 and 2 concerning Directors' fees and benefits payable at the 11th AGM.
2. The Directors referred to in Ordinary Resolutions 3, 4, 5 and 6 who are Shareholders of the Company will abstain from voting on the resolutions in respect of his/her re-election and re-appointment at the 11th AGM.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Explanatory Note 8:

Resolution 8: Proposed Mandates

- 8.1 The proposed Ordinary Resolution 8, 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.
- 8.2 Detailed information on the Proposed Mandates is set out in the Circular to Shareholders dated 27 April 2022.

Explanatory Note 9:

Resolution 9: Authority to Directors to allot and issue shares

- 9.1 The proposed Ordinary Resolution 9 is a general mandate to be obtained from the Shareholders of the Company at this 11th 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.
- 9.2 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.
- 9.3 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 11TH ANNUAL GENERAL MEETING

(PURSUANT TO PARAGRAPH 8.27(2) OF THE LISTING REQUIREMENTS)

1. DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 11TH AGM

Directors standing for re-election pursuant to Clause 99 of the Company's Constitution and Section 205(3)(b) of the Companies Act, 2016:

- Dato' Muthanna Abdullah
- Choy Khai Choon

Directors standing for re-election pursuant to Clause 105 of the Company's Constitution and Section 205(3)(b) of the Companies Act, 2016:

- Nik Fazila Nik Mohamed Shihabuddin
- Azman Ahmad

Save for Azman Ahmad, none of the Directors standing for re-election has any interest in the securities of the Company or its subsidiaries. The details of the Directors' shareholdings in the Company are set out in page 372 of this Annual Integrated Report.

The profiles of the abovementioned Directors seeking for re-election as per Resolutions 3 to 6 of the Notice of 11th AGM of the Company are set out on the pages 186 to 194 of the Company's Annual Integrated Report 2021 <http://www.msmsugar.com/investor-relations/annual-reports> and Company's corporate website (<http://www.msmsugar.com/our-company/msm-group/board-directors>).

2. ORDINARY RESOLUTION ON AUTHORITY TO DIRECTORS TO ALLOT AND ISSUE SHARES

Details on the authority to Directors to allot and issue shares in the Company pursuant to Section 75 of the Companies Act, 2016 are provided under the Explanatory Note 9 on special business in the Notice of the 11th AGM.

As at the date of this Notice, no new shares were issued pursuant to the general mandate granted to the Directors at the last AGM held on 17 June 2021.

ADMINISTRATIVE GUIDE

FOR THE ELEVENTH ANNUAL GENERAL MEETING (11TH AGM)

Event	: 11 th AGM
Day and date	: Wednesday, 8 June 2022
Time	: 11.00 a.m.
Online Meeting Platform	: https://meeting.boardroomlimited.my (Domain Registration No. with MYNIC – D6A357657) Provided by Boardroom Share Registrars Sdn Bhd

Mode of Communication	<ol style="list-style-type: none"> Shareholders may pose questions during live streaming using the messaging window facility to submit questions during the 11th AGM. The messaging window facility will be opened one (1) hour before the 11th AGM which is from 10.00 a.m. on Wednesday, 8 June 2022. Shareholders may submit questions in advance on the 11th AGM resolution commencing from 27 April 2022 and in any event no later than 11.00 a.m., 30 May 2022 via Boardroom Smart Investor Portal at https://investor.boardroomlimited.com using the same user ID and password provided in Step 2 below, and select “SUBMIT QUESTION” to pose questions (Pre-11th AGM Questions).
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FULLY VIRTUAL AGM

- In support of the Government of Malaysia’s ongoing efforts to contain the spread of the COVID-19 and in line with the revised Guidance Note and Frequently Asked Questions (FAQs) on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission of Malaysia on 16 July 2021 (Revised SC Guidance), MSM would like to leverage on technology advancement by conducting the 11th AGM on a fully virtual basis through live streaming and online remote voting using the RPEV facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Online Meeting Platform). Please follow the procedures provided in the Administrative Guide for the 11th AGM in order to register, participate and vote remotely via RPEV facilities.
- With the RPEV facilities, a Shareholder may exercise his/her right to participate (including to pose questions to the Board/Management of our Company) and vote at the 11th AGM, at the comfort of their home.
- The venue of the 11th AGM is the Online Meeting Platform which is located in Malaysia being the main venue and is strictly for the purpose of compliance with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the Meeting to be present at the main venue. In a fully virtual general meeting, all meeting participants including the Chairman of the Meeting, Board Members, Senior Management and Shareholders are required to participate in the meeting through the Online Meeting Platform only.
- In view of the uncertainties and the surge in COVID-19 infections, the Company will have to observe the guidelines or new procedures as may be issued by the Government from time to time, which may affect the administration of the 11th AGM as set out in this Administrative Guide. Any material developments or updates on the 11th AGM will be announced on the website of Bursa Malaysia Securities Berhad and published onto the Company’s website regularly.

