

# 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

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**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.



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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



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## 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