MSM Malaysia Holdings Berhad

EXTRAORDINARY GENERAL MEETING

MSM

A Member of FGV

Questions from Minority Shareholder Watch Group (MSWG)

Proposed disposal of MSM Perlis Sdn Bhd ("MSM Perlis") to FGV Integrated Farming Holdings Sdn Bhd ("FGVIF") ("Proposed Disposal")

Question 1

The Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Main Market Listing Requirements in view of the interests of certain Directors and major shareholders of MSMH and FGVIF (page 18 of the Circular).

a) Has MSMH conducted an open tender exercise to assess prospects and bids for MSM Perlis before concluding the deal with FGVIF?

For information, the Plantation Land was put on an open tender for disposal in 2019. There was only one proposal obtained from F&N Agrivalley Sdn Bhd at RM156.0 million. However, the said disposal did not materialise and the Sale and Purchase Agreement was rescinded on 9 April 2020.

On the present disposal, no open tender exercise was conducted before accepting the offer from FGVIF due to the following reasons:

- *i. FGVIF had made an attractive offer at RM175.0 million to obtain the land for integrated farming activities. Hence, MSM Group seized the disposal opportunity at the stated price;*
- *ii. The offer price from FGVIF is deemed fair as reviewed by the Independent Adviser -* ***Note 1****;*
- *iii. Opportunity for MSM Group to dispose its non-core plantation business mainly to pare down its long term borrowings and to reduce gearing level;*
- *iv. The plantation activities in MSM Perlis were discontinued in June 2019 followed by discontinuation of the refining operations in June 2020; and*
- *v. Uncertainty on any other potential bids based on the previous open tender exercise conducted in 2019 (only received 1 offer). In consideration also is the softening economic and property markets mainly due to the Pandemic.*

(Continued)

MSMH is also in compliance with MMLR requirements and had conducted a valuation on MSM Perlis and obtained an independent adviser's opinion, i.e. Affin Hwang, that the Proposed Disposal is fair and reasonable so far as the shareholders are concerned, and not to the detriment of minority shareholders.

Note 1*: The reference final disposal consideration of RM206.1 million is fair and reasonable given that it represents a premium of RM9.2 million or 4.7% to the proforma adjusted audited net assets of MSM Perlis at RM196.9 million as at 31 December 2020. This is after considering the revaluation surplus of the Chuping properties as appraised by the Independent Valuer on 4 May 2021, as set out in the RNAV calculations in Section 2.4.2 of part A of the Circular.*

Question 1

b) Were there other bidders for MSM Perlis? If yes, on what basis was FGVIF selected over the other bidders?

There were neither acceptable bids nor other bidders since an open tender was made in 2019 during a Pre-COVID economic period which took over one year of effort and resources with no satisfactory results. At present, in view of a COVID impacted economic period and time being of the essence, no selective tender exercise of recent was conducted.

Question 2

Under outlook and prospects of the Group after the Proposed Disposal, the Group plans to grow the export segment to the Asia Pacific region which has an estimated refined sugar import demand of 4 million metric tonnes (MT) per year. The Group achieved export sales volume of 271,000 MT in FY2020 and forecast 300,000 MT and 450,000 MT for FY2021 and FY2022 respectively (page 14 of the circular dated 27 August 2021 ("Circular")).

a) What was the Group's export sales volume for 2H FY2021? How does the Group plan to achieve the 450,000 MT target by 2022, which is a 50% increase compared to the 300,000 MT target for FY2021?

Export (MT)	FY2019	FY2020	FY2021 (F)	FY2022 (F)
Refined Sugar	83,341	270,628	293,800	410,000
Value Added	4,461	44,849	13,145	41,000
Total Export	**87,802**	**315,477**	**306,945**	**451,000**

The Group's total export orders as at 31 August 2021 stood at 306,945 MT of which we have delivered 144,220 MT. The remaining volume is to be delivered by end of December 2021. The Group is more focused on fulfilling the backlogs because of the slight disruptions in MSM Johor and MSM Prai in 2Q 2021.

In addition, a) once MSM Johor is stabilised, the Group targets to achieve about 450,000 MT in 2022 through enlarged footprint in APAC region including major Multinational beverage players. Our focus will be to enhance existing export destinations such as China, Vietnam, Singapore, South Korea, New Zealand and Australia and penetrate new markets namely Indonesia, Philippines etc. b) The Group is open to any partner that comes in to provide additional sustainability for the export sales volumes. It will be a combination via offtake agreement from the potential partner adding to MSM's existing export volumes.

Question 2

b) Please elaborate further in relation to the Group's expansion plans for export markets for refined sugar i.e. which countries in Asia Pacific region it intends to penetrate? What are the Group's business strategy, challenges, and export opportunities in these markets?

Asia Pacific is a 4.0 million MT per year market. For Export, MSM's largest market is Vietnam, which has a consumption of about 1.7 million MT per year. The local refined sugar production is only about 850k MT resulting in a net import of over 1 million MT. Within the main markets of Asia Pacific, besides Thailand, MSM has the best position to serve Vietnam due to the anti-dumping tariff of 47.64% imposed on Thai sugar by Vietnam. Hence, MSM has logistics advantages in such markets.

For the Vietnamese market, MSM is one of the leaders supplying big customers such as Pepsi. MSM is also pursuing target opportunities now in tender finalisation phase with another major multinational brand in Vietnam in extension of a present relationship in Malaysia. Besides Vietnam, MSM is working to secure greater supply into Singapore and new markets such as Indonesia and Philippines. Other opportunities are also similarly pursued across a few countries. Rest of competition supply are of Indian and Brazilian origins which are faced with logistics costs, quality and ethanol fuel fulfilment in their respective countries.

In value added products (VAP), MSM produces Liquid Sugar (LS), Fine Syrup (FS) and Sugar Premix (SP). MSM exports Liquid Sugar (LS) to China via a 3000 MT per month LS line and doubling with a second line by March 2022 at the Johor refinery. Attractively, VAP has greater export margins through higher premiums. In addition, MSM exports to China SP that caters to the huge ingredients market. MSM will step-up production for SP as part of the Johor ramp-up. There are also plans to increase FS exports of which both Johor and Prai refineries have inherent production capability. MSM is also pursuing Australia and New Zealand for VAP.

As for refined sugar, MSM produces premium sugar with highest colour quality, size consistency and high sucrose level. MSM sugar commands a higher premium in the market but has an aggregate economic attraction for industries backed with reliability of supply. In addition, MSM adheres to strict compliance of good trade practices without dumping as example much appreciated by industries for supply continuity and security.

THANK YOU

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