THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular, valuation certificates and reports, makes no representation as to their accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular.

MSM MALAYSIA HOLDINGS BERHAD
Registration No : 201101007583 (935722-K)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN MSM PERLIS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MSM MALAYSIA HOLDINGS BERHAD, TO FGV INTEGRATED FARMING HOLDINGS SDN BHD FOR AN INITIAL DISPOSAL CONSIDERATION OF RM175.0 MILLION IN CASH, SUBJECT TO ADJUSTMENT FOR NET WORKING CAPITAL AND NET DEBT AT COMPLETION ("PROPOSED DISPOSAL")

PART B

INDEPENDENT ADVICE LETTER FROM AFFIN HWANG INVESTMENT BANK BERHAD TO THE NON-INTERESTED SHAREHOLDERS OF MSMH IN RELATION TO THE PROPOSED DISPOSAL

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Adviser

AFFIN HWANG CAPITAL

AFFIN HWANG INVESTMENT BANK BERHAD
(Registration No: 197301000792 (14389-U))
(A Participating Organisation of
Bursa Malaysia Securities Berhad)

The resolution set out in this Circular will be tabled at the Extraordinary General Meeting ("**EGM**") of MSM Malaysia Holdings Berhad ("**MSMH**" or the "**Company**") which will be held entirely on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting (RPV) facilities via online meeting platform provided by Boardroom Share Registrars Sdn Bhd at **https://meeting.boardroomlimited.my** (Domain Registration No with MYNIC – D6A357657) on Wednesday, 15 September 2021 at 11.00 a.m. or at any adjournment thereof. The Notice of the EGM of our Company together with the Form of Proxy are enclosed herewith and are available to be downloaded from our Company's website at **http://www.msmsugar.com/investor-relations/annual-reports** or Bursa Malaysia Securities Berhad's website at **www.bursamalaysia.com**.

Having regard to the well-being and the safety of our Shareholders, our Company will conduct the EGM **on a virtual basis through live streaming and online remote voting using RPV facilities**. Please follow the procedures provided in Administrative Details for the EGM in order to register, participate and vote remotely via online meeting platform.

As a shareholder, in the event you wish to appoint a proxy, please complete, sign and return the Proxy Form in accordance with the instructions printed thereon. You are requested to complete, sign and return the enclosed Proxy Form in accordance with the instructions printed on it, so as to arrive at our Share Registrar's office, Boardroom Share Registrars Sdn Bhd, Ground Floor or 11th Floor, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia no later than Monday, 13 September 2021 at 11.00 a.m. You may also deposit your proxy form(s) by electronic means. The Proxy Form may be submitted:

a. to the Share Registrar of our Company, Boardroom Share Registrar Sdn Bhd via e-mail to **bsr.helpdesk@boardlimited.com** not later than Monday, 13 September 2021 at 11.00 a.m.
b. via electronic means ("**e-proxy**") no later than Monday, 13 September 2021 at 11.00 a.m. (please refer to the Annexure to the Proxy Form for further information on submission via e-Proxy).

Last date and time for lodging the Proxy Form	: Monday, 13 September 2021, at 11.00 a.m.
Date and time of the EGM	: Wednesday, 15 September 2021, at 11.00 a.m., or at any adjournment thereof

This Circular is dated 27 August 2021

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	:	Companies Act, 2016, as amended from time to time and any re-enactment thereof
Audit, Governance and Risk Committee	:	Audit, Governance and Risk Committee of our Company
Board	:	Board of Directors of our Company
Bursa Securities	:	Bursa Malaysia Securities Berhad
Business Day	:	A day (other than Saturday, Sunday or public holiday in Kuala Lumpur) on which commercial banks are generally open for business in Kuala Lumpur
Carved Out Assets	:	The assets of MSM Perlis which will be excluded from the Proposed Disposal including sugar processing equipment and machinery and motor vehicles as more particularly described in **Section 2.2 (i)** of Part A of this Circular
Chuping Properties	:	The 11 parcels of lands and buildings owned by MSM Perlis in Chuping Perlis, as more particularly described in **Appendix I** of this Circular
Circular	:	This circular to Shareholders dated 27 August 2021 in relation to the Proposed Disposal
CMSA	:	Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
Completion	:	Completion of the Proposed Disposal in accordance with the terms of the MSMP SSA
Completion Date	:	The date of Completion
Completion Net Debt	:	The Net Debt as at the last day of the month of Completion
Completion Net Working Capital	:	The Net Working Capital as at the last day of the month of Completion
Conditions	:	Conditions precedent of the Proposed Disposal as set out in **Section 2.5.5** of Part A of this Circular
Dato' Amir	:	Y Bhg Dato' Amir Hamdan Bin Hj Yusof
Dato' Haris	:	Y Bhg Dato' Haris Fadzilah Bin Hassan
Deposit	:	A sum of RM17.5 million, constituting 10% of the Initial Disposal Consideration which is payable upon execution of the MSMP SSA
Director	:	Shall have the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Disposal were agreed upon, a director or chief executive officer of our Company or its subsidiary
EGM	:	Extraordinary General Meeting of our Company
EPS	:	Earnings per share
FAHC	:	Felda Asset Holdings Company Sdn Bhd
FELDA	:	Lembaga Kemajuan Tanah Persekutuan
FGV	:	FGV Holdings Berhad
FGVIF	:	FGV Integrated Farming Holdings Sdn Bhd, the purchaser of the Sale Shares, pursuant to the MSMP SSA
FGV Sugar	:	FGV Sugar Sdn Bhd
Final Disposal Consideration	:	The final disposal consideration for the Proposed Disposal after the adjustment for the difference between Completion Net Working Capital and Completion Net Debt and Reference Net Working Capital and Reference Net Debt respectively to the Reference Final Disposal Consideration on the Completion Date as more particularly described in **Section 2.4.2** of Part A of this Circular
FYE	:	Financial year ended or where the context otherwise requires, financial year ending
Group	:	Our Company and its subsidiaries

Ha	:	Hectares
IAL	:	Independent advice letter from Affin Hwang IB to the non-interested Shareholders in relation to the Proposed Disposal as set out in Part B of this Circular
Independent Accountants	:	An independent firm of chartered accounts determined in accordance with the MSMP SSA
Independent Adviser or Affin Hwang IB	:	Affin Hwang Investment Bank Berhad
Independent Valuer or Raine & Horne	:	Raine & Horne International Zaki + Partners Sdn Bhd, being the independent valuer for the Proposed Disposal
Initial Disposal Consideration	:	The initial disposal consideration of RM175.0 million in respect of the Proposed Disposal
Interested Directors	:	Dato' Haris and Dato' Amir, our Non-Independent Non-Executive Directors, who are deemed interested in the Proposed Disposal
Interested Major Shareholders	:	FGV, FGV Sugar, KPF and FELDA, our Major Shareholders, who are deemed interested in the Proposed Disposal
Interested Person Connected	:	FAHC, being a wholly-owned subsidiary of FELDA, is an interested person connected to FELDA in relation to the Proposed Disposal
KPF	:	Koperasi Permodalan Felda Malaysia Berhad
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	:	30 July 2021, being the latest practicable date prior to the printing and despatch of this Circular
Major Shareholder	:	Any person who is or was, within the preceding 6 months of the date on which the terms of the Proposed Disposal were agreed upon, a person who has an interest or interests in one or more voting shares in our Company and the number or aggregate number of those shares: (a) 10% or more of the total number of voting shares; or (b) 5% or more of the total number of voting shares where such person is the largest shareholder. For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act.
MFRS	:	Malaysian Financial Reporting Standards
MSM Johor	:	MSM Sugar Refinery (Johor) Sdn Bhd, a wholly-owned subsidiary of our Company
MSM Prai	:	MSM Prai Berhad, a wholly-owned subsidiary of our Company
MSMH or Company	:	MSM Malaysia Holdings Berhad (Registration No 201101007583 (935722-K))
MSM Perlis	:	MSM Perlis Sdn Bhd (Registration No 197101000385 (10776-K))
MSMP SSA	:	Conditional share sale agreement dated 8 June 2021 entered into between our Company and FGVIF in respect of the Proposed Disposal
MT	:	Metric tonne
NA	:	Net assets
NBV	:	Net book value
Net Debt	:	The sum of debt less cash of MSM Perlis
Net Working Capital	:	The net working capital of MSM Perlis which is the aggregate of all trade and non-trade receivables, inventories, prepayment, deposits for utilities less all trade and non-trade payables, net taxation, accruals, goods and services tax of MSM Perlis but excluding any working capital in connection with the Carved Out Assets
Proposed Disposal	:	Proposed disposal of the entire equity interest in MSM Perlis, our wholly-owned subsidiary, to FGVIF, for an initial disposal consideration of RM175.0 million in cash, subject to adjustment for Net Working Capital and Net Debt at Completion
Reference Final Disposal Consideration	:	RM206,066,953 being the sum of the Initial Disposal Consideration plus the Reference Net Working Capital and the Reference Net Debt

Reference Net Debt	:	The audited net debt of MSM Perlis of RM7,828,361 as at 31 December 2020
Reference Net Working Capital	:	The audited net working capital of MSM Perlis of approximately RM23,238,592 as at 31 December 2020
Restructuring Exercise	:	The restructuring exercise to be undertaken by MSM Perlis prior to the Completion, as more particularly described in **Section 2.2** of Part A of this Circular
RM and sen	:	Ringgit Malaysia and sen, respectively
Sale Shares	:	129,354,500 ordinary shares in MSM Perlis held by our Company and all ordinary shares in MSM Perlis to be issued pursuant to the Restructuring Exercise
Shareholders	:	The shareholders of our Company
Share Registrar	:	Boardroom Share Registrars Sdn Bhd
Valuation Certificates	:	The valuation certificates in respect of the Chuping Properties as attached as **Appendix II** of this Circular

All references to "**our Company**" in this Circular are to MSMH and references to "**our Group**" are to our Company and subsidiaries. All references to "**we**", "**us**", "**our**" and "**ourselves**" are to MSMH, and save where the context requires, shall include our subsidiaries.

All references to "**you**" and "**your**" in this Circular are to our Shareholders.

Unless specifically referred to, words denoting the singular shall, where applicable, include the plural, and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by our Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that our Group's plans and objectives will be achieved.

PART A

LETTER TO OUR SHAREHOLDERS IN RELATION TO THE PROPOSED DISPOSAL

MSM MALAYSIA HOLDINGS BERHAD
Registration No : 201101007583 (935722-K)
(Incorporated in Malaysia)

Registered Office:
Level 21, Wisma FGV
Jalan Raja Laut
50350 Kuala Lumpur
Wilayah Persekutuan

27 August 2021

Board of Directors:
Datuk Syed Hisham Bin Syed Wazir *(Chairman, Independent Non-Executive Director)*
Dato' Rosini Binti Abd Samad *(Independent Non-Executive Director)*
Datuk Lim Thean Shiang *(Independent Non-Executive Director)*
Dato' Muthanna Bin Abdullah *(Independent Non-Executive Director)*
Datuk Dr Abd Hapiz Bin Abdullah *(Independent Non-Executive Director)*
Mr Choy Khai Choon *(Independent Non-Executive Director)*
Dato' Amir Hamdan Bin Haji Yusof *(Non-Independent Non-Executive Director)*

To: Our Shareholders

Dear Sir/Madam,

PROPOSED DISPOSAL

1. INTRODUCTION

On 30 April 2021, our Board announced that our Company had, on the same date, entered into a binding term sheet with FGVIF setting out the salient terms for the Proposed Disposal.

On 5 May 2021 and 6 May 2021, our Company had announced further information on the Proposed Disposal.

On 8 June 2021, our Board announced that our Company had, on the same date, entered into the MSMP SSA and provided an update on the valuation of the Chuping Properties. The MSMP SSA supersedes the term sheet entered between our Company and FGVIF on 30 April 2021 in relation to the Proposed Disposal.

On 28 July 2021, our Board announced that our Company and FGVIF had, on the same date, agreed to extend:

(i) the cut-off date for the satisfaction of the Conditions from 31 August 2021 to 20 September 2021; and

(ii) the date of Completion from no later than 10 September 2021 to no later than 29 September 2021,

or such other dates as may be mutually agreed by both parties. In view of the interests of our Interested Directors and Interested Major Shareholders as well as persons connected to them, as disclosed in **Section 8** of Part A of this Circular, the Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, our Board (save for the Interested Directors) had, on 16 February 2021, appointed Affin Hwang IB as the Independent Adviser to advise our non-interested Directors and non-interested Shareholders on the fairness and reasonableness of the Proposed Disposal and whether the Proposed Disposal is detrimental to our non-interested Shareholders.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED DISPOSAL TOGETHER WITH THE RECOMMENDATION OF OUR BOARD (SAVE FOR THE INTERESTED DIRECTORS WHO HAVE ABSTAINED FROM DELIBERATING ON THE PROPOSED DISPOSAL) AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT OUR FORTHCOMING EGM. WE ENCLOSE THE NOTICE OF EGM TOGETHER WITH THE FORM OF PROXY WITH THIS CIRCULAR.

WE ADVISE YOU TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR INCLUDING THE IAL (AS SET OUT IN PART B OF THIS CIRCULAR) TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT OUR FORTHCOMING EGM.

2. THE PROPOSED DISPOSAL

2.1 Details of the Proposed Disposal

Pursuant to the Proposed Disposal, our Company agrees to sell and transfer, and FGVIF agrees to purchase the Sale Shares free from all and any encumbrance and together with all rights and advantages attached to the Sale Shares as at the Completion Date.

2.2 Restructuring Exercise

Based on the MSM Perlis' consolidated financial statements as at 31 December 2020, the total equity attributable to owners of MSM Perlis' is in a net liability position of RM65.0 million.

As such, prior to Completion, MSM Perlis will undertake a restructuring exercise ("**Restructuring Exercise**"), the rationale for which is as follows:

(a) to dispose or transfer the Carved Out Assets which are not required by FGVIF out of MSM Perlis; and

(b) to settle outstanding intercompany balances, payables and other liabilities using the proceeds from the disposal of the Carved Out Assets and inventories, collections from outstanding receivables and cash raised from the capital injection by our Company. The outstanding liabilities of MSM Perlis as at FYE 31 December 2020 amounts to RM249.9 million. As at the LPD, MSM Perlis' bank borrowings have been fully settled.

The Restructuring Exercise, which will be completed prior to the Completion Date, entails, amongst others, the following:

(i) the disposal and transfer of the Carved Out Assets, the breakdown of which as follows:

No	**Description**	**Audited NBV as at 31 December 2020 RM'000**
(a)	The plant and machinery of the sugar refinery	0[(1)]
(b)	Motor vehicles	83
(c)	Consumables and spare parts	8,932

Notes:

[(1)] *The audited NBV of the plant and machinery of the sugar refinery is nil due to impairments of RM138.8 million recorded in FYE 31 December 2019 as a result of our Company's decision to discontinue the operations of MSM Perlis' sugar refinery.*

Certain plant and machinery of the sugar refinery, consumables and spare parts will be transferred to MSM Prai and MSM Johor, which are wholly-owned subsidiaries of our Company, for use in their respective sugar refinery operations. The foregoing is consistent with our Group's strategic decision to focus on its core business, which is sugar refining. Whereas, the remaining plant and machinery including spare parts and consumables will be disposed to any interested buyers. Meanwhile, the motor vehicles will be disposed of via a tender process prior to Completion.

Under the terms of the MSMP SSA, prior to the sale of the Carved Out Assets, all title, rights, interests, benefits and rewards relating to the Carved Out Assets shall be deemed to accrue for the benefit to our Company and we will similarly assume all risk and liabilities in respect of the Carved Out Assets.

Further, under the terms of the MSMP SSA, from the Completion Date, FGVIF shall procure MSM Perlis to let out an area within the buildings located on the Chuping Properties without any charge or rental to our Company to store the Carved Out Assets for a period of six (6) months or such other date as may be mutually agreed by our Company and FGVIF.

(ii) the increase of the share capital of MSM Perlis for the settlement of outstanding debts, payables and/or inter-company balances. On 28 April 2021, a capital injection of RM92.0 million via the issuance of 92 million units of ordinary shares in MSM Perlis to our Company in consideration for cash was undertaken for the purpose of settlement of a portion of its outstanding intercompany balances (amount due to our Company and MSM Prai). As at the LPD, the additional capital injection via issuance of ordinary shares to our Company required to settle the remaining outstanding intercompany balances (amount due to our Company and MSM Prai) has not been finalised;

(iii) the collection of MSM Perlis' outstanding receivables (mainly trade and other receivables from the sugar refining business, deposits and prepayments, tax recoverable, and amounts due from related companies i.e. our Company, MSM Prai, MSM Johor, FGV and KPF Trading Sdn Bhd) and payment of outstanding trade and/or non-trade payables (outstanding intercompany balances as well as payables and other liabilities will be settled via capital injection before the Completion Date). Certain intercompany balances will be off-set with the balance to be settled by cash; and

(iv) the disposal and transfer of MSM Perlis' remaining inventories (mainly raw and refined sugar which are not required by FGVIF) to MSM Prai, the amount of which has yet to be finalised as at the LPD.

