Questions from
Minority Shareholders Watch Group

QUESTION 1

How will the recent appointment of Dato' Dzulkifli Bin Abd Wahab as the new Non-Independent Non-Executive Chairman of FGV and the resignation of Dato’ Haris Fadzilah Hassan as the Company’s Group Chief Executive Officer impact the Group’s three-year Business Plan known as BP21, going forward? Will there be any changes to the Group’s current strategies?

The recent appointment of Dato' Dzulkifli Abd Wahab as the new Non-Independent Non-Executive Chairman of FGV and the resignation of Dato’ Haris Fadzilah Hassan as the Company’s Group Chief Executive Officer have no adverse impact on the Group's execution of its BP21. Further enhancements to the BP21 execution will be made to capture synergies between FELDA and FGV, which will further support FGV’s overall goal to be the world's leading integrated and sustainable agribusiness player.

QUESTION 2

In September 2020, the US Customs and Border Protection ("CBP") issued a Withhold Release Order ("WRO") on palm oil and palm oil products made by FGV, its subsidiaries and joint ventures based on information that reasonably indicates the use of forced labour (page 123 of Annual Report 2020 ("AR2020")).

a) What is the estimated cost and financial impact to the Group in relation to the WRO issued by the US CBP?

We take the WRO by CBP seriously and have taken various steps including the establishment of a Foreign Workers Working Committee to look into the continuous improvement with regard to infrastructures on the ground that will further strengthen our labour practices. Presently, we are in the process of appointing an independent auditor to remediate the issues. There will be costs incurred for the remediation process which cannot yet be quantified at this point of time.

On the market side, while our direct exposure in US market is relatively small, increasingly we are facing challenges to sell to buyers who are trading in markets that are bound by the US CBP rules and regulations. To mitigate this, we have been re-allocating the quantities for these markets to other local buyers.

QUESTION 2

b) **Based on Bursa announcement dated 31 March 2021, FGV is committed to resolving the matter with the US CBP and will revisit the appointment of an independent firm in June 2021 for a comprehensive external audit on FGV's labour practices, as suggested by the US CBP. Please provide an update in relation to the WRO.**

To date, FGV has called for proposals from several organisations to conduct an assessment of FGV's operations against the 11 International Labour Organization (ILO) Indicators of Forced Labour. We expect to finalise the appointment in August 2021.

QUESTION 3

Migrant labour declined slightly by 1% in 2020 compared to 2019. While the number of migrant workers who are mainly from Indonesia and Bangladesh reduced, the number of migrant workers from India increased to 4,150 (2019: 3,434) (page 68 of AR2020).

Given that the Malaysian Government had freezed the recruitment of foreign workers, how did the Group manage to increase the number of migrant workers from India in financial year 2020?

Due to the prolonged freeze of migrant workers recruitment from Bangladesh, FGV has since focused on recruitment of migrant workers from Indonesia and India. The abundant supply of migrant workers from India seeking job opportunities had resulted in higher recruitment from India in 2020. (additional of 716 workers compared to 2019)

In addition, the industry has made appeals to the government on this issue and we look forward to a positive outcome in 2021. Meanwhile, FGV continues to aggressively recruit local applicants to work in our estates.

QUESTION 4

The Group's new fresh milk factory with a capacity of 30,000 litres per day is scheduled to be completed in 1H FY2021 (page 224 of AR2020).

a) What is the status of the new fresh milk factory?

The construction of the new fresh milk factory is 85% complete. Due to prolonged MCO and cross border restrictions, fabricated machineries and equipment from origin countries could not be delivered and installed as planned. Management is targeting for the factory to be completed by the end of this year. This depends on the upliftment of the MCO and cross border restrictions by the government.

QUESTION 4

b) What is the estimated cost for setting up the new fresh milk factory?

The estimated cost for setting up the new fresh milk factory is RM6 million.

QUESTION 4

c) What is the Group's current production of fresh milk a day?

Currently, our existing farm in Linggi produces an average of 1,500 litres per day.

The fresh milk production is expected to increase to 3,000 litres per day by the third quarter of 2021 when most of the heifers start milking.

QUESTION 4

d) Going forward, to what extent will the production of fresh milk contribute to the Group's revenue?

Going forward, medium-term production of fresh milk is expected to contribute at least 1% of the Group's overall revenue. In the long-term, revenue contribution will be more significant as more product categories are developed under Consumer Products Sector which utilises fresh milk as one of its key product ingredient.

QUESTION 5

In May 2020, during the first MCO period, Kedai FGV, an e-Commerce platform selling FGV's consumer products was launched to make the Group's products more accessible to all (page 43 of AR2020). In November 2020, FGV invested in a local start-up company which the Group then launched - GOGOPASAR an online grocery marketplace (page 62 of AR2020).

a) How much revenue was generated via e-Commerce platform of Kedai FGV?

In 2020, revenue generated from Kedai FGV was still relatively low due to its early-stage start-up nature. To prepare ourselves for the future, we are gradually building our Omni-channel market presence, leveraging on both the digital platform and physical shops to ensure a wider coverage leading to higher income.

QUESTION 5

b) How much did FGV invested in the local start-up company that launched GOGOPASAR?

FGV, through FGV Integrated Farming, invested RM520,000 or 52% in a start-up company which was then renamed to FGV Agro Fresh Technology Sdn Bhd (FGVAF), which is the company that owns the GOGOPASAR e-Commerce platform.

QUESTION 5

c) To-date, how much revenue has been generated via GOGOPASAR?

For the year to date May 2021, GOGOPASAR has generated a revenue of more than RM1 million.

QUESTION 5

d) **What is the user-rate for Kedai FGV and GOGOPASAR? Will the Group be maintaining the two e-Commerce platforms going forward?**

Kedai FGV on Shopee has user rating of 5/5 and has a conversion rate of 6.2%. For GOGOPASAR, the user rate is still relatively low as GOGOPASAR is currently in the process of integrating its suppliers, warehouses, and logistics readiness.

Moving forward, Kedai FGV will be aligned and integrated with GOGOPASAR, and FGV will be leveraging on the bigger consolidated customer database for better execution of marketing initiatives.

QUESTION 6

‘Write down of inventory’ increased to RM3.6 million (2019: RM2.4 million) (page 55 of AR2020).

What were the reasons for the huge increase in write down of inventories? What is the nature of these inventories that have been written down? Are the written down inventories still saleable?

The increase in write down of inventories were due to the following :

1) *Approximately RM500k was from raw sugar stock differences arising from storage and handling loss which was within the company’s tolerance limit of 0.5%.*
2) *The remaining increase was due to weight loss of fresh fruit bunches (FFB) during diversion between mills as a results of MCO restrictions and unscheduled plant maintenance.*

QUESTION 7

‘Provision for litigation loss’ amounted RM19.8 million (2019: Nil) (page 55 of AR2020).

a) To which litigation case does this ‘provision for litigation loss’ relate to?

The provision for litigation loss relates to a litigation case between Jiang Xin Shipping Company Ltd against FGV Trading Sdn Bhd in 2016. Jiang Xin’s solicitors, Messrs TS Oon, has claimed for full indemnity of their legal costs amounting to USD4.97 million in 2020.

QUESTION 7

b) What is the probability for this litigation loss to materialise?

The case is still ongoing and it is premature to anticipate the probability of success at this juncture.

QUESTION 7

c) **Does the Group expect further 'provision for litigation loss' to be made in financial year 2021?**

There is no further provision for litigation loss expected in financial year 2021 in relation to the case of Jiang Xin Shipping Company Ltd against FGV Trading Sdn Bhd.