Pre-AGM Questions From Minority Shareholders Watch Group

HARNESSING SYNERGIES.
DELIVERING VALUE.

QUESTION 1

The ongoing Russia-Ukraine war which has created uncertainties and volatilities globally coupled with the rising cost of fuel, fertilisers and chemicals. How and to what extent does this impact the Group?

ANSWER:

The disruption to global and regional supply chains from the Russian-Ukraine war has caused input shortages and price hikes since the warring countries are key global exporters of several commodities such as fuel, fertilisers and chemicals. This conflict is a major concern to FGV due to the increase in the global price of gas and coal affecting logistics and freight cost.

The disrupted supply of potash from the warring countries has led to higher fertiliser price, thus affecting our CPO production cost significantly. Additionally, FGV will also be adversely affected by the general inflation and foreign exchange volatility caused by the war in the long term.

On the other hand, the war has also disrupted the global supply of competing edible oils resulting in CPO prices to reach historic highs and benefiting the Group. As palm oil demand increases, the CPO price is expected to sustain at elevated levels in 2022.

QUESTION 2

The Group's replanting efforts were ongoing except that due to the year's challenges, the Group only managed to complete felling 13,127 Hectare (Ha) and replanted 2,815 Ha of its landbank. Going forward, the Group is committed to get back on track with targeted replanting of 15,000 Ha yearly (page 45 of AIR2021).

To-date, has the Group been able to get back on track on its replanting schedule? What is the current status of the Group's replanting of palm oil trees?

ANSWER:

Our 2022 replanting progress is slightly behind schedule due to the current acute labour shortage. As of today, we have completed felling of 3,404 Ha and planting of 1,064 Ha. We expect to be back on track later this year subject to arrival of new workforce.

QUESTION 3

The Group faced a labour shortage during the year due to border closures that resulted in the unavailability of migrant workers. By end-2021, FGV's plantation workforce stood at 68% of the total requirement, with the re-opening of international borders, to what extent has the Group's labour shortage issue normalised? How far off is the Group from addressing its labour needs?

ANSWER:

FGV's current labour workforce is 62% of the total requirement, a shortage of 38% from our plantation's needs. FGV targets to recruit 5,000 to 6,000 migrant workers between the third and fourth quarters of 2022 and an additional 5,000 to 6,000 migrant workers between the first and second quarters of 2023 to achieve optimal worker strength.

To date, FGV has conducted due-diligence assessments on recruitment agencies in the country of origin, such as India, Indonesia and Nepal. Concurrently, FGV is issuing Letters of Award to the agencies, which have passed all criteria based on FGV's labour standard due diligence process and have submitted quota applications for migrant worker recruitment to the Ministry of Human Resources.

QUESTION 4

The Group start-up of cold chain transportation services involving 10 refrigerated trucks was rolled out in September 2021 to serve the FMCG market (page 76 of AIR2021).

To-date, what is the cold chain transportation business achievement and how has it contributed to the Group? Are there plans for expansion?

ANSWER:

The commencement of cold chain transportation services involving ten 7.5-tonners refrigerated trucks on a lease basis was rolled out in September 2021. The business aims to cater to the growing market demand for effective logistics management, ensuring proper temperature controls of dairy products, pharmaceuticals, meat, fruits, vegetables, seafood, frozen foods and other products for the domestic and e-commerce sectors.

During the first eight months of operations, FGV Transport has served internal customers, namely FGV Dairy Industries Sdn Bhd, and external customers such as Kokubu Food Logistics Malaysia Sdn Bhd, SchenkerLogistics Malaysia Sdn Bhd and DHL Logistics. Currently, FGV Transport offers halal product transportation and refrigerated trucking services around Klang Valley. This service is expected to be expanded to other states such as Johor, Melaka, Perak, and Penang with a target of 60% external business.

QUESTION 5

The Group was appointed as an ad-hoc transporter for Coca-Cola Bottlers Malaysia Sdn Bhd (page 77 of AIR2021).

Are there opportunities for the Group to secure contracts to act as the transporter for Coca-Cola Bottlers Malaysia Sdn Bhd, going forward?

ANSWER:

FGV Transport has been given the trust to be the transporter for Coca-Cola Bottlers Malaysia Sdn Bhd, albeit as an ad-hoc transporter. FGV Transport is expanding its capabilities in the FMCG space whereby in 2022, FGV Transport has added another five curtain sider trucks, making the curtain sider trucks total 30 units.

FGV Transport will strive to further win contracts from Coca-Cola and other FMCG manufacturers and producers by giving the best logistics solution to these players.

QUESTION 6

Written-off inventories increased significantly to RM9.2 million (2020: RM3.6 million) (page 21 of Audited Financial Statements 2021 ("AFS2021")), what are the reasons for the huge increase in the write-off of inventories?

ANSWER:

Higher inventories written off in FY2021 was mainly due to the increased write-off for MSM Group whereby RM6.08 million worth of refined sugar stock held at an external warehouse in Kota Kemuning, Selangor, was impacted by flash floods in December 2021.

Subsequently, in the first quarter of FY2022, MSM Group has managed to recover a sum of RM2.6 million of good saleable stock from the amount previously written off. The insurance claim was initiated in January 2022 for the remaining damaged sugar. The assessment and efforts to salvage part of the affected sugar by our insurance company, which include cost of working are currently ongoing.

QUESTION 7

Insurance reimbursement increased to RM10.9 million (2020: RM4 million) (page 70 of AFS2021).

To what does the insurance reimbursement relate to?

ANSWER:

The increase in insurance reimbursement was due to insurance claim recognised by MSM Group amounting to RM7.2 million in FY2021. The claim was for the loss of business due to breakdown of boilers which resulted in a temporary shutdown of MSM's refinery plant for a period of two months.

The insurance claim was successfully received in February 2022.

THANK YOU

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