From the Restructuring Exercise, the estimated amount that may be received from the disposal and transfer of the Carved Out Assets and inventories is RM27.5 million while the estimated amount to be received from the collection of outstanding receivables is up to RM50.2 million. The outstanding liabilities of MSM Perlis as at FYE 31 December 2020 amounting to RM249.9 million will be settled from these proceeds as well as the cash raised from the capital injections from MSMH.

In the event our Company receives any proceeds from the Restructuring Exercise, the proceeds will be utilised to settle any outstanding liabilities in MSM Perlis via capital injection before the Completion Date and any excess proceeds will be used as general working capital.

Post-completion of the Restructuring Exercise and upon Completion, the remaining assets of MSM Perlis will comprise mainly the Chuping Properties and certain machinery, IT equipment, sundry equipment, office furniture and housing. The said machinery are lab equipment, electrical, water supply and air compressor systems, which are related to the operations of the Chuping Properties.

As at the LPD, the Restructuring Exercise is on-going and yet to be completed and shall have no material financial effects to our Group's earnings, EPS or NA for the FYE 31 December 2021.

2.3 Information on MSM Perlis

MSM Perlis was incorporated in Malaysia on 26 May 1971 as a private limited company, then known as Kilang Gula FELDA Perlis Sendirian Berhad. It was subsequently renamed as MSM Perlis Sdn Bhd on 2 October 2014. MSM Perlis is a direct wholly-owned subsidiary of our Company.

MSM Perlis was incorporated as part of the Perlis Sugar Project to diversify and develop Malaysia's agro-based industries. It was principally engaged in raw sugar refining, rubber and oil palm plantations with its principal place of business located at Mukim Chuping, 02500 Chuping, Perlis.

In 1971, the first milestone achieved by MSM Perlis together with FELDA, was successfully establishing an integrated sugar mill with a sugar cane plantation and factory operations in Chuping, Perlis.

MSM Perlis discontinued the sugar cane plantation operations in 2011 and started planting rubber trees (approximately 1,400 Ha of planted area), oil palm trees (approximately 106 Ha of planted area) and mango trees (approximately 22 Ha of planted area).

MSM Perlis stopped the plantation operations of rubber trees, oil palm trees and mango trees on 30 June 2019 as part of our Group's strategic decision to focus on its core business, which is sugar refining. However, MSM Perlis continues to provide minimal up keeping and maintenance to the plantation land.

The sugar refinery operations ceased on 30 June 2020 and the sugar refining activity was outsourced to MSM Prai via a tolling arrangement until January 2021. Under this arrangement, MSM Prai refines the raw sugar owned by MSM Perlis and in return charges a tolling fee.

Based on the audited financial statements of MSM Perlis for the FYE 31 December 2020, the audited net liabilities and loss after tax of MSM Perlis were RM65.0 million and RM101.4 million respectively.

As at the LPD, the issued share capital of MSM Perlis is RM209,981,810 comprising 129,354,500 ordinary shares.

As at the LPD, the directors of MSM Perlis are Syed Feizal Bin Syed Mohammad, Ab Aziz Bin Ismail and Hasni Bin Ahmad.

Please refer to **Appendix I** of this Circular for further information on MSM Perlis.

2.4 Basis and justification of arriving at the Initial Disposal Consideration, Reference Final Disposal Consideration and Final Disposal Consideration

2.4.1 Initial Disposal Consideration

The Initial Disposal Consideration of RM175.0 million was arrived at on a "willing-buyer willing-seller" basis based on the adjusted audited NBV of the Chuping Properties as at 31 December 2020 and after taking into consideration the fair value uplift, deferred tax liabilities and net revaluation surplus of the Chuping Properties, as set out below:

	RM'000
Audited NBV of Chuping Properties as at 31 December 2020	81,893
Fair value uplift of Chuping Properties as at 31 December 2020[(1)]	7,771
Audited NBV of Chuping Properties with fair value uplift as at 31 December 2020	89,664
Deferred tax liabilities as at 31 December 2020[(2)]	(7,171)
Net revaluation surplus of the Chuping Properties[(3)]	83,285
Adjusted audited NBV of Chuping Properties as at 31 December 2020	**165,778**

Notes:

[(1)] *The fair value uplift arose as a result of the acquisition of MSM Perlis by our Company in 2011 pursuant to the fair value exercise in conjunction with the listing exercise of our Company which is recorded in our Company's financial statements.*

[(2)] *Deferred tax liabilities represent obligation to pay taxes in the future arising from MSM Perlis ownership of Chuping Properties in the event that these assets are disposed of with a gain which is recorded in MSM Perlis' financial statements as at 31 December 2020 calculated at the Real Property Gains Tax ("**RPGT**") rate of 10% which has been used as the Chuping Properties have been classified as assets held for sale in 2019.*

[(3)] *The calculation for the net revaluation surplus of the Chuping Properties is as set out below:*

	RM'000
Market value of the Chuping Properties[(a)]	*199,250*
Less: Audited NBV of the Chuping Properties with fair value uplift as at 31 December 2020	*(89,664)*
Revaluation surplus	*109,586*
Less: Deferred tax liability[(b)]	*(26,301)*
Net revaluation surplus from the Chuping Properties	*83,285*

[(a)] *As appraised by the Independent Valuer on 4 May 2021. The Independent Valuer had adopted the following valuation methods to arrive at the market value of the Chuping Properties:*

Subject Property	***Valuation Method***	***Justification for the Valuation Method Adopted***
8 parcels of land in Chuping, Perlis	*Comparison approach as the main valuation method and income approach (discounted cash flow) as a check*	*The Comparison Approach is used as the main approach in the valuation as there is sufficient data on transactions to provide a fair representation of the market value. Under the Malaysian Valuation Standards, it is stated that where there is national market for the property, the valuer may rely on market evidences in the national market.* *The Income Approach (Discounted Cash Flow) is the secondary approach and used as a check on the market value. However, this approach is subjective since the subject property has ceased operation and the basis of valuation in adopting the second approach is that the subject property will resume operation as a rubber and oil palm plantation.*
1 parcel of land with a research centre in Chuping, Perlis	*Comparison approach as the only approach*	*The Comparison Approach had been used as the only approach in the Independent Valuer's valuation as there are sufficient sale evidences of agriculture land. Accordingly, the use of a second valuation approach is not applicable in this instance as the subject property is a parcel of agriculture land which is not planted with any cultivation and is non-income generating.*
1 parcel of land with a sugar refinery factory in Chuping, Perlis	*Cost approach as the main valuation methodology and the income approach (investment method) as a check*	*The Cost Approach had been used as the main approach in the Independent Valuer's valuation as there are sufficient sale evidences to provide a fair representation of the market value of the subject property using this approach.* *The Income Approach (Investment Method) is the secondary approach and used as a check on the market value. The subject property is owner occupied and as such, the Income Approach (Investment Method) is sensitive to the estimated rental.*
1 parcel of land being the site of the tubewell in Chuping, Perlis	*Comparison approach as the only approach*	*The Comparison Approach had been used as the only approach in the Independent Valuer's valuation as there are sufficient sale evidences of agriculture land. Accordingly, the use of the Income Approach is not applicable in this instance as the subject property is a parcel of agriculture land used as a tubewell site and is non-income generating.*

The brief description of each valuation methods adopted are set out below:

Method	***Description***
Comparison approach	*The comparison approach is the market approach of determining the value of the property being valued by comparing and adopting recent transactions and sale evidences involving other similar properties in the vicinity as a yardstick. In comparing the properties, due adjustments are made for factors such as time, size, location, accessibility, cultivation and title tenure.*
Income approach (investment method)	*The income approach (investment method) is used to determine the market value which is derived from capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses required to sustain the rent with allowance for voids and management fees.*
Income approach (discounted cash flow)	*The income approach (discounted cash flow) converts future cash flows to a current discounted amount. When the income approach is used, the market value measurement reflects current market expectations about those future amounts.*
Cost approach	*The cost approach determines the value of the property through the summation of the value components of the land and buildings. In determining the value of the land, the analysed apportionment value attributable to the land is adopted using the comparison approach.*

*Please refer to **Appendix II** of this Circular for the Valuation Certificates.*

(b) Net of deferred tax based on the corporate tax rate of 24%. Pursuant to paragraph 51 of MFRS 112, the measurement of deferred tax liabilities would follow the manner in which the entity expects to recover the carrying amounts of its assets. As the future operations of Chuping Properties will contribute to the future income of MSM Perlis, it will be subject to corporate tax in the future and thus the deferred tax liabilities are computed based on the corporate tax rate of 24%. This is assuming that MSM Perlis takes account of the market value and the revaluation surplus.

The Initial Disposal Consideration of RM175.0 million represents a premium of RM9.2 million or 5.6% to the adjusted audited NBV of Chuping Properties as at 31 December 2020 of RM165.8 million.

Our Board (save for the Interested Directors) is of the view that the Initial Disposal Consideration is justifiable given that the Initial Disposal Consideration represents a premium of 5.6% to the adjusted NBV of Chuping Properties as at 31 December 2020.

2.4.2 Reference Final Disposal Consideration and Final Disposal Consideration

Reference Final Disposal Consideration

The Reference Final Disposal Consideration is arrived at based on the Initial Disposal Consideration plus the Reference Net Working Capital and less the Reference Net Debt as at 31 December 2020, as set out below:

	RM'000
Initial Disposal Consideration	**175,000**
add: Reference Net Working Capital(1)	23,239
less: Reference Net Debt(2)	(7,828)
Reference Final Disposal Consideration	**206,067**

Notes:

[(1)] *Being the audited net working capital of MSM Perlis as at 31 December 2020 which is the aggregate of all audited trade and non-trade receivables, inventories, prepayment, deposits for utilities less all trade and non-trade payables, net taxation, accruals, goods and services tax of MSM Perlis but excluding any working capital in connection with the Carved Out Assets. Intercompany balances between MSM Perlis and other subsidiaries of our Company will be settled upon completion of the Restructuring Exercise.*

	RM'000
Inventories	*18,894*
Receivables, deposits and prepayments	*12,205*
Tax recoverable	*3,178*
Amounts due from related parties	*34,785*
Intercompany elimination of amounts due from other subsidiaries of our Company	*(33,557)*
Payables and accrued liabilities	*(11,629)*
Revolving credits owning to immediate holding company	*–*
Revolving credits owing to related parties	*–*
Amounts owing to related parties	*(205,011)*
Intercompany elimination of amounts owing to other subsidiaries of our Company	*204,374*
Reference Net Working Capital	*23,239*

[(2)] *Being the sum of audited debt less cash of MSM Perlis as at 31 December 2020*

	RM'000
Short term borrowings	*33,229*
Deposits with licensed banks	*(37,176)*
Cash and bank balances	*(3,881)*
Reference Net Debt	*(7,828)*

For illustrative purposes, the Reference Final Disposal Consideration represents a premium of RM9.2 million or 4.7% to the carrying value of MSM Perlis based on our Group's Audited Consolidated Statement of Financial Position as at 31 December 2020, as set out below:

	RM'000	**RM'000**
Audited net liabilities of MSM Perlis as at 31 December 2020		(65,028)
Add: Fair value uplift[(1)]		7,771
Add: Restructuring Exercise[(2)]		170,817
Audited proforma of NA of MSM Perlis as at 31 December 2020		113,560
Add: Revaluation surplus		
Market value of the Chuping Properties[(3)]	199,250	
Less: Audited net book value of Chuping Properties as at 31 December 2020	(89,664)	
Revaluation surplus	109,586	
Less: Deferred tax liability[(4)]	(26,301)	
Net revaluation surplus from Chuping Properties	83,285	83,285
Proforma adjusted audited NA of MSM Perlis as at 31 December 2020		**196,845**
Reference Final Disposal Consideration		**206,067**
Premium		9,222
– in percentage		4.7%

Notes:

(1) *The fair value uplift arose as a result of the acquisition of MSM Perlis by our Company in 2011 pursuant to the fair value exercise in conjunction with the listing exercise of our Company which is recorded in our Company's financial statements.*

(2) *Assumption that the Restructuring Exercise consists of settlement of intercompany balances of RM170.8 million on 31 December 2020 between MSM Perlis and other subsidiaries of our Company only.*

	RM'000
Collection of amounts due from other subsidiaries of our Company	*33,557*
Settlement of amounts owing to other subsidiaries of our Company	*(204,374)*
Settlement of intercompany balances	*(170,817)*

(3) *As appraised by the Independent Valuer on 4 May 2021, as set out in **Section 2.4.1** of Part A of this Circular.*

(4) *Net of deferred tax based on the corporate tax rate of 24%, as set out in Note 3 (b) of **Section 2.4.1** of Part A of this Circular.*

The Reference Final Disposal Consideration reflects the illustrative disposal consideration after taking into account the Initial Disposal Consideration adjusted for the Reference Net Working Capital and Reference Net Debt as at 31 December 2020 for the disposal of 100% equity value of MSM Perlis on the assumption that the Proposed Disposal was completed on 31 December 2020.

Our Board (save for the Interested Directors) is of the view that the Reference Final Disposal Consideration is justifiable given that the Reference Final Disposal Consideration represents a premium of RM9.2 million or 4.7% to the proforma adjusted audited NA of MSM Perlis as at 31 December 2020.

Final Disposal Consideration

The Final Disposal Consideration shall be determined by way of adjustment for the difference between Completion Net Working Capital and Completion Net Debt and Reference Net Working Capital and Reference Net Debt respectively will be made to the Reference Final Disposal Consideration. The Completion Net Working Capital and Completion Net Debt will be determined based on the management accounts of MSM Perlis as at the last day of the month in which the Completion takes place. The Final Disposal Consideration is the sum of:

(a) the Reference Final Disposal Consideration;

(b)(i) plus the difference between the Completion Net Working Capital and the Reference Net Working Capital, if the Completion Net Working Capital is greater than the Reference Net Working Capital; or

(b)(ii) less the difference between the Reference Net Working Capital and the Completion Net Working Capital, if the Completion Net Working Capital is less than the Reference Net Working Capital; and

(c)(i) less the difference between the Completion Net Debt and the Reference Net Debt, if the Completion Net Debt is greater than the Reference Net Debt; or

(c)(ii) plus the difference between the Completion Net Debt and the Reference Net Debt, if the Completion Net Debt is less than the Reference Net Debt.

In summary, the determination of the Final Disposal Consideration is illustrated as follows:

		Difference between	
Reference Final Disposal Consideration	plus or less	Completion Net Working Capital and Reference Working Capital	Completion Net Debt and Reference Net Debt

Based on MSM Perlis' unaudited management accounts as at 31 March 2021, the Net Working Capital and Net Debt of MSM Perlis is RM6.2 million and (RM28.2 million) respectively considering the adjustments for intercompany balances. The Net Working Capital and Net Debt amount will further reduce upon the completion of the Restructuring Exercise.

Once the Final Disposal Consideration has been determined, our Company will make an immediate announcement on Bursa Securities on the amount of the Final Disposal Consideration, the details of the computation and basis for the adjustments to arrive at such amount.

2.5 Salient terms of the Proposed Disposal

2.5.1 Consideration

The Initial Disposal Consideration for the sale and purchase of the Sale Shares is RM175.0 million.

The Final Disposal Consideration shall be determined by way of adjustment for Completion Net Working Capital and Completion Net Debt to the Reference Final Disposal Consideration as more particularly described in in **Section 2.4.2** of Part A of this Circular.

2.5.2 Determination of Completion Net Debt and Completion Net Working Capital

FGVIF shall, no later than 30 days after the Completion Date, prepare a draft statement of Completion Net Debt and statement of Completion Net Working Capital and deliver the same to our Company's representatives together with all documents, information and workings used by FGVIF in preparing each such statement.

The statements shall be prepared (i) based on the same accounting policies and practices adopted in preparing the audited consolidated financial statements of MSM Perlis as at and for the financial year ended 31 December 2020, consistently applied; and subject to (i), in accordance with MFRS applicable as at the Completion Date.

In the event of our Company intends to dispute any items in each of such statements, a written notice with details of the disputed item(s) shall be issued to FGVIF within thirty (30) days of the statements. Thereafter, our Company's representatives and FGVIF shall enter into good faith discussions with a view to resolving and agreeing the disputed item(s) as soon as reasonably practicable after receipt of the dispute notice. If FGVIF and our Company are not able to agree to resolve all disputed items within 30 days of receipt of the dispute notice, our Company or FGVIF shall be entitled to refer the disputed items to the Independent Accountants.

The Completion Net Debt, the Completion Net Working Capital and the Final Disposal Consideration shall be the relevant amount set out in the final Completion Net Debt statement and the final Completion Net Working Capital statement, which are either agreed upon by our Company's representatives and FGVIF or failing which, determined by the Independent Accountants (in the absence of manifest error) and shall be binding on the parties.

2.5.3 Carved Out Assets

The Initial Disposal Consideration excludes the value of the Carved Out Assets.

MSM Perlis shall let out an area within the buildings located on the Chuping Properties to our Company without any charge or rental, to store the Carved Out Assets for a period of six (6) months from the Completion Date or such other date as may be mutually agreed by the parties.