ENTITLEMENTS TO PARTICIPATE AND VOTE

Only a depositor (Shareholder) whose name appears on the General Meeting Record of Depositors as at 31 May 2022 shall be entitled to participate and vote at the 11th AGM or appoint the Chairman of the Meeting as Proxy to participate and vote on such depositor’s behalf.

ADMINISTRATIVE GUIDE

FOR THE ELEVENTH ANNUAL GENERAL MEETING (11TH AGM)

REMOTE PARTICIPATION AND VOTING FACILITIES

- a. Shareholders are required to go online, participate and vote at the virtual 11th AGM via remote participation. Kindly follow the steps and instructions listed below on how to register to participate in the 11th AGM remotely.
- b. Steps for Registration for Remote Participation and Voting.

BEFORE THE AGM DAY

1. Online Registration with Boardroom Smart Investor Portal (for first time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 - Submit request for Remote Participation user ID and password.]

- a. Access website **<https://investor.boardroomlimited.com>**.
- b. Click <<**Register**>> to sign up as a user.
- c. Complete registration with all required information. Upload and attached softcopy of MYKAD (for Malaysian) front and back or Passport (for non-Malaysian).
- d. Please enter a valid email address and wait for Boardroom's email verification.
- e. Your registration will be verified and approved within one (1) business day and an e-mail notification will be provided.

2. Submit Request for Remote Participation User ID and Password

*[Note: The registration for remote access will be open from **11.00 a.m. on Wednesday, 27 April 2022 until 11.00 a.m. on Monday, 6 June 2022.**]*

Individual Shareholders

- a. Login to **<https://investor.boardroomlimited.com>** using your user ID and password registered under Step 1.
- b. Select <<**MSM MALAYSIA HOLDINGS BERHAD ELEVENTH (11th) ANNUAL GENERAL MEETING**>> from the list of Corporate Meeting and click "**Enter**".
- c. Click on "**Register for RPEV**".
- d. Read and agree to the terms and conditions and thereafter confirm the declaration.
- e. Enter your CDS account number and thereafter submit your request.
- f. You will receive a notification from Boardroom that your request has been received and is being verified.
- g. Upon system verification against the General Meeting Record of Depositors as at 31 May 2022, you will receive an e-mail from Boardroom either approving or rejecting your registration for remote participation.
- h. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date.

Corporate Shareholders

- a. Write in to **bsr.helpdesk@boardroomlimited.com** by providing the name of the Corporate Shareholder, CDS account number accompanied with the scanned copy of the Certificate of Appointment of Corporate Representative or Proxy Form to submit the request.
- b. Please provide a scanned copy of the Corporate Representative's MYKAD (for Malaysian) front and back or Passport (for non-Malaysian) in JPEG or PNG format as well as his/her e-mail address.
- c. You will receive a notification from Boardroom that your request has been received and is being verified.

- d. Upon system verification against the General Meeting Record of Depositors as at 31 May 2022, you will receive an e-mail from Boardroom either approving or rejecting your registration for remote participation.
- e. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date.

Authorised Nominees and Exempt Authorised Nominees

- a. Write in to **bsr.helpdesk@boardroomlimited.com** by providing the name of the Shareholder, CDS account number accompanied with the Proxy Form to submit the request.
- b. Please provide a scanned copy of the Proxy Holder's MYKAD (for Malaysian) front and back or Passport (for non-Malaysian) in JPEG or PNG format as well as his/her e-mail address.
- c. You will receive a notification from Boardroom that your request has been received and is being verified.
- d. Upon system verification against the General Meeting Record of Depositors as at 31 May 2022, you will receive an e-mail from Boardroom either approving or rejecting your registration for remote participation.
- e. If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date.

