

**MSM
MALAYSIA
HOLDINGS
BERHAD**

**14th ANNUAL
GENERAL
MEETING**

**MSWG Pre-AGM
Questions &
Answers**

19 June 2025, Thursday

**60 Years,
Growing Stronger**



ANNUAL INTEGRATED REPORT 2024

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



OPERATIONAL & FINANCIAL MATTERS

Question 1

As part of the local Joint Sugar Industry, MSM continued to receive incentives from the Government with a cap of 24,000 tonnes per month, which started in November 2023. This incentive amounted to RM288 million, accounting for 8% of MSM's total revenue in FY2024. This incentive is to address the systemic anomaly in the retail price of packed sugar sold in Malaysia, which ranks as the lowest in the region (page 36 of AIR 2024).

- a) What is the indication from the Government on the expiry period, periodic revisions, or adjustments in rates? What is the basis or formula for adjustments in rates?

The government has given the local Joint Sugar Industry a RM1.00/kg incentive paid directly based on given volumes for certain packed sugars since November 2023. This incentive continues into 2025 until such time a new pricing mechanism is announced by the government. Any new pricing mechanism is under the purview of the Government of which the local Joint Sugar Industry has continuous engagement.

- b) MSM would have been making losses at the gross profit level without the incentives from the Government. Revenue from contract customers stood at RM3.257 billion, while the cost of sales was RM3.329 billion (pages 189 and 234 of AIR 2024).

It is understood that long-term business sustainability cannot rely on government support.

How is the Group preparing to mitigate the potential impact of a withdrawal or reduction in the government incentive scheme?

Given the current growth trajectory, are the Industry and Export segments expected to be sufficient to offset the earnings impact should the incentives be discontinued?

In the event that the government incentives are reduced or removed, a new pricing mechanism is required.

Capping of sugar price without the present incentive creates a serious anomaly in the economics as explained in Parliament in 2023 of refiners losing RM0.88 per kilogram of refined sugar produced.

Without any sustainable price adjustment by the government on domestic retail segment, the Industry and Export segments will not be sufficient to offset the earnings impact.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



OPERATIONAL & FINANCIAL MATTERS (CONTINUED)

Question 1 (Continued)

- c) MSM indicated earlier that it preferred a price float mechanism should government incentives for sugar producers were reduced or removed. However, a fully liberalised market could potentially lead to significantly higher market prices, which may in turn dampen domestic demand and sugar consumption, and in turn affect MSM.

How does the Group plan to strike a balance between maintaining stable demand and ensuring sustainable supply in the event of a future removal of sugar subsidies?

Should a price float occur, MSM will be committed to price our sugars responsibly and affordable for the domestic market while ensuring our input costs are covered with sufficient margins.

As part of the local Joint Sugar Industry, we actively ensure the mandatory stockpile of refined sugar is available as part of food security for the nation. Gula Prai has a long-standing leading market share with a wide customer base.

- d) In November 2024, the Health Ministry said it is ready to discuss with the Economy and Finance Ministries about reducing subsidies for sugar producers to manage Malaysia's consumption of sugar. Has there been any progress in this matter? Has MSM been consulted with regard to this?

Any new pricing mechanism is still being discussed and assessed by the Government with the input of the local Joint Sugar Industry.

- e) As stated on page 61 of AIR 2024, MSM has also proposed to the Government a new pricing mechanism to ensure fair market pricing for both producers and consumers.

Please share the details of the new pricing mechanism proposed by MSM to the Government.

The local Joint Sugar Industry is unable to share any new pricing mechanism which remains to be under the purview of the Government.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



OPERATIONAL & FINANCIAL MATTERS (CONTINUED)

Question 2

Against a robust FY2024, MSM's net profit was down by 91% y-o-y to RM3.73 million in the first quarter ended 31 March 2025 (Q1FY2025), from RM41.71 million a year ago, due to lower margins and reduced capacity utilisation.

At the same time, revenue for the quarter also fell 17.3% to RM749.68 million, from RM906.61 million in the previous corresponding quarter, on lower sales volume and average selling prices. MSM reported a lower capacity utilisation factor (UF) of 47% in the quarter, compared to 54% in FY2024.

- a) MSM targets UF of above 80% and 45% for MSM Prai and MSM Johor, which should bring the overall UF to approximately 63% in FY2025 (page 35 of AIR 2024).

Given a challenging head start in Q1FY2025, is MSM on track to achieve the targeted UF for the rest of FY2025? What are the UF for MSM Prai and MSM Johor in Q1FY2025? Has MSM Johor's performance returned to normalcy or expectation, or what other problems need to be addressed?

For the first quarter of 2025, MSM Prai and MSM Johor recorded utilisation factors (UF) of 65% and 29% respectively, resulting in a consolidated MSM Group UF of 47%. This is below the budgeted UF of 57%, due to planned shutdown, lower sales offtake and high inventory carried forward from 2024. Production was deliberately moderated to align with market demand and inventory management strategies.