2.5.4 Payment terms

FGVIF shall pay the Final Disposal Consideration to our Company in the following manner:

(i) 10% of the Initial Disposal Consideration upon execution of the MSMP SSA, amounting to a sum of RM17.5 million ("**Deposit**"). Our Company received payment of the Deposit from FGVIF on 8 June 2021;

(ii) 90% of the Initial Disposal Consideration on the Completion Date, amounting to a sum of RM157.5 million;

(iii) if the Final Disposal Consideration:

    (a) exceeds the Initial Disposal Consideration, FGVIF shall pay us an amount equal to the Final Disposal Consideration less the sum of the Initial Disposal Consideration; or

    (b) is less than the Initial Disposal Consideration, we shall pay FGVIF an amount equal to the Initial Disposal Consideration less the sum of the Final Disposal Consideration,

    within five (5) Business Days after the Final Disposal Consideration is determined in accordance with the MSMP SSA.

All payments made by FGVIF to our Company pursuant to the MSMP SSA shall be made free and clear of any taxes, duties, charge, deductions, withholdings or set off of any nature.

2.5.5 Conditions precedent

The Proposed Disposal is conditional upon satisfaction or waiver (as the case may be) of the following Conditions on or before 20 September 2021 or such other date as provided in the MSMP SSA or as may be mutually agreed between the parties:

(i) the approval from our Shareholders for the Proposed Disposal according to relevant laws and requirements including the Listing Requirements ("**Shareholders' Approval**"); and

(ii) the consent of third parties (if required).

The parties may, at any time by mutual agreement, waive in whole or in part and conditionally or unconditionally the Conditions (other than the Shareholders' Approval which may not be waived).

The parties will co-operate with each other and use their reasonable endeavours to ensure the satisfaction of the Conditions.

2.5.6 Completion

Completion shall take place on the 7th Business Day after all the Conditions have been satisfied or waived, unless otherwise varied by the parties in writing.

The parties shall cooperate and work in good faith towards Completion taking place no later than 29 September 2021 or such other date as may be mutually agreed by both parties.

2.5.7 Breach of obligations on Completion

If the Conditions are fulfilled, waived or deemed waived in accordance with the terms of the MSMP SSA, and one of the parties (the "**Defaulting Party**") does not comply with its obligations on Completion Date (other than due to the default of the other party (the "**Non-Defaulting Party**")), the Non-Defaulting Party shall be entitled to terminate the MSMP SSA, fix a new Completion Date, or claim for specific performance against the Defaulting Party of its obligations.

If FGVIF elects to terminate the MSMP SSA due to a breach by our Company of its obligations on Completion, the Deposit (and any interest accrued) shall be refunded to FGVIF and our Company shall also pay FGVIF the sum equivalent to the actual out-of-pocket expenses incurred by FGVIF not exceeding the amount of the Deposit.

On the other hand, if our Company elects to terminate the MSMP SSA due to breach by FGVIF of its obligations on Completion, the Deposit (and any interest accrued) shall be forfeited in favour of our Company as agreed liquidated damages.

2.5.8 Termination

The MSMP SSA may be terminated prior to Completion only in the following circumstances, though termination shall not extinguish any accrued rights and liabilities of the parties:

(i) by mutual written agreement of our Company and the Purchaser;

(ii) by our Company, in the event FGVIF does not comply with its obligations on the Completion Date; and

(iii) by FGVIF, in the event our Company does not comply with its obligations on the Completion Date.

2.5.9 Post-Completion Undertakings

(i) **FGVIF**

FGVIF undertakes, among others, to our Company (acting as trustee and agent for MSM Prai) that:

(a) it shall procure MSM Perlis to renew the sub-tenancy agreement dated 15 December 2020 between MSM Perlis and MSM Prai, subject to the Penang Port Commission's approval, for the sublet of the bulk cargo terminal at Pengkalan Kargo Pukal, Penang ("**Tenanted Property**") to MSM Prai for a further period of 3 years upon the expiry of the existing term on 14 December 2021, and

(b) MSM Prai shall have an option to renew the sub-tenancy agreement for an additional 1 year thereafter.

In consideration of the renewal of the sub-tenancy agreement of the Tenanted Property, our Company shall indemnify FGVIF against any loss including tax liabilities suffered by FGVIF, or otherwise imposed on MSM Perlis, to the extent that it is in respect of the tenancy agreement between MSM Perlis and the Penang Port Commission.

(ii) **Our Company**

We undertake to resolve the claim by Jabatan Tanah dan Galian, Perlis ("**JTG Perlis**") for the payment of rent for MSM Perlis' occupation of the 90.0976 hectares of State land adjacent to the land bearing title details HSD145, Daerah Chuping, Negeri Perlis from 2011 to Completion Date and to pay the settlement amount to the JTG Perlis, if the matter remains unresolved by the Completion Date.

JTG Perlis had notified MSM Perlis that the actual land area of the land bearing title details HSD 145, is an additional 90.0976 hectares compared to the land area which was recorded on the land title. Notwithstanding that JTG Perlis has decided that the excess land area shall remain as state land, the JTG Perlis is claiming for outstanding rental of RM3,484,083.30 for the use of the excess land area by MSM Perlis since July 2011 until January 2019. MSM Perlis has, on 4 June 2021, submitted an appeal to JTG Perlis for a reduction of the amount to RM631,000.00 based on the market rent per hectare per annum as determined by the Independent Valuer, as full and final settlement of the claim by JTG Perlis.

In this connection, FGVIF agrees, among others, that our Company shall be entitled to have exclusive conduct of the negotiations with JTG Perlis on behalf of MSM Perlis and to give access to our Company all documents and information as our Company may reasonably request in regard to the matter.

2.5.10 Tax Indemnities

We will indemnify FGVIF against any loss suffered or otherwise imposed on MSM Perlis after the Completion, if such loss arises from any fact or matter occurring or existing at any time prior to Completion with respect to any additional payment for customs duty and tax imposed by any tax authority on MSM Perlis for which MSM Perlis failed to pay, where:

(i) such additional payment for customs duty and tax was due prior to Completion; or

(ii) such additional customs duty and tax arises from a revised assessment after Completion from a tax authority, which assessment (pursuant to which such revised assessment was made) was assessed and paid prior to Completion.

Further, we will indemnify FGVIF against any additional customs duty and sales tax which is assessed by any tax authority on MSM Perlis for which MSM Perlis failed to pay to the extent they are in relation to the Carved Out Assets provided that such customs duty and sales tax arises from any fact or matter occurring or existing at any time prior to Completion.

2.6 Original costs and year of investment

The original costs and dates of investment by our Company for the equity interests in MSM Perlis as at LPD are as follows:

Date of investment	Description	Cost of investment RM
20 May 2011	31,354,500 units of ordinary shares	95,032,476
20 May 2011	6,000,000 units of ordinary shares	18,101,424
28 April 2021	92,000,000 units of ordinary shares(1)	92,000,000
Total		**205,133,900**

Notes:

(1) *The cash raised from the capital injection of RM92.0 million on 28 April 2021 via the issuance of 92 million units of ordinary shares to our Company was utilised for the purpose of settlement of the outstanding intercompany balances (amount due to our Company and MSM Prai). As at the LPD, the additional capital injection by our Company into MSM Perlis via ordinary shares required to settle the remaining outstanding liabilities of MSM Perlis has not been finalised but will be completed before the Completion Date. The settlement of the outstanding intercompany balances as well as payables and other liabilities is part of the Restructuring Exercise mentioned in **Section 2.2** of Part A of this Circular. The capital injection into MSM Perlis does not have any impact to the net assets, share capital and gearing of our Company. The effects of the capital injection of RM92.0 million and the additional capital injection (if any) will be taken into account in determining the Final Disposal Consideration. The capital injection will increase the cash and bank balances of MSM Perlis hence enable MSM Perlis to reduce the Net Debt adjustments for the Final Disposal Consideration.*

2.7 Proposed utilisation of proceeds

Our Company intends to utilise the proceeds from the Proposed Disposal as follows:

Description	Amount RM'000	Expected timeframe for utilisation of proceeds from the Completion
Prepayment of borrowings(1)	100,000	within 3 months
General capital expenditure(2)	50,000	within 18 months
General working capital(3)	55,167	within 6 months
Estimated expenses for the Proposed Disposal(4)	900	within 3 months
Total	**206,067**	

Notes:

(1) *The total borrowings of our Group as at the LPD is RM902.1 million. The expected finance cost savings from the prepayment of borrowings is about RM4.4 million per annum based on profit rate of 3-month Kuala Lumpur Interbank Offered Rate ("**KLIBOR**") + 2.50%. As at the LPD, the KLIBOR rate is 1.86%.*

(2) *Our Company intends to earmark approximately RM50.0 million from the proceeds of the Proposed Disposal for special ramp up capital expenditure specifically for MSM Johor to address reliability, utilisation and yield improvements in the sugar refinery, without requiring any further borrowings and hence savings on financing cost:*

(a) *RM37.5 million will be allocated for the purchase of an additional steam generation and distribution system for the purpose of increasing reliability and availability of the full capacity of the refinery while improving the steam distribution system to fit the requirements of the sugar refining operations. This will enable the refinery to always operate with 2 boilers with 1 boiler as redundancy/backup and to ease maintenance planning.*

(b) *RM11.0 million has been earmarked for the melting, purification & curing system enhancement which aims to improve yield by producing additional refined sugar products namely brown sugar and reduce spillages. This is expected to bring yield results closer to MSM Prai of around 96.5% against the current level of 94% achieved by MSM Johor. Improving the yield will result in higher productivity for the same amount of raw materials (raw sugar) and is expected to increase profits.*

(c) *RM1.5 million will be allocated for sugar process enhancement to ease operability and maintenance planning for the refinery's processes. This will reduce down time, production loss in the refinery and is in line with MSM Johor's production ramp up plan.*

In summary, the breakdown of the RM50.0 million allocated for capital expenditure is as follows:

General capital expenditure	RM' million
Additional steam generation and distribution system	37.5
Melting, purification & curing system enhancement	11.0
Sugar process enhancement	1.5
Total	**50.0**

(3) *The general working capital will be fully utilised for raw sugar procurement. The proceeds will reduce the reliance on short-term borrowings by RM55.2 million and hence reducing financing cost by approximately RM1.8 million per year based on profit rate of approximately 3.2% per annum. The use of short term borrowings had offered a quick financing solution for our Group to fund working capital needs without full reliance on cash upfront.*

(4) *Estimated professional fees for the Independent Adviser, Independent Valuer, legal adviser and tax adviser and other related expenses.*

Any variation or adjustment to the Final Disposal Consideration as a result of the adjustment of Completion Net Working Capital and Completion Net Debt as set out in **Section 2.4.2** of Part A of this Circular will result in a corresponding adjustment to the amount allocated for general working capital.

Pending the utilisation of proceeds, the proceeds will be placed in deposits with licensed financial institutions or short-term money market instruments. Any profit or gain derived from the deposits with licensed financial institutions or arising from the short-term money market instruments will be used as working capital of our Group.

2.8 Liabilities to be assumed by or which will remain with our Group

Save for the obligations and liabilities in and arising from the MSMP SSA, there are no other liabilities including contingent liabilities and guarantees to be assumed by or which will remain with our Group arising from the Proposed Disposal.

In addition, there is no guarantee given by our Group to FGVIF or MSM Perlis in relation to the Proposed Disposal.

2.9 Information on FGVIF

FGVIF was incorporated in Malaysia on 21 July 2017. FGVIF is principally engaged in the wholesale of paddy, rice, flour, other grains and general trading and services.

As at the LPD, the issued share capital of FGVIF is RM11,570,002 comprising 11,570,002 ordinary shares. FGVIF is a direct wholly-owned subsidiary of FGV, which in turn is a subsidiary of FELDA by virtue of its 66.15% direct shareholding and 12.42% indirect shareholding in FGV.

The directors of FGVIF and their respective shareholdings in FGVIF as at the LPD are as follows:

Name	Direct interest No of FGVIF Shares	%	Deemed interest No of FGVIF Shares	%
Syed Mahdhar Bin Syed Hussain	–	–	–	–
Abdul Razak Bin Aya	–	–	–	–

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is part of our strategy to unlock the value of and monetise its non-core business where the proceeds from the Proposed Disposal will be largely allocated to pare down borrowings as well as capital expenditure.

In addition, the Proposed Disposal is part of our continued strategic plan to consolidate our Group's production in MSM Johor.

3.1 **Monetisation of non-core plantation business**

After the closure of the sugar refinery operations at MSM Perlis in June 2020, MSM Perlis is left with its plantation business of oil palm and rubber. Monetisation of MSM Perlis will enable our Group to focus on its primary activity which is sugar refining. Proceeds from the Proposed Disposal will be utilised to reduce our borrowing and hence strengthening our balance sheet position. The proceeds will also be utilised for general capital expenditure for production improvements and general working capital for sugar procurement while reducing financing cost as disclosed in **Section 2.7** of Part A of this Circular. For illustration purpose, our Group is also expected to record a gain on disposal of approximately RM91.6 million for the FYE 31 December 2021 as described in Note 1(a) of **Section 6.2** of Part A of this Circular.

3.2 **Capacity rationalisation**

Since the commercialisation of MSM Johor in 2019, our Group's total production capacity has increased by 1 million MT from 1.25 million MT to 2.25 million MT. To maximise the production at MSM Johor, our Group had discontinued the sugar refining operations of MSM Perlis and transferred the production by MSM Perlis of approximately 140,000 MT (on average per annum) to MSM Johor.

3.3 **Lowering cost of distribution with effective market demarcation**

While our Group is growing export sales, the transferred production volume from MSM Perlis will enable our Group to supply refined sugar to our domestic customers in the southern region and east Malaysia from MSM Johor. With the arrangement to produce from MSM Johor, our Group is able to optimise its logistic and distribution cost.

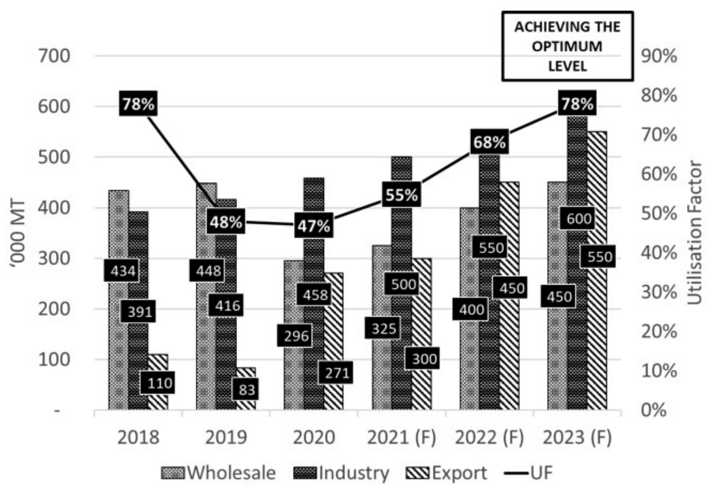
3.4 **Achieving economies of scale in the production**

With the closure of MSM Perlis' sugar refinery operations in June 2020, MSM Johor had able to increase its utilisation rate from 18.4% in 2019 to 23.2% in 2020. As a result, its refining cost reduced by 4.5% in 2020.

4. OUTLOOK AND PROSPECTS OF THE GROUP AFTER THE PROPOSED DISPOSAL

Our Group continues to embark on its strategic blueprint which will emphasise on maximising the utilisation of MSM Johor by primarily ensuring sustainable sugar supply to the domestic market while growing our Group's industry and export footprint regionally. Our Group plans to grow the export segment to the Asia Pacific region which has an estimated refined sugar import demand of 4 million MT per year. The strategic location of our sugar refineries in Tanjung Langsat, Johor and Prai, Penang which are port front provide advantage on the export distribution and handling cost.

Our Group will also pursue growing its value-added segment i.e. liquid sugar, fine syrup and premix for the domestic and export market. Our Group aims to achieve the optimum level of utilisation at our plants in Johor and Prai by 2023 as illustrated below:



There will be saving of financing cost of RM4.4 million per annum from the prepayment of borrowings amounting to RM100.0 million using the proceeds of the Proposed Disposal. The total borrowings of our Group as at the LPD is approximately RM902.1 million comprising working capital financing of RM337.2 million and term loans of RM544.9 million.

The balance of the proceeds of RM50.0 million will be utilised for general capital expenditure to implement the enhancement plans for MSM Johor as part of the strategic blueprint to achieve the optimum level of production by enhancing reliability and yield in the sugar refinery, and up to RM55.2 million as general working capital for raw sugar procurement which is in line with the growing production levels towards 2023. The proceeds will reduce the reliance on short-term borrowings hence reducing financing cost.

5. RISK FACTORS FOR THE PROPOSED DISPOSAL

Completion Risk

The completion of the Proposed Disposal is conditional upon the conditions as set out in **Section 2.5.5** of Part A of this Circular being satisfied. The non-fulfilment of the conditions may result in the MSMP SSA being terminated. There is no assurance that the Proposed Disposal can be completed within the time period permitted under the MSMP SSA.

Should a delay or non-Completion occur, our Group may lose the opportunity to dispose of MSM Perlis. Nevertheless, our Board will take reasonable steps to ensure that the Conditions are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals for the Proposed Disposal.