ON THE AGM DAY

3. Login to Virtual Meeting Portal

[Please note that the quality of the connectivity to virtual meeting portal for live streaming as well as for online remote voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

- a. The virtual meeting portal is open for login starting from **10.00 a.m. on Wednesday, 8 June 2022**, one (1) hour before the commencement of the AGM, which can be accessed via one of the following methods:
 - Launch RPEV facilities by scanning the QR Code provided in the email notification under Step 2; or
 - Access to the Online Meeting Platform via website at **<https://meeting.boardroomlimited.my>**.
- b. Insert the Meeting ID number provided in the email notification under Step 2.
- c. Login with your remote access user ID and password provided to you via the email notification under Step 2.

4. Submit questions online

*[Note: Questions submitted online will be moderated before being sent to the Chairman of the Meeting to avoid repetition. All questions will be presented with the full name of the Individual Shareholders, Proxies and Corporate Representatives raising the questions. You may pose questions from **10.00 a.m. on Wednesday, 8 June 2022** until voting session commences.]*

- a. If you would like to ask a question during the 11th AGM, select the messaging icon 
- b. Type your question within the chat box, once completed click <<**Send**>> button.
- c. The messaging icon will be disabled when the voting session commences.

ADMINISTRATIVE GUIDE

FOR THE ELEVENTH ANNUAL GENERAL MEETING (11TH AGM)

5. Online remote voting

*[Please note that the quality of the connectivity to virtual meeting portal for online remote voting is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users. You may start voting from **11.00 a.m. on Wednesday, 8 June 2022 until a time when the Chairman of the meeting announces the completion of the voting session.**]*

- a. Once voting is open, the polling icon  will appear with the resolution and your voting choices.
- b. To vote, select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.
- c. To change your vote, re-select another voting direction.
- d. If you wish to cancel your vote, please click <<**Cancel**>> button.
- e. If you wish to abstain from voting on a particular resolution, please click <<**Cancel**>> button.

6. Remote participation through live streaming

[Please note that the quality of the connectivity to virtual meeting portal for live streaming is highly dependent on the bandwidth and the stability of the internet connectivity available at the location of the remote users.]

- a. If you would like to view the live streaming, select the broadcast icon .
- b. The moment the Chairman of the Meeting announces the closure of the 11th AGM, the live streaming will end.
- c. You can now logout from the virtual meeting portal.

PROXY

- a. If you are a Shareholder and you are unable to participate in the 11th AGM and you wish to appoint a Proxy to vote on your behalf, please submit your Proxy Form in accordance with notes and instructions printed therein. Independent Scrutineer will be present to verify that the voting is conducted properly and fairly.
- b. If you are a Shareholder and wish to participate in the 11th AGM yourself, please do not submit any Proxy Form as you will not be allowed to participate in the 11th AGM together with a Proxy appointed by you.
- c. The appointment of Proxy may be made in hardcopy form or by electronic means as follows:

In Hardcopy Form

The Proxy Form shall be deposited at the office of the Share Registrar of the Company, **Boardroom Share Registrars Sdn Bhd, Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia** no later than **Monday, 6 June 2022 at 11.00 a.m.**, and in default the Proxy Form shall not be treated as valid.

By Electronic Means

The Proxy Form may be submitted:

- i. to the Share Registrar of the Company, **Boardroom Share Registrars Sdn Bhd** via e-mail to **bsr.helpdesk@boardroomlimited.com**, no later than **Monday, 6 June 2022 at 11.00 a.m.**; or
- ii. via electronic means (e-Proxy) no later than **Monday, 6 June 2022 at 11.00 a.m.** (please refer to the Annexure to the Proxy Form for further information on submission via e-Proxy).
- d. Please refer to the notes in the Notice and Proxy Form of the 11th AGM for detailed explanation.

CORPORATE SHAREHOLDERS, AUTHORISED NOMINEES AND EXEMPT AUTHORISED NOMINEES

For Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees who wish to participate and vote remotely via RPEV facilities at the 11th AGM of the Company, please refer to the procedures in item 2 above.

PROCEEDINGS OF THE MEETING

- a. The meeting will start promptly at 11.00 a.m.
- b. The resolutions set out in the Notice of 11th AGM will be considered at the 11th AGM. You will be asked to vote on these resolutions.
- c. In order to enhance the efficiency of the proceedings of the 11th AGM, Shareholders may pose questions via the Online Meeting Platform/RPEV facilities at any time from 10.00 a.m. on the day of the 11th AGM until voting session commences. The Chairman/Board/Management will endeavour to address the questions received during the 11th AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
- d. You are able to view the Company's presentation slides via the live streaming.
- e. Voting session commences from 11.00 a.m. on the day of the 11th AGM until a time when the Chairman of the Meeting announces the completion of the voting session. Please indicate your vote for the resolution that is tabled for voting, confirm and submit your vote.
- f. No recording or photography of the 11th AGM proceedings is allowed without the prior written permission of the Company.

