PETALING JAYA: MSM Malaysia Holdings Bhd is disposing of its 4,453.92ha land in Chuping, Perlis to Fraser & Neave Holdings Bhd (F&N) for RM156 million, representing an 18% discount to its market value.

MSM is expected to incur a RM1.76 million disposal loss, computed based on net book value of RM157.76 million as at June 30, 2013, before deducting any expenses related to the proposed disposal.

The original cost of investment for the land is RM69 million and it has invested about RM72 million on the land from 2011 to 2019.

MSM, too, Bursa Malaysia that the move is in line with the group’s plans to rationalise its assets and to focus on core businesses, which will reduce its debt.

A sale and purchase agreement was signed between MSM’s wholly owned subsidiary MSM Perlis Sdn Bhd and F&N’s wholly owned subsidiary F&N AgriValley Sdn Bhd.

Disposal of asset in Perlis is in the best interests of the group, says sugar producer

He said the disposal was effected via an open tender process, which commenced in January 2013.

“The entire process was conducted in a transparent manner. We were clear from the outset that the disposal should bring benefit 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.”

Despite the discount in selling price, MSM believes that the disposal is in the best interest of the group as it generates negligible revenue but requires unsustainable financial commitments due to the high operating costs of maintaining the plantation activities.

Separately, F&N noted that the acquisition is to explore the upstream sourcing of fresh milk to support existing downstream production and distribution of fresh milk products.

F&NHB CEO Lim Yew How said the vertical integration model for Ladang Chuping will enable the company 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.

The acquisition will be funded via internally generated funds and/or external borrowings.