6. EFFECTS OF THE PROPOSED DISPOSAL

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Disposal and the Restructuring Exercise will not have any effect on the share capital of our Company and the substantial shareholders' shareholdings in our Company as both exercises do not involve any issuance of new ordinary shares by our Company.

6.2 Earnings and EPS

For avoidance of doubt, the Restructuring Exercise will not have any effect on the earnings and EPS of our Group.

For illustration purposes only, based on the latest audited consolidated financial statements of our Group as at 31 December 2020 and assuming that the Proposed Disposal had been completed on 1 January 2020, the pro forma effects of the Proposed Disposal on the consolidated earnings and EPS of our Group are set out below:

	Audited as at 31 December 2020	**After the Proposed Disposal**
Total comprehensive (loss)/income attributable to the owners of our Company (RM'000)	(76,005)	[1]121,313
No of MSMH Shares ('000)	702,980	702,980
(Loss)/earnings per share (sen)[2]	(10.13)	17.26

Note:

[1] *The proforma net profit attributable to the owners of our Company after the Proposed Disposal is computed as follows:*

	RM'000
Net loss attributable to the owners of our Company for the FYE 31 December 2020	*(76,005)*
Add: Gain on Proposed Disposal [a]	*91,607*
Less: Deconsolidation of the net loss of MSM Perlis for the FYE 31 December 2020	*(101,351)*
*Add: Savings in finance cost after the repayment of borrowings as disclosed in **Section 2.7 Note (1) of Part A***	*4,360*
Proforma audited net profit attributable to the owners of our Company after the Proposed Disposal	*121,313*

[a] *Estimated gain from the Proposed Disposal is as follows:*

	RM'000
Reference Final Disposal Consideration	*206,067*
Less: Carrying value of MSM Perlis based on our Group's Audited Consolidated Statement of Financial Position as at 31 December 2020	*113,560*
Less: Estimated expenses for the Proposed Disposal	*900*
Estimated gain on Proposed Disposal	*91,607*

[2] *Computed based on the net profit attributable to the owners of our Company over the number of MSMH Shares.*

6.3 NA, NA per share and gearing ratio

For avoidance of doubt, the Restructuring Exercise will not have any effect on our Group's NA, NA per share and gearing ratio.

For illustration purposes only, the proforma effects of the Proposed Disposal on our Group's NA, NA per Share and gearing based on the latest audited consolidated financial statements of our Group as at 31 December 2020 and on the assumption that the Proposed Disposal had been affected on the said date are set out below:

	Audited as at 31 December 2020 RM'000	**After the Proposed Disposal RM'000**
Share capital	718,255	718,255
Reorganisation deficit	(1,039,632)	(1,039,632)
Merger relief reserve	1,733,939	1,733,939
Foreign exchange reserve	1,299	1,299
Cash flow hedge reserve	(9,209)	(9,209)
Retained earnings	176,874	(4)268,481
NA/Equity attributed to the Shareholders	**1,581,526**	**1,673,133**
Total borrowings (RM'000)	959,194	(5)825,965
Total cash and bank balances (RM'000)	195,921	(6)260,030
Net debt (RM'000)	(3)763,273	(7)565,935
Total capital (RM'000)(1)	2,344,799	(8)2,239,068
No of shares in issue ('000)	702,980	702,980
NA per share (RM)	2.25	2.38
Gearing ratio (times)(2)	0.41	0.37

Notes:

(1) *Total capital is the sum of NA/Equity attributed to the shareholders and net debt of our Company.*

(2) *Gearing ratio is calculated based on total borrowings over total capital.*

(3) *Net debt comprises long term borrowings, short term borrowings, lease liabilities and loan due to related company less total cash and bank balances based on the latest audited consolidated financial statements of our Group as at 31 December 2020. The breakdown is as follows:*

	RM'000
Long term lease liabilities	*3,772*
Long term borrowings	*518,636*
Short term lease liabilities	*1,170*
Short term loan due to a related company	*47,152*
Short term borrowings	*388,464*
Total borrowings	*959,194*
Total cash and bank balances	*(195,921)*
Net debt	*763,273*

(4) *After adjusting for the net gain on disposal of approximately RM91.6 million, as set out in **Section 6.2** of Part A of this Circular.*

(5) *Total borrowings reduced by RM100.0 million as a result of the prepayment of borrowing as set out in **Section 2.7** of Part A of this Circular and reduced by RM33.2 million as a result of the deconsolidation of MSM Perlis.*

[6] *Total cash and bank balances increased by RM64.1 million to RM260.0 million, the adjustments are as follows:*

	RM'000
Per audited financial statements of MSM as at 31 December 2020	*195,921*
Adjustments for Proposed Disposal of MSM Perlis as at 31 December 2021	
Consideration received from Proposed Disposal	*206,067*
MSM Perlis' deposits, cash and bank balances	*(41,058)*
Costs associated with the Proposed Disposal	*(900)*
Repayment of short-term borrowings	*(100,000)*
Total cash and bank balances after the Proposed Disposal	*260,030*

[7] *After reduction in net debt of RM197.3 million, which comprises the following:*

[i] *RM133.2 million, as a result of reduction in total borrowings; and*

	RM'000
Prepayment of borrowings	*100,000*
Reduction of short-term borrowings from the deconsolidation of MSM Perlis from our Company's financial statements	*33,229*
Reduction in total borrowings	*133,229*

[ii] *RM64.1 million, as a result of increase in cash and bank balances.*

	RM'000
Amounts received from the Proposed Disposal	*206,067*
Prepayment of borrowings	*(100,000)*
Estimated expenses for the Proposed Disposal	*(900)*
Reduction of deposit, cash and bank balances from the deconsolidation of MSM Perlis from our Company's financial statements	*(41,058)*
Increase in cash and bank balances	*64,109*

[8] *Total capital is expected to reduce by RM105.7 million as a result of deconsolidation of MSM Perlis based on the Reference Final Disposal Consideration. As a result of:*

	RM'000
Estimated gain from Proposed Disposal	*91,607*
Reduction in net debt	*(197,338)*
Reduction in total capital	*105,731*

7. APPROVALS REQUIRED

The Proposed Disposal is conditional upon approvals being obtained from the following:

(i) the non-interested Shareholders at the EGM to be convened; and

(ii) any other relevant authorities and/or parties, if required.

The Proposed Disposal is not conditional upon any other corporate exercise being undertaken by our Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

FGV (the holding company of FGVIF), and FGV Sugar, a wholly-owned subsidiary of FGV, are major shareholders of our Company via their direct shareholdings of 10.97% and 40.03% equity interest in our Company respectively as at the LPD.

FELDA is an indirect Major Shareholder of our Company via its direct and indirect shareholdings (via FAHC) of 66.15% and 12.42% equity interest in FGV respectively as at the LPD. FAHC, being a wholly-owned subsidiary of FELDA, is an interested person connected to FELDA ("**Interested Person Connected**"). FAHC has a direct shareholding of 12.42% in FGV as at the LPD. FAHC, however, does not have any direct or indirect shareholding in our Company as at the LPD.

KPF is a major shareholder of our Company with its direct shareholding of 15.27% equity interest in our Company as at the LPD and a person connected to FELDA.

Dato' Haris is a former representative of FGV on the Board of our Company. He resigned as a Director on 7 April 2021. Dato' Amir is a representative of KPF on the Board of our Company.

As such, both Dato' Haris and Dato' Amir are the Interested Directors. Dato' Haris, prior to his resignation, has abstained from deliberating and voting at the relevant Board meetings in relation to the Proposed Disposal. Dato' Amir has also abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Disposal.

FGV, FGV Sugar, KPF and FELDA, being Interested Major Shareholders, will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the relevant resolution pertaining to the Proposed Disposal at the EGM to be convened.

Further, the Interested Directors and Interested Major Shareholders will also ensure that persons connected with them respectively will abstain from voting in respect of their direct and/or indirect shareholdings in our Company, if any, on the relevant resolution pertaining to the Proposed Disposal at the EGM to be convened.

FAHC, being an Interested Person Connected will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the relevant resolution pertaining to the Proposed Disposal at the EGM to be convened.

As at the LPD, the direct and indirect shareholdings of the Interested Directors, Interested Major Shareholders and Interested Person Connected in the Proposed Disposal are as follows:

	Direct interest		**Deemed interest**	
	No of MSMH shares	**%**	**No of MSMH shares**	**%**
Interested Directors				
Dato' Haris[(1)]	–	–	–	–
Dato' Amir	–	–	–	–
Interested Major Shareholders				
FGV Sugar	281,369,800	40.03	–	–
KPF	107,393,952	15.27	–	–
FGV	77,150,248	10.97	281,369,800[(2)]	40.03
FELDA	–	–	358,520,048[(3)]	51.00
Interested Person Connected				
FAHC	–	–	–	–

Notes:

(1) *Resigned as a Director on 7 April 2021.*

(2) *Deemed interested by virtue of its interest in shares in FGV Sugar pursuant to Section 8 of the Act.*

(3) *Deemed interested by virtue of its interest in shares in FGV and FGV Sugar pursuant to Section 8 of the Act.*

Save as disclosed above, none of the other Directors and/or major shareholders of our Company and persons connected with them have any interest, direct or indirect, in the Proposed Disposal.

9. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable for the Proposed Disposal pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 13.03% computed based on the Reference Final Disposal Consideration compared with audited NA of our Group as at 31 December 2020.

The Proposed Disposal is not expected to result in our Company becoming a Cash Company or a PN17 Issuer (as defined under the Listing Requirements).

10. RELATED PARTY TRANSACTIONS

Save for the Proposed Disposal, the recurrent related party transactions disclosed in the circular dated 27 April 2021 to our Shareholders, as well as the related party transactions disclosed in our Company's audited financial statements FYE 31 December 2020, there were no transactions entered into between our Group and the Interested Directors and/or persons connected with them and between our Group and the Interested Shareholders and/or persons connected with them for the preceding 12 months up to the LPD.

11. INDEPENDENT ADVISER

Affin Hwang IB has been appointed by our Company as the Independent Adviser to advise the non-interested Directors and the non-interested Shareholders of our Company in relation to the Proposed Disposal.

12. STATEMENT BY OUR AUDIT, GOVERNANCE AND RISK COMMITTEE

The Audit, Governance and Risk Committee of our Company, having considered all aspects of the Proposed Disposal, including but not limited to the rationale for the Proposed Disposal, the salient terms of the MSMP SSA, the effects of the Proposed Disposal and the recommendation and independent advice from Affin Hwang IB, is of the view that the Proposed Disposal is:

(i) in the best interest of our Company;

(ii) fair and reasonable and on normal commercial terms; and

(iii) not detrimental to the interests of the non-interested shareholders of our Company.

13. STATEMENT BY OUR BOARD

Our Board (save for the Interested Directors who have abstained from all deliberation on the Proposed Disposal), having considered all aspects of the Proposed Disposal, including but not limited to the rationale for the Proposed Disposal, the basis and justification of the Initial and Final Disposal Consideration, the salient terms of the MSMP SSA and the effects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interests of our Company.

Accordingly, our Board (save for Dato' Amir) recommends that you vote **IN FAVOUR** of the resolution pertaining to the Proposed Disposal to be tabled at our forthcoming EGM.

14. EXPECTED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the third quarter of 2021.

The tentative timetable of events in relation to the Proposed Disposal is as follows:

Tentative dates	Event
15 September 2021	EGM
End of September 2021	Fulfilment of all Conditions
End of September 2021	Completion of Proposed Disposal

15. OTHER CORPORATE PROPOSALS

Save for the Proposed Disposal, there are no other corporate proposals which have been announced but have yet to be completed as at the LPD.

16. EGM

Our EGM will be held entirely on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting (RPV) facilities via online meeting platform provided by Boardroom Share Registrars Sdn Bhd at **https://meeting.boardroomlimited.my** (Domain Registration No. with MYNIC – D6A357657) on Wednesday, 15 September 2021, at 11.00 a.m., or any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the resolution to give effect to the Proposed Disposal.

An online meeting platform can be recognised at the meeting venue or place under Section 327(2) of the Act if the online platform is located in Malaysia. Hence, no Shareholders/Proxy(ies)/Corporate Representative from the public will be physically present or will be allowed admittance at the at the venue on the day of the EGM. Therefore, Shareholders are strongly advised to participate and vote remotely via online meeting platform.

You are requested to complete, sign and return the Proxy Form in accordance with the instructions printed on it, so as to arrive at our Company's Share Registrar's office, Boardroom Share Registrars Sdn Bhd, Ground Floor or 11th Floor, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia no later than Monday, 13 September 2021 at 11.00 a.m.. You may also deposit your proxy form(s) by electronic means. The Proxy Form may be submitted:

a. to the Share Registrar of our Company, Boardroom Share Registrar Sdn Bhd via e-mail to **bsr.helpdesk@boardlimited.com** not later than Monday, 13 September 2021 at 11.00 a.m. or

b. via electronic means ("**e-proxy**") no later than Monday, 13 September 2021 at 11.00 a.m. (please refer to the Annexure to the Proxy Form for further information on submission via e-Proxy).

17. FURTHER INFORMATION

We request that you refer to the attached appendices for further information.

Yours faithfully
for and on behalf of the Board of
MSM MALAYSIA HOLDINGS BERHAD

DATUK SYED HISHAM BIN SYED WAZIR
Chairman and Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM AFFIN HWANG INVESTMENT BANK BERHAD IN RELATION TO THE PROPOSED DISPOSAL

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary shall have the same meaning as defined in the "Definitions" section of Part A of this Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this Executive Summary are to Affin Hwang IB, being the Independent Adviser for the Proposed Disposal.

This Executive Summary highlights the key information of the Proposed Disposal. We advise all non-interested shareholders of the Company to read and understand this IAL in its entirety, together with Part A of this Circular and the appendices thereto for any other relevant information and not to rely solely on this Executive Summary before forming an opinion on the Proposed Disposal. You are also advised to consider carefully the recommendation contained herein before voting on the resolution relating to the Proposed Disposal to be tabled at the forthcoming EGM. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

1. INTRODUCTION

On 30 April 2021, the Board announced that the Company had, on the same date, entered into a binding term sheet with FGVIF setting out the salient terms for the Proposed Disposal.

On 5 and 6 May 2021, the Company announced further information in relation to the Proposed Disposal.

On 8 June 2021, the Company had announced the execution of the MSMP SSA on the same date and details of the update valuation of the Chuping Properties. The MSMP SSA supersedes the term sheet and any previous written or oral agreement between the Company and FGVIF in relation to the Proposed Disposal.

On 28 July 2021, the Board announced that the Company and FGVIF had, on the same date, agreed to extend:

(i) the cut-off date for the satisfaction of the Conditions from 31 August 2021 to 20 September 2021; and

(ii) the date of Completion from no later than 10 September 2021 to no later than 29 September 2021,

or such other dates as may be mutually agreed by both parties.

In view of the interests of the Interested Directors and Interested Major Shareholders as well as persons connected to them as disclosed in Section 8 of Part A of this Circular, the Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Accordingly, in compliance with Paragraph 10.08 of the Listing Requirements, Affin Hwang IB has been appointed by the Board on 16 February 2021 to act as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of the Company on, amongst others, whether the Proposed Disposal is fair and reasonable and whether the Proposed Disposal is to the detriment of the non-interested shareholders of the Company.

2. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken into consideration the following:

Section in the IAL	**Area of evaluation**	**Comments**
6.1	Rationale and benefits of the Proposed Disposal	The Proposed Disposal will provide the Company with: (i) monetisation of non-core plantation business at an attractive offer; (ii) capacity rationalisation, which enables the Group to consolidate its sugar refining operations in MSM Johor; (iii) lower cost of distribution with effective market demarcation by optimisation of the Group's logistics and distribution costs; and (iv) economies of scale in production, which improved the utilisation factor in MSM Johor in 2020 and is expected to optimise the Group's refining cost. We are of the view that the rationale and benefits of the Proposed Disposal are reasonable.
6.2	Evaluation of the Initial Disposal Consideration, Reference Final Disposal Consideration and Final Disposal Consideration	We are of the view that: (i) the rationale, financial effects and utlisation of proceeds arising from the Restructuring Exercise are reasonable; (ii) the Initial Disposal Consideration of RM175.0 million for the Proposed Disposal is fair as it represents a premium of RM9.2 million or 5.6% above the adjusted audited NBV of Chuping Properties as at 31 December 2020; (iii) the Reference Final Disposal Consideration of RM206.1 million for the Proposed Disposal is fair as it represents a premium of RM9.2 million or 4.7% above the pro forma adjusted audited NA of MSM Perlis as at 31 December 2020; (iv) the methodology of determining the Final Disposal Consideration is fair as it will reflect the latest revalued net assets value ("**RNAV**") of MSM Perlis as at the last day of the month of the Completion; and (v) the methods of valuation adopted by the Independent Valuer are reasonable and are consistent with generally applied valuation methodologies, and we are satisfied with the bases and assumptions used for the valuation of Chuping Properties.

