

MSM to sell Perlis agriculture land to F&N for RM156m

by FARA AISYAH

MSM Malaysia Holdings Bhd's wholly owned subsidiary, MSM Perlis Sdn Bhd has entered into a sale and purchase agreement with Fraser & Neave Holdings Bhd's (F&N) wholly owned subsidiary F&N Agrivalley Sdn Bhd for the disposal of nine parcels of agricultural land in Chuping, Perlis, for RM156 million.

The original cost of the 4,453.92ha land stood at RM99 million when MSM, a 51%-held subsidiary of FGV Holdings Bhd, acquired it on March 21, 2011.

MSM said the proposed disposal is part of its asset rationalisation exercise to unlock and realise the value of its non-core assets.

Proceeds from the disposal will be utilised for repayment of bank borrowings and working capital purposes of the group and its subsidiaries.

It will also strengthen the group's balance sheet as debt will be reduced, the group added.

"We are focused on creating and delivering value in our core areas of expertise. To achieve this, we will continue to dispose our non-core assets to



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unlock value and to ensure that management and financial resources are committed to our core business,"

MSM group CEO Datuk Khairil Anuar Aziz said in a statement yesterday.

"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," he added.

Although the selling price is an 18% discount on the market value of the land, the board of MSM believes that 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 plantation activities.

Moving forward, the group will focus on improving efficiency to lower refining costs while diversifying into value-added sugar products for exports and improving its financial position.

It also intends to accelerate growth through possible commercial collaborations with reputable industry players to pave the way for a global market presence.

Meanwhile, F&N said its acquisition of Ladang Chuping is aimed at exploring the upstream insourcing of fresh milk to support existing downstream production and distribution

of fresh milk products.

The vertical integration model for Ladang Chuping will enable the group 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, F&N CEO Lim Yew Hoe said.

"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.

"The large contiguous land allows for an integrated model from grass to glass. It will be based on a sustainability agenda, using precision agronomy technology and good practices to reduce the overall carbon footprint of the crop farm, dairy barns and other facilities," Lim said.

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

MSM closed 10 sen or 9.95% higher at RM1.05 yesterday, while F&N increased 24 sen or 0.71% to RM34.26.

Shares of FGV ended the day seven sen or 7.6% higher at 92 sen.