MSM Malaysia to sell 4,453.9ha to F&N at 18% discount

Land generates negligible revenues, saps finances

BY JUSTIN LIM

KUALA LUMPUR: Refined sugar producer MSM Malaysia Holdings Bhd, a 51%-owned unit of FGV Holdings Bhd, is selling 4,453.92 hectares (ha) in Chuping, Perlis to Fraser & Neave Holdings Bhd (F&N) for RM156 million.

The selling price is at a 18% discount to the market value of the land, said MSM.

"[However, we] believe the disposal is in the best interest of the group as the land generates negligible revenues but requires unsustainable financial commitments due to the high operating costs of maintaining the plantation activities," it added in a statement yesterday.

MSM said it will use the proceeds from the disposal to repay bank borrowings and for working capital.

A sale and purchase agreement was signed between MSM and F&N's wholly-owned subsidiary F&N AgriValley Sdn Bhd for the proposed disposal yesterday.

"This disposal of the land, which is directly owned by MSM's wholly-owned subsidiary MSM Perlis Sdn Bhd, is in line with the group's plans to rationalise its assets and to focus on its core businesses. It will also strengthen the group's balance sheet as debt will be reduced," it added.

"We are focused on creating and delivering value in our core areas of expertise. To achieve this, we will continue to dispose of our non-core assets to unlock value and to ensure that management and financial resources are committed to our core business," said MSM group chief executive officer (CEO) Datuk Khairil Anuar Adz.

The disposal was effected via an open tender process, which commenced in January.

"The entire process was conducted in a transparent manner. We were clear from the outset that the disposal should bring benefits not just to MSM, but also to the state of Perlis and the communities that live in the area, to balance commercial and social values," said Khairil Anuar.

The land is currently used for the cultivation of rubber, oil palm and mangoes.

In a separate statement, F&N said it intends to use the land for dairy cattle farming to support existing downstream production and distribution of fresh milk products.

F&N CEO Lim Yew Hoe said the vertical integration model for Ledang Chuping will enable F&N to be less dependent on imported milk while promoting the local agricultural industry in line with the nation's ambition to be more self-sufficient.

"This investment reflects the potential we see in filling the gap of the local dairy sector, and the huge opportunity to increase fresh milk consumption in Malaysia in our journey towards a healthier society," he added.

Lim said F&N is currently studying various options for the integrated model and more details will be provided in due course.

The proposed disposal is expected to be completed by the second quarter of 2020.