Section in the IAL	Area of evaluation	Comments
		In summary: (a) the Initial Disposal Consideration and Reference Final Disposal Consideration are fair as both represent premiums above the adjusted audited NBV of Chuping Properties and pro forma adjusted audited NA of MSM Perlis as at 31 December 2020, respectively; and (b) the determination of the Final Disposal Consideration is fair as it will reflect the RNAV of MSM Perlis as at the Completion.
6.3	Salient terms of the MSMP SSA	Based on our review of the MSMP SSA in its entirety, we are of the view that the terms of the MSMP SSA as a whole are reasonable and are not detrimental to the non-interested shareholders of the Company.
6.4	Outlook and prospects of the Group after the Proposed Disposal	As a result of the capacity rationalisation, lowering the cost of distribution with effective market demarcation and economies of scale to maximise the utilisation of the Group's sugar refinery factories in Johor and Prai to the optimum level, it is expected that the production capacity and efficiency within the Group will increase to meet the expected continuing demand for sugar in the domestic market and the growing demand in the Asia Pacific region. Based on the above, we are of the view that the outlook and prospects of the Group is favourable.
6.5	Utilisation of proceeds	The proposed utilisation of proceeds from the Proposed Disposal are primarily for: (i) prepayment of the Group's borrowings; (ii) capital expenditure for system enhancement of its sugar refinery operations; and (iii) general working capital which includes the purchase of raw sugar. We are of the view that the expected outcome from the utilisation of proceeds arising from the Proposed Disposal earmarked for the above are expected to contribute positively to the Group's businesses.
6.6	Risk factors	Although completion risk is a customary risk in any similar transaction and the Board will take reasonable steps to take necessary efforts to mitigate the risk, no assurance can be given that the risk will not occur. Nonetheless, we are of the view that the risk factor in relation to the Proposed Disposal can be managed and is not detrimental to the non-interested shareholders of the Company.

Section in the IAL	Area of evaluation	Comments
6.7	Effects of the Proposed Disposal	(i) The Restructuring Exercise will not have any effect on the share capital, substantial shareholders' shareholdings, earnings, EPS NA, NA per share and gearing ratio of the Company. (ii) The Proposed Disposal will not have any effect on the share capital and the substantial shareholders' shareholdings of the Company. (iii) Based on the audited financial statements of the Company as at 31 December 2020 and assuming that the Proposed Disposal was completed on 1 January 2020, the effects of the Proposed Disposal on the pro forma consolidated earnings and EPS of the Group is expected to: (a) improve the total comprehensive income attributable to the owners of the Company, from a loss of RM76.01 million to a PAT of RM121.31 million; and (b) improve the earnings of the Group from loss per share of 10.13 sen to EPS of 17.26 sen. (iv) The pro forma consolidated audited NA of the Group as at 31 December 2020 is expected to increase from RM1.58 billion to RM1.67 billion. (v) The pro forma audited NA per share of the Group as at 31 December 2020 is expected to increase from RM2.25 per share to RM2.38 per share. (vi) The Proposed Disposal will also improve the pro forma gearing ratio of the Group as at 31 December 2020 from 0.41 times to 0.37 times.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Disposal and have set out our evaluation in Section 6 of this IAL, which is summarised in Section 7 of this IAL. Non-interested shareholders of the Company for the Proposed Disposal should consider the merits and demerits of the Proposed Disposal carefully based on all relevant and pertinent factors including those and other considerations as set out in the IAL, Part A of this Circular together with the appendices and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Disposal.

Premised on our overall assessment and evaluation of the Proposed Disposal based on the information available to us up to the LPD, we are of the view that the Proposed Disposal is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of the Company.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

27 August 2021

To: The non-interested shareholders of MSMH

Dear Sir/Madam,

MSM MALAYSIA HOLDINGS BERHAD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED DISPOSAL

This IAL has been prepared to be enclosed with Part A of this Circular. Definitions or defined terms used in this IAL shall have the same meaning as defined in the "Definitions" section of Part A of this Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this IAL are to Affin Hwang IB, being the Independent Adviser for the Proposed Disposal.

1. INTRODUCTION

On 30 April 2021, the Board announced that the Company had, on the same date, entered into a binding term sheet with FGVIF setting out the salient terms for the Proposed Disposal.

On 5 and 6 May 2021, the Company announced further information in relation to the Proposed Disposal.

On 8 June 2021, the Company had announced the execution of the MSMP SSA on the same date and details of the update valuation of the Chuping Properties. The MSMP SSA supersedes the term sheet and any previous written or oral agreement between the Company and FGVIF in relation to the Proposed Disposal.

On 28 July 2021, the Board announced that the Company and FGVIF had, on the same date, agreed to extend:

(i) the cut-off date for the satisfaction of the Conditions from 31 August 2021 to 20 September 2021; and

(ii) the date of Completion from no later than 10 September 2021 to no later than 29 September 2021,

or such other dates as may be mutually agreed by both parties.

In view of the interests of the Interested Directors and Interested Major Shareholders as well as persons connected to them as disclosed in Section 8 of Part A of this Circular, the Proposed Disposal is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements.

Accordingly, in compliance with Paragraph 10.08 of the Listing Requirements, Affin Hwang IB has been appointed by the Board on 16 February 2021 to act as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of the Company on, amongst others, whether the Proposed Disposal is fair and reasonable and whether the Proposed Disposal is to the detriment of the non-interested shareholders of the Company.

The purpose of this IAL is to:

(i) provide the non-interested shareholders of the Company with an independent evaluation of the Proposed Disposal and form an opinion as to whether the Proposed Disposal is fair and reasonable so far as the non-interested shareholders of the Company are concerned;

(ii) advise whether the Proposed Disposal is detrimental to the non-interested shareholders of the Company; and

(iii) provide our recommendation in relation to the resolution pertaining to the Proposed Disposal to be tabled at the Company's forthcoming EGM.

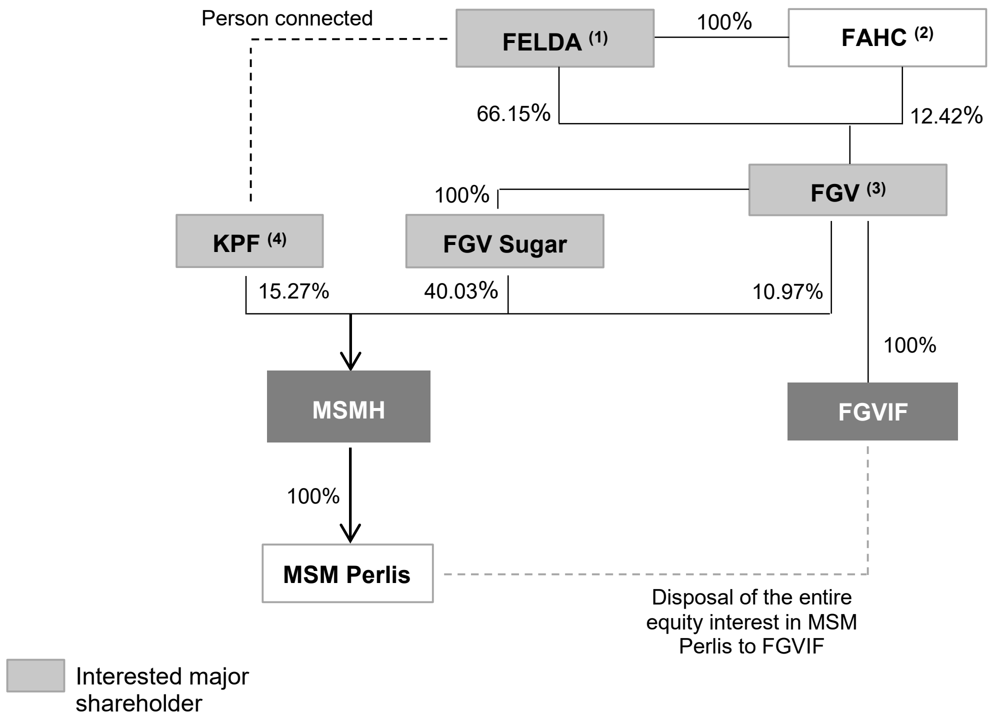
Further information on the Proposed Disposal is set out in Section 2 of Part A of this Circular.

YOU ARE ADVISED TO READ THIS IAL AND PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

The details of the Interested Major Shareholders, Interested Directors and/or persons connected to them for the Proposed Disposal are set out in Section 8 of Part A of this Circular. We note the following:



Notes:

(1) FELDA is an indirect major shareholder of MSMH, via its direct and indirect shareholdings (by virtue of its interest in FAHC) of 66.15% and 12.42% respectively in FGV.

(2) FAHC, being a wholly-owned subsidiary of FELDA, is an interested person connected to FELDA in relation to the Proposed Disposal. FAHC has direct shareholding of 12.42% in FGV. FAHC, however, does not have any direct or indirect shareholding in MSM.

(3) FGV, the holding company of the FGVIF, is a major shareholder of MSMH, via its direct and indirect (by virtue of FGV's interest in FGV Sugar) shareholdings of 10.97% and 40.03% respectively in MSMH.

(4) KPF is a major shareholder of MSMH with direct shareholding of 15.27% and also a person connected to FELDA.

As at the LPD, the Interested Directors and Interested Major Shareholders are as follows:

(a) Interested Directors: **Dato' Haris and Dato' Amir**

Dato' Haris is a former representative of FGV on the Board of the Company. He resigned as a Director on 7 April 2021. Dato' Haris, prior to his resignation, has abstained from deliberating and voting at the relevant Board meetings in relation to the Proposed Disposal.

Dato' Amir is a representative of KPF on the Board of the Company. Dato' Amir has also abstained and will continue to abstain from deliberating and voting at the relevant Board meetings in relation to the Proposed Disposal.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of the Company in relation to the Proposed Disposal. Further, the Interested Directors will abstain and have undertaken to ensure that persons connected with them will also abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

(b) Interested Major Shareholders: **FGV, FGV Sugar, KPF and FELDA**

The Interested Major Shareholders will abstain and have undertaken to ensure that persons connected with them will also abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED DISPOSAL

We were not involved in the formulation, deliberation and negotiation of the terms of the Proposed Disposal. Our scope as Independent Adviser is limited to expressing an independent opinion on the Proposed Disposal based on information and documents provided or made available to us, which includes the following:

(i) the information contained in Part A of this Circular and the appendices attached thereto;

(ii) the MSMP SSA;

(iii) the valuation reports in relation to the Chuping Properties dated 21 May 2021 ("**Valuation Reports**") and Valuation Certificates prepared by the Independent Valuer;

(iv) other relevant information and documents furnished to us by the Directors and management of the Company or obtained in or derived from our discussions with management of the Company; and

(v) other publicly available information which we deem relevant.

We have made all reasonable enquiries to the Board and management of the Company and have relied on them to take due care to ensure that all the information, documents and representations in respect of the Group and the Proposed Disposal provided to us to facilitate our evaluation of the Proposed Disposal are accurate, complete and free from material omission. We have not undertaken any independent investigation into the business and affairs of the Group and all relevant parties involved in the Proposed Disposal. Nonetheless, in relying on the information, documents and representations provided to us, we have considered the reasonableness of these items and have corroborated such information with independent sources, where possible. We have obtained confirmation from the Board that all relevant material facts and information required for the purposes of our evaluation have been disclosed to us and the Board has accepted full responsibility for the accuracy of the information provided to us.

Further, after making all reasonable enquiries and to the best of our knowledge and belief, we acknowledge that this IAL constitutes a full and true disclosure of all material facts concerning the Proposed Disposal, and we are satisfied that the information used is free from material omission and we have no reason to believe that the information used is unreasonable, inaccurate or incomplete as at the LPD. Our advice should be considered in the context of the entirety of this IAL.

In preparing this IAL, we have taken into consideration those factors that we believe are relevant and of general importance to the non-interested shareholders of the Company for an assessment of the Proposed Disposal and which are of concern to the non-interested shareholders of the Company as a whole.

Since our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested shareholders of the Company as a whole, we have not taken into consideration any specific investment objectives, financial and tax position, risk profiles, financial situation or any particular needs of any individual shareholder or any specific group of shareholders.

If you are in doubt as to the action to be taken or require specific advice in relation to the Proposed Disposal in the context of your individual investment objectives, financial and tax position, risk profiles, financial situation or particular needs, we recommend that you consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

Our evaluation and opinion as set out in this IAL are based on prevailing equity capital market, economic, industry, regulatory, monetary, socio-political and other conditions (if applicable), and the information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time.

The members of the Board have seen and approved the contents of this IAL. The members of the Board collectively and individually accept full responsibility for the accuracy and completeness of all statements and/or information stated in this IAL and after having made all reasonable enquiries and to the best of the Board's knowledge and belief, the Board confirms all statements and/or information in this IAL are free from material omission and:

(i) no statement and/or information in this IAL is unreasonable, inaccurate or incomplete;

(ii) there are no other facts and/or information, the omission of which would make any statement or information in this IAL unreasonable, inaccurate or incomplete; and

(iii) all relevant material facts and/or information, including those required under the Listing Requirements, have been disclosed in this IAL.

The responsibility of the Board in respect of the independent advice and expression of opinion by Affin Hwang IB, is to ensure that all information in relation to the Group and the Proposed Disposal that is relevant to Affin Hwang IB's evaluation have been accurately and completely disclosed to Affin Hwang IB and is free from material omission.

We will notify the non-interested shareholders of the Company after the issuance of this IAL up to the date of the Company's forthcoming EGM, if we:

(i) become aware of a significant change affecting the information set out in this IAL;

(ii) have reasonable grounds to believe that a material statement in this IAL is misleading or deceptive; or

(iii) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders of the Company. We will immediately notify the non-interested shareholders of the Company of any material change in circumstances that would affect the consideration or the accuracy or the completeness of the information contained in this IAL.

4. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

Affin Hwang IB, being the Independent Adviser to the Company for the Proposed Disposal, has given and has not subsequently withdrawn its consent to the inclusion of its name and all references thereto in the form and context in which they appear in this IAL and this Circular.

Save for our current role as the Independent Adviser, Affin Hwang IB does not have any other professional relationship with the Group in the past 2 years prior 30 April 2021, being the date of execution of the term sheet in relation to the Proposed Disposal. Further, Affin Hwang IB confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser for the Proposed Disposal.

5. CREDENTIALS AND EXPERIENCE OF AFFIN HWANG IB

Affin Hwang IB is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, debt capital markets, structured lending, stockbroking and research. Our corporate finance advisory team provides a full range of corporate finance advisory services including mergers and acquisitions, corporate and debt restructuring, initial public offerings, equity fund raisings and independent advisory opinions.

Affin Hwang IB had, over the past 1 year prior to 30 April 2021, being the date of execution of the term sheet in relation to the Proposed Disposal and up to the LPD, issued 1 independent advice opinion in relation to related party transactions that includes business transaction undertaken by certain public listed company, with a transaction value of approximately RM58.63 million, as well as 3 take-over offers and selective capital reduction pursuant to the Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the Securities Commission Malaysia.

The details of our past experience are as follows:

(i) unconditional voluntary take-over offer by Jardine Cycle & Carriage Limited ("**JCCL**"), through CIMB Investment Bank Berhad, to acquire all the remaining ordinary shares in Cycle & Carriage Bintang Berhad not already held by JCCL ("**Offer Shares**") at a cash consideration of RM2.40 per Offer Share. Our independent advice circular was issued on 19 April 2021;

(ii) conversion of Amanah Harta Tanah PNB ("**AHP**") to an unlisted real estate investment trust by way of selective unit redemption exercise and amendments to the first restated deed of AHP dated 13 August 2015 at cash consideration of RM1.00 per AHP unit. Our independent advice letter was issued on 16 November 2020;

(iii) a leasing arrangement between SEGi College (Subang Jaya) Sdn Bhd (a lessor), a wholly-owned subsidiary of SEG International Berhad and HCK Capital Group Berhad group of companies (lessees) for the leasing of part of a development namely, Edumetro @ Subang Jaya. Our independent advice letter was issued on 8 September 2020; and

(iv) unconditional mandatory take-over offer by Yee Lee Organization Bhd, Dato' Lim A Heng @ Lim Kok Cheong, Datin Chua Shok Tim @ Chua Siok Hoon, Lim Ee Young and Langit Makmur Sdn Bhd ("**Joint Offerors**") through UOB Kay Hian to acquire all the remaining ordinary shares in Yee Lee Corporation Bhd not already held by the Joint Offerors ("**YL Offer Shares**") at a cash consideration of RM2.06 per YL Offer Share. Our independent advice circular was issued on 12 June 2020.

Based on the above and our other past experiences, we are capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the Proposed Disposal.

6. EVALUATION OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken into consideration the following:

	Analysis	**Section in this IAL**
(i)	Rationale and benefits of the Proposed Disposal	Section 6.1
(ii)	Evaluation of the Initial Disposal Consideration, Reference Final Disposal Consideration and Final Disposal Consideration	Section 6.2
(iii)	Salient terms of the MSMP SSA	Section 6.3
(iv)	Outlook and prospects of the Group after the Proposed Disposal	Section 6.4
(v)	Utilisation of proceeds	Section 6.5
(vi)	Risk factors	Section 6.6
(vii)	Effects of the Proposed Disposal	Section 6.7

6.1 RATIONALE AND BENEFITS OF THE PROPOSED DISPOSAL

Noting the rationale and benefits of the Proposed Disposal as set out in Section 3 of Part A of this Circular, we understand that the Proposed Disposal is being undertaken to unlock the value and monetise the Company's non-core business. The proceeds from the Proposed Disposal will be largely allocated to pare down borrowings for capital expenditure. The Proposed Disposal is also a part of MSMH's continuing strategic plan to consolidate the Group's production in MSM Johor.