VOTING

- a. Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (Bursa Malaysia), the resolutions set out in the Notice of the 11th AGM will be put to vote by poll. Poll Administrator and Independent Scrutineers will be appointed to conduct the poll via e-voting process and to verify the results of the poll.
- b. Shareholders can proceed to vote on the resolutions and submit your vote at any time from the commencement of the 11th AGM at 11.00 a.m. until a time when the Chairman of the Meeting announces the completion of the voting session. Upon completion of the voting session of the 11th AGM, the Independent Scrutineers will verify and announce the poll results followed by the Chairman of the Meeting's declaration on the outcome of the resolutions.
- c. The resolutions proposed at the 11th AGM and the results of the voting will be announced before the conclusion of the meeting and subsequently an announcement shall be made by the Company to Bursa Malaysia at **www.bursamalaysia.com**.

ADMINISTRATIVE GUIDE

FOR THE ELEVENTH ANNUAL GENERAL MEETING (11TH AGM)

ANNUAL INTEGRATED REPORT 2021 (AIR 2021) AND 11TH ANNUAL GENERAL MEETING DOCUMENTS (11TH AGM DOCUMENTS)

The following documents are available on Bursa Malaysia Berhad's website at www.bursamalaysia.com and also at the Company's website:

- AIR 2021* : <http://www.msmsugar.com/investor-relations/annual-reports>
- 11th AGM Documents : <http://www.msmsugar.com/investor-relations/annual-reports>
 - Notice of the 11th AGM
 - Proxy Form
 - Administrative Guide
 - Request Form
- Circular to Shareholders** : <http://www.msmsugar.com/investor-relations/annual-reports>
- Corporate Governance Report 2021 : <http://www.msmsugar.com/investor-relations/annual-reports>

Any request for printed copy of the AIR 2021 should be made via the Request Form available at <http://www.msmsugar.com/investor-relations/annual-reports> and email it to Encik Anas Khalid at anas.khalid@boardroomlimited.com.

Shareholders are advised to consider the environment before you decide to print the above reports or request for the printed copy of the AIR 2021. The environmental concerns like global warming, deforestation, climate change and many more affect every human, animal and nation on this planet.

Notes:

* *The AIR 2021 includes the Audited Financial Statements for the financial year ended 31 December 2021 and the Reports of the Directors and Auditors thereon.*

** *Circular to Shareholders on the Proposed Renewal of Shareholders' Mandate for the Existing Recurrent Related Party Transactions of a Revenue or Trading Nature for MSM 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.*

e-VOUCHERS

The Company will provide e-vouchers to all Shareholders/Proxies/Corporate Representatives who participated at the 11th AGM.

ENQUIRIES FOR AGM

- a. If you have any enquiry relating to the 11th AGM Administrative Guide, please contact our **Investor Relations** during office hours:

E-mail : investor.relations@msmsugar.com

- b. If you have any enquiry relating to the RPEV facilities for the virtual 11th AGM, registration and Proxy Form, please contact **Boardroom Share Registrars Sdn Bhd**, the Company's Share Registrar during office hours:

Person in-charge : Encik Anas Khalid

Direct line : +603 7890 4730

Tel (Help Desk) : +603 7890 4700

Fax : +603 7890 4670

E-mail : anas.khalid@boardroomlimited.com



**ELEVENTH ANNUAL GENERAL MEETING (11TH AGM)
8 JUNE 2022**

PROXY FORM

MSM MALAYSIA HOLDINGS BERHAD
Registration No. : 201101007583 (935722-K)

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 in BLOCK LETTERS as per Identity Card (MYKAD/Passport/Certificate of Incorporation))

MYKAD/Passport No. (for non-Malaysian only): _____ of _____

(Address in full)

Telephone no.: _____ Email address: _____

and/or failing him/her _____

(Full name in BLOCK LETTERS as per Identity Card (MYKAD/Passport/Certificate of Incorporation))

MYKAD/Passport No. (for non-Malaysian only): _____ of _____

(Address in full)

Telephone no.: _____ Email address: _____

or 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 11th AGM of the Company be held entirely on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Electronic Voting (RPEV) facilities via online meeting platform provided by Boardroom Share Registrars Sdn Bhd at <https://meeting.boardroomlimited.my> (Domain Registration No. with MYNIC – D6A357657) on **Wednesday, 8 June 2022, at 11.00 a.m.** and at any adjournment thereof.