As of year-to-date (YTD) May 2025, the Group's UF remains at 48%, with MSM Prai sustaining 65% and MSM Johor at 29%. Controlled production continues as part of MSM's prudent approach to balancing inventory levels with market demand.

Operationally, both refineries are in a stable and ready state to support higher UF when required. Notably, MSM Johor demonstrated its capacity to operate at a UF of up to 50% during a successful trial run in February 2025.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



OPERATIONAL & FINANCIAL MATTERS (CONTINUED)

Question 2 (Continued)

- b) MSM Johor's capacity utilisation is expected to be driven primarily by export sales, with a target of 360,000 MT in FY2025, with an emphasis on value-added products, e.g., liquid sugar and premixes (page 35 of AIR 2024). In FY2024, the total export volume was 258,932 MT.
- i. Based on the targeted 360,000 MT in FY2025, what proportion of the Group's total revenue is expected to be derived from the Export segment? Additionally, how has the Export segment performed thus far?

Based on the targeted volume in 2025, the proportion of the Group's total revenue from export will be around 15% to 20%. So far, we have committed approximately 40% of the volume from the FY2025 budget despite the market challenges worldwide.

- ii. What key factors drive the ambitious export volume target, which implies a 40% y-o-y growth from FY2024? Is the expected growth driven by increased market demand or by capturing market share from competitors? Please explain the fine-tuning of the export strategy to expand into new markets such as Indonesia and China (page 32 of AIR 2024).

The key factors for export growth for FY2025 is the positive increment in demand for Value-Added products (Liquid Sugar and Premix) in China and the demand for refined sugar for industry market in Indonesia. In addition, other regular markets for MSM will see a positive growth of around 10% to 20% for FY2025.

- iii. In addition, has MSM observed dumping practices of sugar in your exporting destinations?

There are always dumping practices in our export destinations mainly from Thailand when they have an excess in supply. However, with the strategy and engagement that we have with our customers, this issue has been tackled delicately. The local Joint Sugar Industry has engaged with the Government on this matter accordingly.

- c) Please provide details on the Coca-Cola supply agreement, including the offtake volume, contract period, commencement date, etc. (page 32 of AIR 2024).

Coca-Cola is an established customer of MSM, and has an ongoing contract as a primary supplier. However, due to Non-Disclosure Agreement ("NDA"), we are unable to disclose details of the contract.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



OPERATIONAL & FINANCIAL MATTERS (CONTINUED)

Question 3

MSM recorded an impairment loss amounting to RM292.83 million (at the Company level) for its investments in MSM Johor (page 185, Key Audit Matters, AIR 2024), implying that MSM Johor continued to underperform and faced adverse market developments.

Why was the impairment made despite improved financial and operational performance achieved by MSM Johor in FY2024?

Investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

During the year, the Company assessed the investments in subsidiaries for impairment, arising from the shortfall of the net tangible assets when compared against the respective carrying amount of the investment cost.

The recoverable amounts of these investments, have been determined based on the value-in-use (“VIU”) calculation which is based on the equity value of the subsidiary, computed based on net present value of the projected future cash flows discounted using a cost of equity of 12.7%, which are adjusted for financing and tax cash flows. These calculations require the use of estimates and key assumptions, which are consistent with those used and disclosed in Note 16 (Property, Plant and Equipment) and Note 18 (Intangible Assets) of the financial statements.

The value of investments in subsidiaries is reviewed at least once every financial year. Based on the year-end assessment, the recoverability of the Company’s investment in MSM Johor was evaluated using the equity value which are available for distribution as dividends. The value was estimated at RM785 million and it was lower than the carrying amount of the cost of investment, hence an additional impairment of RM292.83 million was recognised in the Company’s investment in MSM Johor. This impairment has no impact at MSM Group consolidated financial results.

If the recoverable equity value improves in the future, any previously recognised impairment may be reversed, in line with accounting standards.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



OPERATIONAL & FINANCIAL MATTERS (CONTINUED)

Question 4

As of 31 December 2024, MSM's current liabilities exceeded the current assets by RM193 million (page 186, Key Audit Matters, AIR 2024). The gap between current liabilities and assets widened over the years – RM53 million as of FY2022 and RM155 million as of FY2023. The concern of a negative current ratio has been a Key Audit Matter raised by external auditors in the past few years.

a) Please illustrate the liquidity required to meet short-term obligations due in the next 12 months.

MSM Group's liquidity position has been assessed to ensure adequacy in meeting short-term obligations over the next 12 months. This includes scheduled repayments of borrowings, trade and other payables, as well as operational funding requirements. Liquidity will be supported through a combination of the utilisation of existing cash reserves, expected cash flows from operations, and available trade lines. The Group also maintains sufficient headroom in its credit lines to address any unforeseen cash flow gaps. The immediate parent company, FGV Holdings has also expressed continued intention to provide financial support when necessary, thereby ensuring the Group's ability to meet financial obligations as they fall due.

b) Kindly explain the significant increase in inventories and payables to RM762.77 million (FY2023: RM311.93 million) and RM683.13 million (FY2023: RM232.89 million) as of FY2024, respectively.