Our evaluation of the rationale and benefits of the Proposed Disposals are set out below:

(i) Monetisation of non-core plantation business

After the closure of the sugar refinery operations at MSM Perlis in June 2020, MSM Perlis is left with its plantation business of oil palm and rubber. From our enquiries with the management of the Company, MSM Perlis' plantation business is non-core to the Company's long term growth as the future business plans of the Company does not include continuing with the oil palm and rubber plantation business. Further, MSM Perlis has stopped tapping the rubber trees and harvesting the oil palm since 30 June 2019. There was no production of latex and fresh fruit bunches from the rubber estates or oil palm respectively for the FYE 31 December 2020. Hence, the Proposed Disposal will enable the Group to monetise non-productive/ unutilised assets and focus on its primary activity which is sugar refining.

As stated in Section 2.7 of Part A of this Circular, the proceeds from the Proposed Disposal will be utilised for, amongst others, the prepayment of its borrowings. The prepayment of borrowings will contribute to finance cost savings of approximately RM4.4 million per annum and reduce the pro forma gearing ratio as at 31 December

2020 from 0.41 times to 0.37 times, as elaborated in Section 6.3 of Part A of this Circular.

The proceeds will also be utilised for general capital expenditure for additional steam generation and distribution system, melting, purification and curing system enhancement as well as sugar process enhancement. The Group also intends to utilise the proceeds for general working capital for raw sugar procurement, as elaborated in Section 2.7 of Part A of this Circular.

The Proposed Disposal will allow the Group to record an expected gain on disposal of approximately RM91.6 million in the FYE 31 December 2021, as elaborated in Section 6.2 of Part A of this Circular. Taking into consideration the expected gain, we are of the view that the Proposed Disposal represents an attractive offer for the Group to monetise its non-core business amidst a highly challenging economic outlook due to the COVID-19 pandemic.

Perlis' property market softened in 2020 with 2,790 transactions worth RM357.20 million and as compared to 2019, the market activity contracted by 5.33% in volume and 14.19% in value. The agriculture sub-sector's performance dropped for 3 consecutive years from 2018 to 2020. There were 1,869 transactions worth RM140.95 million, accounting for 67.0% of the total property transactions in 2020. The market activity indicated a decrease of 1.53% in volume and 9.15% in value in comparison with 2019 (1,898 transactions worth RM155.14 million) *(Source: Property Market Report 2020, Jabatan Penilaian dan Perkhidmatan Harta ("**JPPH**")).*

Moving forward, based on the prolonged COVID-19 pandemic and the foreseeable impact on the overall economy, the property market is expected to remain cautious and soft in 2021 *(Source: Property Market Report 2020, JPPH)*.

We also take note of the adverse current conditions of the Chuping Properties stated in the Valuation Reports prepared by the Independent Valuer, as set out below:

(i) the plantation estates are not well-maintained and not suitable for oil palm or rubber plantation due to low latex price and high production cost;

(ii) the short remaining leasehold period of the lands of between 40 to 41 years;

(iii) the profile of the Chuping Properties, which consist largely of agricultural title with 3 disjointed parcels; and

(iv) fire incident in January to March 2020, which affected approximately 36% of rubber plantation in Chuping Properties.

The conditions above, coupled with the soft property market amidst the COVID-19 pandemic, may limit the marketability of the Chuping Properties and present a challenge for the Group to monetise MSM Perlis in the near future.

(ii) Capacity rationalisation

As part of the Group's capacity rationalisation efforts, since the beginning of year 2020 until the closure of the sugar refining operations of MSM Perlis in June 2020, the production volume of MSM Perlis was gradually taken over by MSM Prai and MSM Johor. This is evidenced from the production volume of MSM Perlis to refine raw sugar which was reduced from 142,782 MT for a whole year in the FYE 31 December 2019 to 32,340 MT for 6-months period up to 30 June 2020. On average, approximately 140,000 MT of MSM Perlis' yearly production would be transferred to either MSM Prai or MSM Johor. It is the intention of management of the Company to eventually consolidate MSM Perlis' production to MSM Johor, which have an annual production capacity of 1 million MT per annum.

The discontinuation of the sugar refining operations of MSM Perlis and the consolidation of operations are part of the key strategies of the Group to restructure its business, as stated in the Company's Annual Report 2020. It has been a priority for the Group to ensure effective operation and balance the production capacity within its operation by consolidating its sugar refinery operations to 2 main sugar refineries at MSM Prai in Perai, Penang and MSM Johor in Pasir Gudang, Johor.

Hence, with the capacity rationalisation, the Group will be able to re-strategise and re-deploy its resources and some machineries from MSM Perlis to its sugar refinery factories in Perai, Penang and Pasir Gudang, Johor to optimise the production capacity of its refineries. This will yield better results in terms of the production capacity and efficiency which is expected to positively contribute to the future financial performance of the Group.

(iii) Lowering cost of distribution with effective market demarcation

We noted that the Group will be able to optimise its logistics and distribution cost with the consolidation of its refinery operations in MSM Prai and MSM Johor which are located closer to the ports i.e. Penang Port, Butterworth and Tanjung Langsat Port, Pasir Gudang. Comparatively, MSM Perlis incurred higher logistics cost for the transportation of the imported raw sugar from the nearest port in Butterworth, Penang to Chuping, Perlis. The consolidation of the sugar refinery operations enables the Group to streamline its logistics operations for a more efficient delivery at a lower cost.

We also noted the export sales of the Group have grown over the years. As stated in the Annual Report 2020, the Group recorded an increase in revenue by 9% from RM2.01 billion in FYE 31 December 2019 to RM2.18 billion in FYE 31 December 2020, which is mainly contributed by the overall growth of export sales. Further, the transferred production volume from MSM Perlis to MSM Johor will enable the Group to supply refined sugar to the domestic customers in the southern region and east Malaysia. The effective market demarcation is envisaged to provide the Group with wider potential and prospect to maintain its market leadership, whilst venturing into new market segments and expanding its export footprint.

Further, with the strong outlook for business growth in the export market, the capacity to expand its operations in MSM Perlis is limited as it had a production capacity of only 200,000 MT per annum. The consolidation of operations to MSM Johor enables the Group to increase its production volume in MSM Johor which indirectly improve the Group's production efficiency. For illustration, as stated in the Annual Report 2020, the Group's production yield has improved to 94.62% for the FYE 31 December 2020 as compared to 94.39% in FYE 31 December 2019 primarily as a result of yield improvements in MSM Johor.

(iv) Achieving economies of scale in the production

With the closure of MSM Perlis in June 2020, MSM Johor was able to improve its utilisation rate from 18.4% in 2019 to 23.2% in 2020. Further, as stated in the MSMH's Annual Report 2020, MSM Johor's production yield has improved to 90% in the FYE 31 December 2020 as compared to 88% in the FYE 31 December 2019. The cost of goods sold for the FYE 31 December 2020 reduced by 1.24% due to, amongst others, lower refining cost as a result of the consolidation of production volume to MSM Johor.

The Proposed Disposal will also enable the Group to continue to direct its operational focus towards optimising refining cost to achieve their budget and production targets without compromising the quality of the products and on time delivery to end customers.

Premised on the above, we are of the view that the rationale and benefits of the Proposed Disposal are reasonable.

6.2 EVALUATION OF THE INITIAL DISPOSAL CONSIDERATION, REFERENCE FINAL DISPOSAL CONSIDERATION AND FINAL DISPOSAL CONSIDERATION

6.2.1 Basis and justification of arriving at the Initial Disposal Consideration

As set out in Section 2.4.1 of Part A of this Circular, we noted that the Initial Disposal Consideration was arrived at on a “willing-buyer willing-seller” basis based on the audited NBV of the Chuping Properties as at 31 December 2020 and after taking into consideration the following:

(i) the fair value uplift of Chuping Properties amounting to RM7.8 million, which arose from the acquisition of MSM Perlis by the Company in 2011 in conjunction with the listing exercise of the Company in June 2011;

(ii) deferred tax liabilities in relation to Chuping Properties amounting to RM7.2 million, which represents the future obligation to pay taxes in the event that the Chuping Properties are disposed off; and

(iii) the net revaluation surplus of the Chuping Properties amounting to RM83.3 million.

In evaluating the Initial Disposal Consideration, we have adopted the asset-based valuation method using the RNAV method. We are of the view that the RNAV method is the most appropriate valuation method to value MSM Perlis due to the following:

(i) MSM Perlis has ceased its operations since 30 June 2020; and

(ii) MSM Perlis’ total assets will predominantly comprise the Chuping Properties after the Restructuring Exercise.

The RNAV method is a generally accepted method in the valuation of predominantly asset-based entities, which takes into consideration any surplus and/or deficit (net of tax) attributable to the owners of the company arising from the revaluation of material property or investment assets to reflect their market values based on the presumption that these assets are realisable on a willing buyer-willing seller basis in the open market.

The Company had appointed the Independent Valuer to conduct the valuation of Chuping Properties. We have reviewed the Valuation Reports prepared by the Independent Valuer and noted that the Valuation Reports were prepared in conformity with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards published by the Board of Valuers, Appraisers, Estate Agents and Property Agents, Malaysia. We are satisfied with the bases and assumptions used by the Independent Valuer for the valuation of Chuping Properties and have relied upon the Independent Valuer’s valuation of the Chuping Properties to arrive at the RNAV of MSM Perlis.

Further details on the valuation of the Chuping Properties as appraised by the Independent Valuer, together with our evaluation, are set out in Section 6.2.4 of this IAL.

In arriving at the adjusted audited NBV of Chuping Properties as at 31 December 2020, we have used the audited NBV of Chuping Properties as at 31 December 2020 after adjusting for, amongst others, the revaluation surplus based on the market value of Chuping Properties as appraised by the Independent Valuer as set out below:

Table 1

	RM'000	RM'000
Audited NBV of Chuping Properties as at 31 December 2020		81,893
Fair value uplift of the Chuping Properties as at 31 December 2020 (1)		7,771
Audited NBV of Chuping Properties with fair value uplift as at 31 December 2020		89,664
Less: Deferred tax liabilities as at 31 December 2020 (2)		(7,171)
Net revaluation surplus of the Chuping Properties		
Market value of the Chuping Properties (3)	199,250	
Less: Audited NBV of Chuping Properties with fair value uplift as at 31 December 2020	(89,664)	
Revaluation surplus	109,586	
Less: Deferred tax liability (4)	(26,301)	
	83,285	83,285
Adjusted audited NBV of Chuping Properties as at 31 December 2020		165,778
Initial Disposal Consideration		175,000
Premium of the Initial Disposal Consideration above the adjusted audited NBV of Chuping Properties		**9,222**
- in percentage		**5.6%**

Notes:

(1) The fair value uplift arose as a result of the acquisition of MSM Perlis by the Company in 2011 pursuant to the fair value exercise of Chuping Properties, in conjunction with the listing exercise of the Company in June 2011. The fair value uplift is added to the audited NBV of Chuping Properties as it is recorded in the Company's financial statements for the FYE 31 December 2020, instead of MSM Perlis' financial statements for the FYE 31 December 2020.

(2) The deferred tax liabilities of RM7.2 million recorded in MSM Perlis' financial statements for the FYE 31 December 2020 represent the obligation to pay taxes in the future arising from MSM Perlis ownership of Chuping Properties in the event that these assets are disposed-off. As the Company is disposing MSM Perlis, the deferred tax liabilities of RM7.2 million is deducted from the audited NBV of Chuping Properties with fair value uplift as at 31 December 2020 as the deferred tax liabilities form part of the audited net liabilities of MSM Perlis as at 31 December 2020 of RM65.03 million.

(3) As appraised by the Independent Valuer on 4 May 2021, breakdown as below:

Subject Property	***Market value as appraised by the Independent Valuer***	***Audited NBV as at 31 December 2020***	***Revaluation surplus***	***Deferred tax amount***	***Net revaluation surplus***
	RM'million	*RM'million*	*RM'million*	*RM'million*	*RM'million*
Ladang Chuping	*173.00*				
Research centre site	*1.40*	**89.66*	*109.59*	*26.30*	*83.29*
Tube-well site	*2.55*				
Industrial premises	*22.30*				
TOTAL	***199.25***				

Note:

** The Chuping Properties is classified as asset held for sale amounting to RM81.89 million in the financial statements of MSM Perlis for the FYE 31 December 2020 and RM7.77 is recorded as fair value uplift in the financial statements of the Company for the FYE 31 December 2020*

Further details of the valuation conducted by the Independent Valuer are set out in Section 6.2.4 of this IAL.

(4) Based on the corporate tax rate of 24%. Pursuant to paragraph 51 of MFRS 112, the measurement of deferred tax liabilities would follow the manner in which the entity expects to recover the carrying amounts of its assets. As the future operations of Chuping Properties will contribute to the future income of MSM Perlis, it will be subject to corporate tax in the future and thus the deferred tax liabilities are computed based on the corporate tax rate of 24%.

We are of the view that the methodology and the components therein used by the Company to determine the Initial Disposal Consideration of RM175.0 million for the Proposed Disposal are **reasonable** given that they take into account the following:

(i) the audited NBV of Chuping Properties as at 31 December 2020 would provide an objective base value in determining the adjusted audited NBV of Chuping Properties;

(ii) the adjustments made to the audited NBV of Chuping Properties as at 31 December 2020 comprise the following:

  (a) the fair value uplift which will reflect the value of the Chuping Properties as at 31 December 2020;

  (b) the deferred tax liabilities related to the Chuping Properties which will reflect the associated estimated tax expenses related to the Chuping Properties pursuant to the Proposed Disposal; and

  (c) the net revaluation surplus which will reflect the latest practicably available market value of Chuping Properties as at 4 May 2021.

Based on the above, we are of the view that the Initial Disposal Consideration of RM175.0 million for the Proposed Disposal is **fair** as the Initial Disposal Consideration represents a premium of RM9.2 million or 5.6% above the adjusted audited NBV of Chuping Properties as at 31 December 2020.

6.2.2 Basis and justification of the Reference Final Disposal Consideration and Final Disposal Consideration

Reference Final Disposal Consideration

In order to arrive at the RNAV of MSM Perlis, we have perused the audited financial statements of MSM Perlis for the FYE 31 December 2020 as the latest value of MSM Perlis prior to the date of signing of the MSM SSA on 8 June 2021 in relation to the Proposed Disposal. The RNAV of MSM Perlis after adjusting for the Restructuring Exercise and net revaluation surplus based on the estimated market value of the Chuping Properties as appraised by the Independent Valuer is set out below:

Table 2

	RM'000	RM'000
Audited net liabilities as at 31 December 2020		(65,028)
Add: Fair value uplift (1)		7,771
Add: Restructuring Exercise (2)		170,817
Pro forma audited NA of MSM Perlis as at 31 December 2020		113,560
Net revaluation surplus of the Chuping Properties (3)		
Market value of the Chuping Properties	199,250	
Less: Adjusted audited NBV of the Chuping Properties with fair value uplift as at 31 December 2020	(89,664)	
Revaluation surplus	109,586	
Less: Deferred tax liability	(26,301)	
	83,285	83,285
Pro forma adjusted NA of MSM Perlis as at 31 December 2020		196,845
Reference Final Disposal Consideration (4)		206,067
Premium of the Reference Final Disposal Consideration above the pro forma adjusted audited NA of MSM Perlis		**9,222**
- in percentage		**4.7%**

Notes:

(1) Please refer to Note 1 in the Table 1, Section 6.2.1 above for further details of the fair value uplift.

(2) *Based on the assumption that the Restructuring Exercise was completed on 31 December 2020 and involved only the increase of share capital of MSM Perlis of RM170.8 million pursuant to the settlement of intercompany balances between MSM Perlis and the Company's other subsidiaries. As at 31 December 2020, the audited net amount due by MSM Perlis to other subsidiaries of the Company amounting to RM170.8 million.*

(3) *Please refer to Note 3 and 4 in the Table 1, Section 6.2.1 above for further details of the net revaluation surplus of the Chuping Properties and deferred tax liability.*

(4) *The Reference Final Disposal Consideration is arrived at based on the Initial Disposal Consideration plus the Reference Net Working Capital and less the Reference Net Debt as at 31 December 2020, as set out below:*

	RM'000
Initial Disposal Consideration	**175,000**
Add: Reference Net Working Capital [(a)]	23,239
Less: Reference Net Debt [(b)]	(7,828)
Reference Final Disposal Consideration	**206,067**

Notes:

(a) *Being the audited Reference Net Working Capital of MSM Perlis as at 31 December 2020, which comprises the following:*

	RM'000
Inventories	*18,894*
Receivables, deposits and prepayments	*12,205*
Tax recoverable	*3,178*
Amounts due from related parties	*34,785*
Intercompany elimination of amounts due from other subsidiaries of the Company	*(33,557)*
Payables and accrued liabilities	*(11,629)*
Revolving credits owing to immediate holding company	*-*
Revolving credits owing to related parties	*-*
Amounts owing to related parties	*(205,011)*
Intercompany elimination of amounts owing to other subsidiaries of the Company	*204,374*
Total Reference Net Working Capital	***23,239***

Any working capital in connection with the Carved Out Assets is excluded from the Reference Net Working Capital.