My/our Proxy/Proxies shall vote as indicated below:

NO.	AGENDA	RESOLUTION	FOR	AGAINST	ABSTAIN
1	To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon.				
ORDINARY BUSINESS					
2	To approve the payment of Directors' fees for the Non-Executive Chairman and for each of the Non-Executive Directors from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023 be paid on a monthly basis.	1			
3	To approve the the payment of benefits payable to the Non-Executive Chairman and Non-Executive Directors for the period from 8 June 2022 until the conclusion of the next AGM of MSM to be held in 2023.	2			
4	i. To re-elect Dato' Muthanna Abdullah who retires pursuant to Clause 99 of the Company's Constitution and who has offered himself for re-election.	3			
	ii. To re-elect Choy Khai Choon who retires pursuant to Clause 99 of the Company's Constitution and who has offered himself for re-election.	4			
5	i. To re-elect Nik Fazila Nik Mohamed Shihabuddin who retires pursuant to Clause 105 of the Company's Constitution and who has offered herself for re-election.	5			
	ii. To re-elect Azman Ahmad who retires pursuant to Clause 105 of the Company's Constitution and who has offered himself for re-election.	6			
6	To re-appoint Messrs. PricewaterhouseCoopers PLT as auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration.	7			
SPECIAL BUSINESS					
7	Proposed Mandates.	8			
8	Authority for Directors to allot and issue shares.	9			

(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 _____ 2022

Signature(s)/Common Seal of Member(s)

The proportions of my/our holding to be represented by my/our proxies are as follows:		
	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		100%

Notes:

1. Fully Virtual AGM

- a. Our Company will conduct its 11th AGM on a fully virtual basis through live streaming and online remote voting using the RPEV facilities via online meeting platform at <https://meeting.boardroomlimited.my> (Online Meeting Platform). Please follow the procedures provided in the **Administrative Guide** for the 11th AGM in order to register, participate and vote remotely via RPEV facilities.
- b. With the RPEV facilities, a Shareholder may exercise his/her right to participate (including to pose questions to the Board/Management of our Company) and vote at the 11th AGM, at the comfort of their home.
- c. The venue of the 11th AGM is the Online Meeting Platform which is located in Malaysia being the main venue and is strictly for the purpose of compliance with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the Meeting to be present at the main venue. In a fully virtual general meeting, all meeting participants including the Chairman of the meeting, Board members, Senior Management and Shareholders are required to participate in the meeting online through the Online Meeting Platform only.
- d. The Administrative Guide has taken into account the latest measures to-date to deal with the COVID-19 situation announced and/or implemented in Malaysia which affects the holding or conduct of general meetings. In view of the uncertainties and the surge in COVID-19 infections, the Company will have to observe the guidelines or new procedures as may be issued by the Government from time to time, which may affect the administration of the 11th AGM as set out in this Administrative Guide. Any material developments or updates on the 11th AGM will be announced on the website of Bursa Malaysia Securities Berhad and published onto the Company's website regularly.

2. Proxy

- a. Shareholders who are unable to participate in the 11th AGM may appoint Proxy(ies) to vote on their behalf. Where a Shareholder appoints two (2) Proxies, each Proxy appointed shall represent a minimum of one hundred (100) shares and the appointment of such Proxies shall not be valid unless the Shareholder specifies the proportion of his/her shareholding to be represented by each of such Proxy. Independent Scrutineer will be present to verify that the voting is conducted properly and fairly.
- b. Where a member of the Company is an exempt authorised 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 authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (SICDA) which is exempted from compliance with provisions of Section 25A(1) of SICDA.
- c. Where an exempt authorised 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.

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.

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SHARE REGISTRAR
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

please fold here to seal

- d. The appointment of Proxy may be made in hardcopy form or by electronic means as follows:

In Hardcopy Form

The Proxy Form shall be deposited at the office of the Share Registrar of the Company at **Boardroom Share Registrars Sdn Bhd, Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia** no later than **Monday, 6 June 2022 at 11.00 a.m.**, and in default the Proxy Form shall not be treated as valid.