The increase in inventory is mainly from higher Raw Materials balance of RM497 million (FY2023: RM126 million) and a higher Finished Goods balance of RM169 million (FY2023: RM59 million).

Higher Raw Sugar balance is from higher raw sugar purchases. In Q4 2024, the world's largest exporter Brazil, was expected to end its sugarcane crushing at the end of 2024. Therefore, to mitigate the risks of low raw sugar supply in early 2025, MSM had decided to increase its raw sugar stock levels.

In addition, a higher Refined Sugar balance is a result of improved capacity utilization (UF) in MSM Johor, as well as inventory reserves built up in preparation for the scheduled shutdowns of both MSM Prai and MSM Johor refineries in January 2025.

The most significant component within the Payables balance is Raw Sugar accrual of RM468 million. This accrual balance has increased in line with the increase in raw sugar purchases, as explained above.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



SUSTAINABILITY MATTERS

Question 1

Concerning Renewable Energy and Energy Management (page 87 of AIR 2024), under the column “Key Initiatives and Achievements”, there are disclosures on preparation for solar panel installation at SBW, plan for biomass energy integration at MSM Johor, and diesel forklifts transitioned to liquified petroleum gas (LPG) forklifts.

a) What is the target timeline for full solar panel installations at all its plants?

*MSM is committed to advancing our renewable energy efforts. We will be installing solar panels at both Sungai Buloh Warehouse (“**SBW**”) and MSM Prai.*

*At SBW, we are in the final stages of completing the Solar Power Purchase Agreement (“**SPPA**”), with installation targeted for the fourth quarter of 2025.*

For MSM Prai, the solar panel installation is planned after completing essential rooftop replacement and structural works to ensure long-term safety and feasibility. We anticipate the installation to take place in 2026, subject to the completion of these preparatory works.

b) What about the plan for biomass energy integration at SBW? What is the target timeline for integration at both plants?

MSM decided to defer the biomass energy project until MSM Johor achieves a more stable and sustainable level of operations.

This approach ensures prudent investment decisions are aligned with operational readiness and long-term value creation for the Group.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



SUSTAINABILITY MATTERS (CONTINUED)

Question 1 (Continued)

c) Apart from the forklifts, what are the other measures to reduce carbon emissions generated by vehicles or equipment used?

Apart from the forklift replacement, MSM has implemented a Fleet Replacement Programme under its five-year asset acquisition plan (2023 – 2027).

This involved the addition of 14 new and 8 reconditioned units, reducing the average truck age from 17 years to 10 years.

The initiative has improved operational efficiency, lowered maintenance costs and contributed to reduced fuel consumption and carbon emissions.

d) What is the current usage of renewable energy as a percentage of the Group's total energy consumption? What is the targeted percentage and timeline?

Currently, there is no Renewable Energy utilisation in MSM Group.

The realisation of Renewable Energy utilisation will be through Solar Panels installation and biomass plant integration once MSM Prai and SBW solar panels as well as MSM Johor planned biomass plant.

The expected percentage coming from solar energy in 2026 will be approximately 6% for MSM Prai and 11% for SBW against their total annual electricity consumption (Reference 2024 TNB Bill). While biomass plant has the potential to reduce the reliance towards natural gas consumption.

QUESTIONS FROM MINORITY SHAREHOLDER WATCH GROUP (MSWG)



CORPORATE GOVERNANCE MATTERS

Question 1

MSM seeks renewal of shareholders' mandate for proposed existing recurrent related party transactions (RRPTs) as well as new mandate for new RRPTs of a revenue or trading nature for MSM Malaysia Holdings Berhad and its group of companies (Resolution 8, Notice of the 14th Annual General Meeting).

A bundled resolution prevents shareholders from deciding on issues separately. Companies are encouraged to have a separate resolution for each issue at the AGM to allow shareholders to deliberate and vote on each resolution individually for greater transparency and better governance.

MSM Malaysia Holdings Berhad (“MSM” or “the Company”) acknowledges MSWG’s view on the importance of unbundling resolutions to promote greater transparency and allow shareholders to vote on each matter individually.

The Company wishes to clarify that Resolution 8, as stated in the Notice of the 14th Annual General Meeting, seeks shareholders’ approval for both the renewal of the existing shareholders’ mandate and a proposed new mandate for recurrent related party transactions (“RRPTs”) of a revenue or trading nature, which are of a similar nature and are part of the ordinary course of business.

These RRPTs are grouped under a single resolution as they fall within the same category of transactions. Furthermore, the proposed new mandate involves only two additional transactions. All RRPTs of the Group are governed by the same regulatory framework, specifically Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The bundling of these mandates into a single resolution is a common market practice, aimed at ensuring efficiency in the conduct of general meetings. Full details of the RRPTs, including the nature of the transactions, the related parties involved, and the estimated values, have been disclosed in the Circular to Shareholders to facilitate informed voting.

MSM remains committed to good corporate governance and transparency and the Company will continue to review its practices and welcomes constructive feedback from shareholders and stakeholders to enhance governance standards.



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THANK YOU

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