(b) *Being the sum of net audited debt as at 31 December 2020, after deducting the cash balances of MSM Perlis as at 31 December 2020. As at 31 December 2020, the Net Debt comprise of borrowings of RM33.2 million and cash of RM41.0 million. As the cash in excess of the borrowings, the Net Debt is added instead of less from the Initial Disposal Consideration.*

The Reference Final Disposal Consideration is based on the Initial Disposal Consideration, which represents the market value of the Chuping Properties as at 4 May 2021 (after adjustment for the deferred tax liabilities and revaluation surplus), Reference Net Working Capital and Reference Net Debt. We are of the view that the methodology and components used to arrive at the Reference Final Disposal Consideration to determine the equity value of MSM Perlis as at 31 December 2020 instead of using the Initial Disposal Consideration are **fair** because:

(i) the Initial Disposal Consideration only reflects the market value of Chuping Properties (after adjustment for the deferred tax liabilities and revaluation surplus); and

(ii) the Reference Net Working Capital and Reference Net Debt represent the relevant NBV of other remaining assets and liabilities in MSM Perlis as at 31 December 2020, assuming the same being the last day of the month of the Completion in addition to the Initial Disposal Consideration.

The methodology and components used above to determine the Reference Final Disposal Consideration are fair as it reflects the equity value of MSM Perlis as at 31 December 2020 and will be used as a reference for the determination of the Final Disposal Consideration after adjusting for the Completion Net Working Capital and Completion Net Debt as at the last day of the month of the Completion.

Overall, we are of the view that the Reference Final Disposal Consideration of RM206.1 million for the Proposed Disposal is **fair** as it represents a premium of RM9.22 million or 4.7% above the pro forma adjusted audited NA of MSM Perlis as at 31 December 2020.

Final Disposal Consideration

We noted from in Section 2.2 of Part A of this Circular, a Restructuring Exercise will be undertaken by MSM Perlis prior to the Completion, which will entail, amongst others, the disposal of the Carved Out Assets and the settlement of outstanding debts, payables and/or intercompany balances by way of, amongst others, increase in share capital prior to the Completion. We also noted the rationale of the Restructuring Exercise, as stated in Section 2.2 of Part A of this Circular, and are of the view that the rationale is **reasonable** as the effects arising from the Restructuring Exercise will be reflected in the Completion Net Debt and Completion Net Working Capital and will be taken into consideration in the determination of the Final Disposal Consideration.

Based on our discussion with management of the Company and Section 2.2 of Part A of this Circular, the Restructuring Exercise is not expected to have any material financial effects to the Group as it involved mainly, amongst others, settlement of inter-company balances between MSM Perlis and other subsidiaries of the Company by way capitalisation of share capital of MSM Perlis. All payables and borrowings of MSM Perlis will be settled by way of, amongst others, internal funds of MSM Perlis as well as sales or transfer of the remaining inventories and collection of receivables.

We also noted from Section 2.2 of Part A of the Circular, any proceeds received arising from the Restructuring Exercise by the Company will be utilised for settlement of MSM Perlis' outstanding liabilities via capital injection into MSM Perlis and the excess proceeds, if any, will be utilised for general working capital. We are of the view that the use of proceeds is **reasonable** as the effects of settlement of liabilities and additional general working capital (if any) will be taken into consideration in the determination of the Final Disposal Consideration.

As illustrated in Section 2.4.2 of Part A of this Circular, assuming the Restructuring Exercise was completed on 31 December 2020 which involved only the settlement of intercompany balances of RM170.8 million as at 31 December 2020 between MSM Perlis and other subsidiaries of the Company and the adjustment of the fair value uplift of Chuping Properties amounting to RM7.8 million, the financial position of MSM Perlis as at 31 December 2020 will improve from an audited net liabilities of RM65.0 million to adjusted audited NA of RM113.6 million.

We are of the view that the financial effects arising from the Restructuring Exercise is not detrimental to the non-interested shareholders of the Company.

Please refer to Section 2.2 of Part A of this Circular for further information on the Restructuring Exercise.

We noted that the determination of the Final Disposal Consideration is as set out below:

		Difference between	
Reference Final Disposal Consideration	plus or less	Completion Net Working Capital and Reference Working Capital	Completion Net Debt and Reference Net Debt

We are of the view that the methodology of determining the Final Disposal Consideration, which is based on the Reference Final Disposal Consideration after adjustments for the difference between:

(i) Completion Net Working Capital and Completion Net Debt (as at the last day of the month in which the Completion takes place); and

(ii) the Reference Net Working Capital and Reference Net Debt (which were based on 31 December 2020),

is **fair** as it will reflect the latest RNAV of MSM Perlis as at the last day of the month of the Completion.

6.2.3 Independent Valuer's basis of valuation of the Chuping Properties

The term "market value" is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

The general basis of valuation is that the property is free from any encumbrances, outstanding debts, statutory notices and taxation liabilities except where so stated in the Valuation Reports.

6.2.4 Valuation of the Chuping Properties

We noted that in arriving at the market value of Chuping Properties, the Independent Valuer had adopted the following methods of valuation:

Valuation method	Description
Comparison approach	The comparison approach is the market approach of determining the value of the property being valued by comparing and adopting recent transactions and sale evidences involving other similar properties in the vicinity as a yardstick. In comparing the properties, due adjustments are made for factors such as time, size, location, accessibility, cultivation and title tenure.
Income approach	The income approach (discounted cash flow) converts future cash flows to a current discounted amount. When the income approach is used, the market value measurement reflects current market expectations about those future amounts. This approach estimates the annual income accruing to the planted area based on yield and long term average price of the crop. The cost of production is deducted thereon and the resultant net income is capitalised at an appropriate rate of return for the remaining cropping life to arrive at the value of the existing crops in each phase (year of planting). At the end of the economic life of the cultivation, the subject property is reverted to basic land condition which comprises the unimproved land value plus value of buildings, road improvements and land for roads and buildings. The basic land value is thereon considered and is discounted for the period. The income approach (investment method) is used to determine the market value which is derived from capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses required to sustain the rent with allowance for voids and management fees.

Valuation method	Description
Cost approach	The cost approach determines the value of the property through the summation of the value components of the land and buildings. In determining the value of the land, the analysed apportionment value attributable to the land is adopted using the comparison approach. In determining the value of the buildings, current estimates on construction costs to erect equivalent buildings are adopted. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the buildings.

We are of the view that the methods of valuation adopted by the Independent Valuer are reasonable and are consistent with generally applied valuation methodologies. We are also satisfied with the bases and assumptions used by the Independent Valuer for the valuation of Chuping Properties. As such, we are satisfied and have relied upon the Independent Valuer 's valuation of the Chuping Properties. For your information, we have set out below the salient information of the Chuping Properties as extracted from the Valuation Reports and our views thereon.

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The Independent Valuer's computations of the market value of the Chuping Properties based on the comparison approach, income approach and cost approach are set out below.

Subject Property	Description	Land area	Valuation method	Market value	Note
		Ha		RM'million	
8 parcels of land in Chuping, Perlis ("**Ladang Chuping**")	8 parcels of leasehold plantation land planted with rubber and oil palm	4,441.12	– Comparison approach – Income approach (discounted cash flow) (as a check)	173.0	**(1)**
1 parcel of land with a research centre in Chuping, Perlis ("**Research Centre Site**")	1 parcel of leasehold land previously used as a research centre which consists of laboratory buildings, generator room and staff quarters	12.81	Comparison approach	1.40	**(2)**
1 parcel of land being the site of the tube-well in Chuping, Perlis ("**Tube-Well Site**")	1 parcel of leasehold agriculture land used as a tube-well site to extract underground water	28.72	Comparison approach	2.55	**(3)**
1 parcel of land with a sugar refinery factory in Chuping, Perlis ("**Factory**")	1 parcel of leasehold industrial land with a sugar refinery factory, which has ceased operation since June 2020	16.35	– Cost approach – Income approach (discounted cash flow) (as a check)	22.30	**(4)**
TOTAL		**4,499.00**		**199.25**	

Notes:

(1) In arriving at the market value of Ladang Chuping, the Independent Valuer had adopted the comparison approach as the main method and income approach (discounted cash flow) as a check.

Comparison approach

The following comparable sale evidences were considered under the comparison approach to value Ladang Chuping:

	Comparable 1	*Comparable 2*	*Comparable 3*	*Comparable 4*
Location	*Located within the area known as Kubah Estate, off Kluang-Mersing Main Road*	*Located fronting Jalan Cenderawasih, off Jalan Muadzam-Segamat*	*Located within the area known as Ladang Pinehill, Batu 6, Jalan Changkat Jong*	*Located off Jalan Pekan-Rompin, Jalan Muadzam-Segamat*
District and state	*Kluang, Johor*	*Rompin, Pahang*	*Hilir Perak, Perak*	*Pekan, Pahang*
Net land area (Ha)	*2,656.16*	*2,124.50*	*3,081.85*	*2,530.00*

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**
Type	*Agriculture (oil palm plantation)*	*Agriculture (oil palm plantation)*	*Agriculture (oil palm plantation)*	*Agriculture (oil palm plantation)*
Date of transaction	*16/6/2020*	*29/4/2019*	*21/9/2018*	*31/7/2018*
Transacted price (RM per Ha)	*58,731*	*79,073*	*113,666*	*83,597*
Effective adjustments (%)	*-56.00*	*-50.60*	*-72.45*	*-47.75*
Adjusted land value (RM per Ha)	***25,842***	***39,062***	***31,315***	***43,679***

The adjustments made to the comparable sale evidences are as follows:

(i) *Comparable 1*

Adjustment factor	***Rate***	***Remarks***
Location and accessibility	*Downward 10%*	*Comparable 1 is superior as it has a good accessibility with a wide frontage*
Size	*Downward 5%*	*Comparable 1 is smaller than Ladang Chuping*
Tenure	*Downward 26%*	*Comparable 1 has longer leasehold tenure of 66 to 73 years as compared to Ladang Chuping*
Percentage of planted area	*Downward 10%*	*Comparable 1 has 95% planted area which is more than Ladang Chuping*
Type and age of cultivation	*Downward 10%*	*Comparable 1 is planted with young to mature oil palm, which is more superior to Ladang Chuping*
Terrain	*Upward 5%*	*Ladang Chuping is generally flat with gentle slopes while Comparable 1 is undulating and hilly in terrain. The flatter the terrain will have efficient costing by management in terms of labour, petrol and diesel cost*

(ii) *Comparable 2*

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 2 was transacted in 2019*
Location and accessibility	*Downward 10%*	*Comparable 2 has a good accessibility with a wide frontage and close proximity to palm oil mills.*
Size	*Downward 5%*	*Comparable 2 is smaller than Ladang Chuping*
Tenure	*Downward 13%*	*Comparable 1 has longer leasehold tenure of 51 to 60 years as compared to Ladang Chuping*
Percentage of planted area	*Downward 10%*	*Comparable 2 has 98% planted area which is more than Ladang Chuping*
Type and age of cultivation	*Downward 15%*	*Comparable 2 is planted with young trees*
Terrain	*Upward 5%*	*Ladang Chuping is generally flat with gentle slopes while Comparable 2 is undulating and hilly in terrain. The flatter the terrain will have efficient costing by management in terms of labour, petrol and diesel cost*

(iii) *Comparable 3*

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 3 was transacted in 2018*
Location and accessibility	*Downward 20%*	*Comparable 3 has a good accessibility and wide frontage*
Tenure	*Downward 36%*	*Comparable 3 has a leasehold tenure of 14 to 17 years with approval for extension to 99 years, which is more superior as compared to Ladang Chuping*
Percentage of planted area	*Downward 10%*	*Comparable 3 has 87% of planted area which is more than Ladang Chuping*
Type and age of cultivation	*Downward 10%*	*Comparable 3 is planted with young to mature trees*
Terrain	*Upward 5%*	*Ladang Chuping is generally flat with gentle slopes while Comparable 3 is undulating and hilly in terrain. The flatter the terrain will have efficient costing by management in terms of labour, petrol and diesel cost*

(iv) *Comparable 4*

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 4 was transacted in 2018*
Location and accessibility	*Upward 10%*	*Comparable 4 is located in an interior area and off the main frontage road*
Size	*Downward 5%*	*Comparable 4 is smaller than Chuping Lands*
Tenure	*Downward 35%*	*Comparable 4 has a longer leasehold tenure of 93 years, which is more superior as compared to Ladang Chuping*
Percentage of planted area	*Downward 10%*	*Comparable 4 is reasonable well-planted and has a higher percentage of planted area than Ladang Chuping*
Type and age of cultivation	*Downward 10%*	*Comparable 4 is planted with young oil palm*
Terrain	*Upward 5%*	*Ladang Chuping is generally flat with gentle slopes while Comparable 4 is undulating and hilly in terrain. The flatter the terrain will have efficient costing by management in terms of labour, petrol and diesel cost*

* *the Independent Valuer had first made the downward adjustment for time to the land value before collectively adjust the other factors.*

We are of the view that each assumption made by the Independent Valuer in respect of the adjustment factors to comparable sale evidences above forms an integral part in the Independent Valuer's computation to derive at the market value of Ladang Chuping. The assumptions made are reasonable and consistent with valuations of such nature.

Based on the comparable sales evidences, the Independent Valuer had adopted the value of RM39,000 per Ha to arrive at the market value of RM173.0 million, based on Comparable 2, which is deemed the best comparable as it has almost similar tenure as Ladang Chuping. We concur with the opinion of the Independent Valuer to adopt Comparable 2 as the best comparable as:

(a) Comparable 2 has almost similar tenure to Ladang Chuping; and

(b) Comparable 2 has the least adjustment and more similar to Ladang Chuping compared to the other comparables.

<u>Income approach (discounted cash flow)</u>

The summary of the parameters of the income approach (discounted cash flow) which was adopted by the Independent Valuer as a cross-check against the comparison approach is as follows:

Parameter	***Rate used***	***Remarks***
Latex price	*RM5.05 per kg*	*We noted that the latex price used is consistent with the average latex price for the past 5 years, as published by MPOB* .
FFB price	*RM535 per MT*	*The FFB price is derived from the 5-year average of crude palm oil and palm kernel oil, as well as the 5-year average oil extraction rate and kernel extraction rate for Peninsular Malaysia, as published by MPOB*
Production cost *- General charges* *- Harvesting and transport cost* *Upkeep and cultivation cost*	 *RM1,000 per Ha* *RM1.50 per kg (for rubber)* *RM60 per MT (for oil palm)* *RM1,600 per Ha*	*The Independent Valuer did not rely on the past production cost as Ladang Chuping has ceased its operation in June 2020. The production cost was derived at based on the recent valuation of oil palm plantation conducted in 2019 and 2020*
Discount rate	*8.5%*	*The Independent Valuer had adopted the discount rate of 8.5% after taking into account the commodity price fluctuation, weather, pests, diseases and labour issues. We noted that the discount rate adopted is similar to the discount rate of valuation done on other comparable estates*

Based on the above, we are of the view that the bases and assumptions made by the Independent Valuer, which forms an integral part in the computation of market value are reasonable and consistent with valuations of such nature.