By Electronic Means

The Proxy Form may be submitted:

- i. to the Share Registrar of the Company, **Boardroom Share Registrars Sdn Bhd** via e-mail to **bsr.helpdesk@boardroomlimited.com**, no later than **Monday, 6 June 2022 at 11.00 a.m.** or
- ii. via electronic means (**E-PROXY LODGEMENT**) no later than **Monday, 6 June 2022 at 11.00 a.m.** (please refer to the Annexure to the Proxy Form for further information on submission via e-Proxy).

3. Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees

For Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees who wish to participate and vote remotely via RPEV facilities at the 11th AGM of the Company, please refer to the procedures under item 2 of the Administrative Guide for the 11th AGM.

4. Shareholders entitled to participate and vote

For purposes of determining a Shareholder who shall be entitled to participate and vote at the 11th AGM of the Company, the Company shall be requesting from Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 63 of the Company's Constitution and Section 34(1) of SICDA, to issue a **General Meeting Record of Depositors as at 31 May 2022. Only a depositor whose name appears on the General Meeting Record of Depositors as at 31 May 2022 shall be entitled to participate and vote at the 11th AGM or appoint a Proxy(ies) to participate and vote on such depositor's behalf.**

5. Request for remote participation user ID and password

The registration for remote participation will be open from **11.00 a.m. Wednesday, 27 April 2022 until 11.00 a.m. Monday, 6 June 2022**. Please follow the procedures provided in the Administrative Guide for the 11th AGM in order to participate in the 11th AGM remotely via RPEV facilities.

6. Voting

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, all resolutions set out in the Notice of the 11th AGM of the Company will be put to vote by poll. Poll Administrator will be appointed to conduct the poll via e-voting process and Independent Scrutineers will be appointed to verify the poll results.

Shareholders can proceed to vote on the resolutions and submit their votes at any time from the commencement of the 11th AGM at 11.00 a.m. until a time when the Chairman of the meeting announces the completion of the voting session. Upon completion of the voting session for the 11th AGM, the Independent Scrutineers will verify and announce the poll results followed by the Chairman of the meeting's declaration whether the resolutions are duly passed.

ANNEXURE TO THE PROXY FORM

Dear Shareholders,

We are pleased to inform that as a Shareholder, you have the option to submit your Proxy Form via electronic means (e-Proxy) in paperless form. Once you have successfully submitted your e-Proxy form, you are no longer required to complete and submit the physical Proxy Form to the office of the Share Registrar of the Company.

To assist you on how to engage with e-Proxy, kindly read and follow the guidance notes which are detailed below:

ELECTRONIC LODGEMENT OF PROXY FORM OF THE 11TH AGM (E-PROXY LODGEMENT)

Step 1 : Register online with Boardroom Smart Investor Portal (for first time registration only)

[Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register again. You may proceed to Step 2 below for e-Proxy lodgement.]

- a. Access Boardroom's website at **<https://investor.boardroomlimited.com>**
- b. Click <<**Register**>> to sign up as a user. Registration is free.
- c. Complete registration with all required information. Upload and attach a softcopy of your MYKAD (for Malaysian) front and back or your Passport (for non-Malaysian).
- d. Please enter a valid e-mail address and wait for Boardroom's e-mail verification to complete the registration.
- e. Your registration will be verified and approved within one (1) business day and an email notification will be provided.

Step 2 : e-Proxy lodgement

- a. Access Boardroom's website at **<https://investor.boardroomlimited.com>**
- b. Login with your user ID (i.e. e-mail address) and password from Step 1 above.
- c. Select **MSM MALAYSIA HOLDINGS BERHAD ELEVENTH (11th) ANNUAL GENERAL MEETING** from the list of Corporate Meeting and click **Enter**.
- d. Click on submit **e-Proxy Form**.
- e. Read the terms and conditions and confirm the declaration.
- f. Enter the CDS account number and indicate the number of securities for your Proxy to vote on your behalf.
- g. Appoint the Chairman of the Meeting as your Proxy and enter the required particulars.
- h. Indicate your voting instructions – **FOR** or **AGAINST** or **ABSTAIN**. If you wish to have your proxy(ies) to act upon his/her discretion, please indicate **DISCRETIONARY**.
- i. Review and confirm your Proxy appointment.
- j. Click submit.
- k. Download or print the e-Proxy form acknowledgement.

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Kopi ke... Teeeh ke... janji gula peket hijau!



MSM MALAYSIA HOLDINGS BERHAD

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