

FGV Signs Share Sales Agreement with MSM to Acquire MSM Perlis

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PUR, 8 June 2021 – Subsidiaries of FGV Holdings Berhad (FGV), MSM Malaysia Holdings Berhad (MSM) and FGV Integrated Farming Holdings Sdn Bhd (FGVIF) today entered into a Share Sales Agreement (SSA) on the respective disposal and acquisition of 100 percent stake of MSM’s wholly-owned subsidiary, MSM Perlis Sdn Bhd (MSM Perlis) with a disposal value of RM175 million.

The agreement is in continuation to the binding term sheet previously signed between MSM and FGVIF on 30 April 2021. MSM will be conducting an Extraordinary General Meeting (EGM) to obtain approval from its shareholders which is scheduled by the third quarter of 2021. The transaction is targeted to complete before the end of the year.

The disposal is following the discontinuation of non-strategic operations in MSM Perlis as part of MSM’s rationalisation strategies to streamline profitability and develop operational capability.

MSM Perlis holds 11 parcels of agricultural and industrial land that have been earmarked for the development of the FGV Chuping Agro Valley (FCAV) in Perlis by FGVIF, a new sector under the Group. The development consists of high-value

integrated cash crop plantation activities such as MD2 pineapples and harumanis mangoes, as well as dairy farming.

Syed Feizal Syed Mohammad, MSM's Group Chief Executive Officer said, "The disposal of MSM Perlis is part of MSM's blueprint in monetising non-core assets to strengthen and improve our financial performance. An extraordinary income will be realised as part of the proposed disposal with an estimated gain of RM91.6 million. It is also to enhance our operational front particularly on utilisation factor (UF) and yield improvement in MSM Sugar Refinery (Johor) Sdn Bhd (MSM Johor)."

"Aside from the disposal, the accelerated planned rectification works at MSM Johor will also support MSM's target to reach a minimum UF rate of 50 percent by the third quarter of the year," continued Syed Feizal.

Recently, MSM Johor has completed its boiler rectification work and resumed its sugar production and packing. The temporary closure was to allow planned rectification works and targeting higher operational reliability and stocks availability.

Azman Ahmad, FGV Group's Officer-In-Charge and Group Divisional Director of Logistics and Support Businesses Sector said, "We are looking forward to the development and expansion of the FCAV project in order to realise FGVIF's strategic initiatives. This is in line with the government's proposition to bolster the domestic economic sector and provide employment opportunities in efforts to reduce the impact of the pandemic."

To date, more than 50 employees and field workers have been hired for the project. In addition, a total area of 60 hectares have been allocated for the agropreneurs programme under the contract farming scheme for the MD2 Pineapple project. The first batch of agropreneurs' recruitment is

expected to be in July 2021.

“FGVIF has already commenced the ground work of 1,200 hectares of MD2 pineapple plantation where we target to complete the development by the year 2025,” added Azman Ahmad.

Since the cessation of sugar cane plantation, MSM Perlis continued to manage the agricultural land with rubber, oil palm and mango plantations. However, due to unsustainable performance associated with high operating costs of maintaining plantation activities, MSM Perlis ceased its plantation sector on 30 June 2019.

Meanwhile, its sugar refinery operations were discontinued a year later following MSM’s capacity rationalisation to consolidate the production in the new refinery, MSM Johor. Furthermore, the unfavourable location of MSM Perlis from ports, its small capacity and high-cost facility have caused the operations to be uneconomical.

These decisions were mandated by both the Board of Directors of FGV and MSM in the best interest of the Group, in order to optimise the potential of the assets and strengthen the capital structure. As public-listed companies, stakeholders will continue to be engaged and timely disclosures will be made. Guided by its business plans and strategies, FGV and MSM will remain resilient in sustaining the turnaround journey and building on emerging opportunities.

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