



MSM MALAYSIA HOLDINGS BERHAD

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PRESS RELEASE

MSM strengthens leadership position via expansion - sugar production to increase 36% to 1.5 million tonnes by 2016

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MSM Malaysia Holdings Berhad (MSM) is set to bolster its position as Malaysia's leading sugar manufacturer as it continues with its expansion plan in order to increase production by 36% from 1.1 million tonnes of refined sugar to 1.5 million tonnes by 2016.

In achieving this target, MSM has, to date, utilised RM130 million from the total RM413.8 million raised from its initial public offering (IPO) in 2011. Out of the RM130 million, a total of RM37 million was utilised for capital expenditure and another RM93 million for working capital.

This was announced by the Chief Executive Officer of MSM, Mr Chua Say Sin to shareholders at its second Annual General Meeting held in Kuala Lumpur today.

"MSM has set aside RM220 million from the IPO proceeds for internal expansion. This year, we have budgeted RM85 million for capacity and warehouse expansion, out of which RM37 million has been utilised. Additionally, we are also building our infrastructure, warehouse storage and handling capacity in line with our plan to expand capacity," said Chua.

The amount used for **capacity expansion** was in anticipation that production operations will grow from 3,600 tonnes to 4,600 tonnes of raw sugar melt per day.

“We hope to enhance our economies of scale by expanding our annual production capacity by 36% from 1.1 million tonnes to 1.5 million tonnes by 2016. On top of this, we intend to increase the raw sugar storage capacity at MSM. The storage capacity for refined sugar at MSM’s warehouses has been increased to 27,000 tonnes which will be increased further to 37,000 tonnes.”

Other area of focus is on the increased **efficiency and automation** to enhance cost competitiveness. Automation level especially at Kilang Gula Felda Perlis (KGFP) plant has been raised, which include upgrading the existing boilers and process at KGFP and enhancing economies of scale by expanding the annual production in its Prai refinery.

The enhancement of production capacity as well as efficiency and automation will increase the volume of refined sugar production, which is in tandem with the increase in demand. It also enables MSM to move aggressively into the **export markets**, subsequently positioning itself as a leader in Asia’s sugar manufacturing industry.

Chua added that despite a challenging year, MSM has been prudent in its expenditures, focusing on strengthening its production and storing capabilities domestically before setting out on its overseas ventures, which is to enter into strategic mergers and acquisition.

“We acknowledge that securing partnerships will help us to expand sugar cane planting into Southeast Asia. For this, RM100 million from the proceeds of the IPO has been set aside for strategic acquisitions. However, the plan to go upstream needs more detailed studies and we are still conservative on this as it is a big investment and also due to bearish outlook of world sugar prices,” said Chua.

In 2012, MSM sold 751,668 tonnes of refined sugar in the domestic market, while export sales increased marginally by 3.5 percent from 153,964 tonnes in 2011 to 159,409 tonnes in 2012. MSM recorded profit before tax of RM285 million for the fiscal year ended 31 December 2012, on the back of higher consolidated revenue of RM2.301 billion.

The company has declared a final dividend payment of 11 sen per share to be paid on 28 June 2013 amounting to RM77.3 million. The total dividend payable to shareholders in respect of the financial year 2012 is 19 sen per share at a total of RM133.5 million, of which an interim dividend of 8 sen per share or RM56.2 million have been paid on 28 December 2012.

About MSM Malaysia Holdings Berhad

MSM Malaysia Holdings Berhad (MSM), incorporated on 10 March 2011, is Malaysia's leading sugar producer. It was listed on the Main Market of Bursa Malaysia Securities Berhad on 28 June 2011.

MSM operates the sugar business of Felda Global Ventures Holdings Berhad. It produces, markets and sells refined sugar products. The company conducts its business principally through two operating subsidiaries, Malayan Sugar Manufacturing Company Bhd and Kilang Gula Felda Perlis Sdn Bhd (KGFP) which were established in 1959 and 1971, respectively. These operating subsidiaries operate refineries in Prai, Penang, and Chuping, Perlis with a combined annual production capacity of over 1.1 million tonnes of refined sugar products. In 2012, MSM produced 900,620 tonnes of refined sugar products, accounting for approximately 57% of total sugar production in Malaysia.

The company offers a variety of products ranging from white refined sugar of various grain sizes to soft brown sugar. These are marketed and sold in a variety of packaging options under two brands – “Gula Prai” and “Gula Perlis”. The Company also sells molasses, a by-product of the refining process, to distilleries and producers of ethanol, animal feed and yeast, among other products.

MSM sells to a wide range of customers in Malaysia and in other countries directly and indirectly through traders, wholesalers and distributors. Its customers include major companies in the beverage and confectionery industries, hotels, restaurants, food outlets and household consumers.

For more information, please log on to <http://www.msmholdings.com>