(2) *In arriving at the market value of Research Centre Site, the Independent Valuer had adopted the comparison approach as the only method of valuation. Only one method of valuation is used as there are sufficient sale evidences of agriculture land and the use of a second method of valuation is not applicable as the subject property is a non-income generating parcel of agriculture land which is not planted with any cultivation.*

The following comparable sales evidences were considered under the comparison approach:

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**
Location	*Located at Mile 17, Jalan Padang Besar*	*Located at Bukit Kerengga, off Jalan Kubang Tiga*	*Fronting Jalan Batu Bertangkup, Kubang Tiga*	*Located at Mile 17, Off Jalan Padang Besar*	*Located off Jalan Beseri - Bukit Keteri*
District and state	*Titi Tinggi, Perlis*	*Chuping, Perlis*	*Chuping, Perlis*	*Titi Tinggi, Perlis*	*Beseri, Perlis*
Net land area (Ha)	*1.78*	*1.58*	*1.89*	*3.08*	*3.01*
Type	*A parcel of agriculture land*	*A parcel of agriculture land*	*A parcel of agriculture land*	*A parcel of agriculture land*	*Two-adjoining parcels of agriculture land*
Date of transaction	*17/9/2020*	*8/5/2019*	*26/3/2019*	*17/1/2019*	*12/11/2019*
Transacted price (RM per Ha)	*241,573*	*113,924*	*185,185*	*204,545*	*159,468*
Effective adjustments (%)	*-54.34*	*-37.63*	*-56.63*	*-42.38*	*-32.88*
Adjusted land value (RM per Ha)	***110,295***	***71,059***	***80,322***	***117,867***	***107,042***

The adjustments made to the comparable sales evidences are as follows:

(i) Comparable 1

Adjustment factor	***Rate***	***Remarks***
Size	*Downward 15%*	*Comparable 1 is smaller than the Research Centre Site*
Tenure	*Downward 39%*	*Comparable 1 has longer leasehold tenure of 51 years as compared to the Research Centre Site*

(ii) Comparable 2

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 2 was transacted in 2019*
Location	*Upward 15%*	*Comparable 2 is located at the third layer lot while the subject property is fronting the main road*
Size	*Downward 15%*	*Comparable 2 is smaller than the Research Centre Site*
Tenure	*Downward 39%*	*Comparable 2 is a freehold land*
Shape	*Upward 5%*	*Comparable 2 is in an irregular shape*

(iii) Comparable 3

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 3 was transacted in 2019*
Size	*Downward 15%*	*Comparable 3 is smaller than the Research Centre Site*
Tenure	*Downward 39%*	*Comparable 3 is a freehold land*

(iv) Comparable 4

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 4 was transacted in 2019*
Location	*Upward 10%*	*Comparable 4 is located at the second layer from the main road while the subject property is fronting the main road*
Size	*Downward 10%*	*Comparable 4 is smaller than the Research Centre Site*
Tenure	*Downward 39%*	*Comparable 4 is a freehold land*

(v) Comparable 5

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 5 was transacted in 2018*
Location	*Upward 15%*	*Comparable 5 is located at the third layer lot from the main road while the subject property is fronting the main road*
Size	*Downward 10%*	*Comparable 5 is smaller than the Research Centre Site*
Tenure	*Downward 39%*	*Comparable 5 is a freehold land*
Shape	*Upward 5%*	*Comparable 5 has an irregular shape while the Research Centre Site is a regular shaped parcel of land*

* *the Independent Valuer had first made the downward adjustment for time to the land value before collectively adjust the other factors.*

We are of the view that each assumption made by the Independent Valuer in respect of the adjustment factors to comparable sales evidences above forms an integral part in the Independent Valuer's computation to derive at the market value of the Research Centre Site. The assumptions made are reasonable and consistent with valuations of such nature.

Based on the comparable sales evidences, the Independent Valuer had adopted the value of RM107,000 per Ha to arrive at the market value of RM1.4 million, based on comparable 5. We concur with the opinion of the Independent Valuer to adopt comparable 5 as the best comparable as it has the least adjustment.

(3) *In arriving at the market value of the Tube-well Site, the Independent Valuer had adopted the comparison approach as the only method of valuation. Only one method of valuation is used as there are sufficient sale evidences of agriculture land and the use of a second method of valuation is not applicable as the subject property is a non-income generating parcel of agriculture land which is not planted with any cultivation.*

	Comparable 1	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**
Location	*Located at Mile 17, Jalan Padang Besar*	*Located at Bukit Kerengga, off Jalan Kubang Tiga*	*Fronting Jalan Batu Bertangkup, Kubang Tiga*	*Located at Mile 17, Off Jalan Padang Besar*	*Located off Jalan Beseri - Bukit Keteri*
District and state	*Titi Tinggi, Perlis*	*Chuping, Perlis*	*Chuping, Perlis*	*Titi Tinggi, Perlis*	*Beseri, Perlis*
Net land area (Ha)	*1.78*	*1.58*	*1.89*	*3.08*	*3.01*
Type	*A parcel of agriculture land*	*A parcel of agriculture land*	*A parcel of agriculture land*	*A parcel of agriculture land*	*Two-adjoining parcels of agriculture land*
Date of transaction	*17/9/2020*	*8/5/2019*	*26/3/2019*	*17/1/2019*	*12/11/2019*
Transacted price (RM per Ha)	*241,573*	*113,924*	*185,185*	*204,545*	*159,468*
Effective adjustments (%)	*-67.00*	*-49.65*	*-68.65*	*-54.40*	*-44.90*
Adjusted land value (RM per Ha)	***79,719***	***57,361***	***58,056***	***93,273***	***87,867***

The adjustments made to the comparable sales evidences are as follows:

(i) Comparable 1

Adjustment factor	***Rate***	***Remarks***
Location	*Upward 5%*	*Comparable 1 is located at the Jalan Padang Besar which is inferior to the subject property*
Size	*Downward 20%*	*Comparable 1 is smaller than the subject property*
Tenure	*Downward 47%*	*Comparable 1 is a freehold land*
Express condition in title	*Downward 5%*	*The express condition of Comparable 1 is rubber trees whilst the subject property is sugar cane plantation. Based on our inquiry with the Independent Valuer, we noted that rubber and orchard land are more marketable and less restrictive compared to land specifically for sugar cane*

(ii) *Comparable 2*

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 2 was transacted in 2019*
Location	*Upward 20%*	*Comparable 2 is located at the third layer lot while the subject property is fronting the main road*
Size	*Downward 20%*	*Comparable 2 is smaller than the subject property*
Tenure	*Downward 47%*	*Comparable 2 is a freehold land*
Shape	*Upward 5%*	*Comparable 2 is in an irregular shape*
Express condition in title	*Downward 5%*	*The express condition of Comparable 2 is rubber trees whilst the subject property is sugar cane plantation. Based on our inquiry with the Independent Valuer, we noted that rubber and orchard land are more marketable and less restrictive compared to land specifically for sugar cane*

(iii) *Comparable 3*

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 3 was transacted in 2019*
Location	*Upward 5%*	*Comparable 3 is located along Jalan Batu Bertangkup which is more inferior than the subject property*
Size	*Downward 20%*	*Comparable 3 is smaller than the subject property*
Tenure	*Downward 47%*	*Comparable 3 is a freehold land*
Express condition in title	*Downward 5%*	*The express condition of Comparable 3 is rubber trees whilst the subject property is sugar cane plantation. Based on our inquiry with the Independent Valuer, we noted that rubber and orchard land are more marketable and less restrictive compared to land specifically for sugar cane*

(iv) *Comparable 4*

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 4 was transacted in 2019*
Location	*Upward 15%*	*Comparable 4 is located at the second layer lot from Jalan Padang Besar, which is more inferior than the subject property*
Size	*Downward 15%*	*Comparable 4 is smaller than the subject property*
Tenure	*Downward 47%*	*Comparable 4 is a freehold land*
Express condition in title	*Downward 5%*	*The express condition of Comparable 3 is rubber trees whilst the subject property is sugar cane plantation. Based on our inquiry with the Independent Valuer, we noted that rubber and orchard land are more marketable and less restrictive compared to land specifically for sugar cane*

(v) Comparable 5

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 5 was transacted in 2018*
Location	*Upward 20%*	*Comparable 5 is located at the third layer lot from the main road while the subject property is fronting the main road*
Size	*Downward 15%*	*Comparable 5 is smaller than the subject property*
Tenure	*Downward 47%*	*Comparable 5 is a freehold land*
Shape	*Upward 5%*	*Comparable 5 has an irregular shape while the subject property is a regular shaped parcel of land*
Express condition in title	*Downward 5%*	*The express condition of Comparable 5 is orchard whilst the subject property is sugar cane plantation. Based on our inquiry with the Independent Valuer, we noted that rubber and orchard land are more marketable and less restrictive compared to land specifically for sugar cane*

* *the Independent Valuer had first made the downward adjustment for time to the land value before collectively adjust the other factors.*

We are of the view that each assumption made by the Independent Valuer in respect of the adjustment factors to comparable sales evidences above forms an integral part in the Independent Valuer's computation to derive at the market value of the Tube-well Site. The assumptions made are reasonable and consistent with valuations of such nature.

Based on the comparable sales evidences, the Independent Valuer had selected comparable 5 as the best comparable as it has the least adjustment and adopted the value of RM88,000 per Ha for the Tube-well Site, which falls within the range of the highest and lowest adjusted land value for the comparable sale evidences. In arriving at the market value of the Tube-well Site, the Independent Valuer had adjusted the building value of RM24,633, which is derived from the replacement cost and after applying the depreciation rate of 1.66% per annum. We noted that the replacement cost is derived from the Construction Cost Handbook Malaysia 2020, whilst the depreciation rate is adopted based on the economic lifespan of the building of 60 years. The market value after adjustment for the building value is RM2.55 million.

We concur with the opinion of the Independent Valuer to adopt comparable 5 as the best comparable for the land value. We noted that apart from having the least adjustment, comparable 5 is also the nearest to the subject property as compared to the other comparables. Taking into consideration the relevant factors, we are of the view that the assumption made by the Independent Valuer in respect of the building value forms an integral part in the computation to derive at the market value and such assumptions are reasonable and consistent with valuations of such nature.

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(4) *In arriving at the market value of the Factory, the Independent Valuer had adopted the cost approach as the main method and income approach (investment method) as a check for the valuation of the Factory. The Independent Valuer had adopted the cost approach as the main method as there are sufficient sale evidences to provide a fair representation of the market value. The income approach (investment method) is adopted as a check as the subject property is currently being occupied by the owner and the income approach is sensitive to the estimated rental.*

Cost approach

In determining the market value of the Factory using the cost approach, the Independent Valuer had adopted the replacement cost method for the value of the buildings and comparison method for the value of the vacant industrial land. Details of both methods are as set out below:

(i) Replacement cost method – for the market value of the buildings

We noted that the Independent Valuer has adopted the building replacement cost based on the type of construction stated in the Construction Cost Handbook Malaysia 2020. We noted that the Independent Valuer had adopted the depreciation rate of 1.66% per annum based on the economic lifespan of 60 years.

Based on our enquiry, the Independent Valuer has also requested a quotation for construction of a new sugar refinery plant, which was built and commissioned in 2019.

(ii) Comparison method – for the market value of the vacant industrial land

	Comparable 1	***Comparable 2***	***Comparable 3***	***Comparable 4***	***Comparable 5***
Location	*Jalan Kuala Perlis, District of Perlis*	*Jalan Kuala Perlis, District of Perlis*	*Jalan Kuala Perlis, District of Perlis*	*Jalan Gurun – Jeniang, Kawasan Perindustrian Gurun*	*Jalan PKNK 2, Kawasan Perindustrian Sungai Petani*
District and state	*Kuala Perlis, Perlis*	*Kuala Perlis, Perlis*	*Kuala Perlis, Perlis*	*Bandar Gurun, Kuala Muda, Kedah*	*Perindustrian Sungai Petani, Kuala Muda, Kedah*
Net land area (sq ft)	*48,627*	*53,000*	*48,859*	*612,153*	*1,120,814*
Date of transaction	*11/6/2020*	*4/1/2020*	*16/11/2017*	*3 /1/2018*	*12/1/2018*
Transacted price (RM per sq ft)	*RM9.53*	*RM5.85*	*RM7.92*	*RM11.00*	*RM7.79*
Effective adjustments (%)	*-26.55*	*-4.27*	*-18.31*	*-46.45*	*-12.58*
Adjusted land value (RM per sq ft)	***RM7.00***	***RM5.60***	***RM6.47***	***RM5.89***	***RM6.81***

The adjustments made to the comparable sales evidences are as follows:

(i) Comparable 1

Adjustment factor	***Rate***	***Remarks***
Location	*Downward 15%*	*Comparable 1 is located within the Kawasan Perindustrian Perlis, a more superior location than the subject property*
Size	*Downward 25%*	*Comparable 1 is smaller than the subject property*
Tenure	*Downward 3%*	*Comparable 1 has longer unexpired leasehold term*
Express condition	*Downward 10%*	*The express condition for comparable 1 is industry use while the subject property is sugar cane*

(ii) Comparable 2

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 15%*	*Comparable 2 was transacted in 2019*
Location	*Downward 15%*	*Comparable 2 is located within the Kawasan Perindustrian Perlis, a more superior location than the subject property*
Size	*Downward 25%*	*Comparable 2 is smaller than the subject property*
Tenure	*Downward 3%*	*Comparable 2 has longer unexpired leasehold term*
Express condition	*Downward 10%*	*The express condition for comparable 2 is industry use while the subject property is sugar cane*

(iii) Comparable 3

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 3 was transacted in 2017*
Location	*Downward 15%*	*Comparable 3 is located within the Kawasan Perindustrian Perlis, a more superior location than the subject property*
Size	*Downward 25%*	*Comparable 3 is smaller than the subject property*
Tenure	*Downward 4%*	*Comparable 3 has longer unexpired leasehold term*
Express condition	*Downward 10%*	*The express condition for comparable 3 is industry use while the subject property is sugar cane*

(iv) Comparable 4

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 4 was transacted in 2018*
Location	*Downward 15%*	*Comparable 4 is located within the Kawasan Perindustrian PKNK, a more superior location than the subject property*
Size	*Downward 10%*	*Comparable 4 is smaller than the subject property*
Tenure	*Downward 37%*	*Comparable 4 is held under freehold interest*
Express condition	*Downward 10%*	*The express condition for comparable 4 is industry use while the subject property is sugar cane*

(v) Comparable 5

Adjustment factor	***Rate***	***Remarks***
*Time **	*Downward 5%*	*Comparable 5 was transacted in 2018*
Location	*Downward 25%*	*Comparable 5 is located within the Kawasan Perindustrian Sungai Petani, a more superior location than the subject property*
Size	*Downward 5%*	*Comparable 5 is slightly smaller than the subject property*
Tenure	*Upward 32%*	*Comparable 5 is held under leasehold interest with unexpired terms shorter than the subject property*
Express condition	*Downward 10%*	*The express condition for comparable 5 is industry use while the subject property is sugar cane*

* *the Independent Valuer had first made the downward adjustment for time to the land value before collectively adjust the other factors.*

Based on the comparable sales evidences above, the Independent Valuer had selected Comparable 1 as the best comparable as it was the latest transaction and has adopted the market value of RM7.00 per sq ft.

The market value of the Factory derived based on the replacement cost method and comparison method are set out below:

Method	***RM'million***
Replacement cost method – for the market value of the buildings	*10.04*
Comparison method – for the market value of the vacant industrial land	*12.32*
Total	***22.36***
Market value of the Factory adopted by the Independent Valuer	*22.30*

Taking into consideration the relevant factors, we are of the view that the assumption made by the Independent Valuer in respect of the comparable sale evidences above forms an integral part in the computation to derive at the market value and such assumptions are reasonable and consistent with valuations of such nature.

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Income approach

For the income approach which is used as a check, the Independent Valuer had analysed the gross rental per month for industrial premises located within Kedah. Based on the analysis on the gross rental per month of the nearby industrial premises, the Independent Valuer had adopted the market rent of RM0.68 per sq ft per month. We noted that the rate adopted falls within the range of the adjusted rental of nearby industrial premises, which is between RM0.64 to RM0.78 per sq ft per month.

The Independent Value had also adjusted the gross rental for the following factors in the valuation computation:

Adjustment factor	***Rate used***	***Remarks***
Outgoings, such as the annual rent, assessment and insurance premium	*14.47%*	*We noted that the outgoings are equivalent to the average outgoings incurred for the past 3 years*
Voids	*10.00%*	*Voids is adopted to reflect rental for voids vacancy period between rent, which may include higher incentive, fitting out periods and possibility of bad debts*
Yield	*6%*	*The Independent Valuer had adopted the yield of 6% based on the yields from industrial premises located in Kedah and Pulau Pinang, which ranges from 4.47% to 6.59%* *We have also compared the yield adopted against the yield of listed Real Estate Investment Trust involved in, amongst others, industrial properties ("**Industrial REITs**"). Based on our analysis, the 6% yield falls within the range of the yields of Industrial REITs of between 4.58% to 6.21%. (Source: Capital IQ and Bloomberg)*

Based on the above, we are of the view that the bases and assumptions made by the Independent Valuer, which forms an integral part in the computation of market value are reasonable and consistent with valuations of such nature.

Please refer to Appendix II of this Circular for the Valuation Certificates for further details on the valuation of Chuping Properties.

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6.3 SALIENT TERMS OF THE MSMP SSA

The Proposed Disposal is subject to the terms and conditions of the MSMP SSA, which we have reviewed in its entirety. The salient terms of the MSMP SSA, which are set out in Section 2.5 of Part A of this Circular, are summarised below together with our comments:

No.	Salient term	Our comments
1.	**Consideration** The Initial Disposal Consideration is RM175.0 million. The Final Disposal Consideration shall be determined by way of adjustment for Completion Net Working Capital and Completion Net Debt to the Reference Final Disposal Consideration.	As set out in Section 6.2 of this IAL, we are of the view that the Initial Disposal Consideration and the Final Disposal Consideration is fair.
2.	**Determination of Completion Net Debt and Completion Net Working Capital** FGVIF shall prepare a draft statement of Completion Net Debt and statement of Completion Net Working Capital within 30 days from the Completion Date. The statements shall be prepared based on the same accounting policies and practices adopted in preparing the audited consolidated financial statements of the MSM Perlis as at 31 December 2020, in accordance with MFRS applicable as at the Completion Date. In the event of a dispute of any items in each of such statements, FGVIF and the Company's representatives shall endeavour to resolve such dispute in the manner agreed to, failing which, the Company's representatives or FGVIF shall be entitled to refer the disputed items to the Independent Accountants. The Completion Net Debt, the Completion Net Working Capital and the Final Disposal Consideration shall be the relevant amount set out in the final Completion Net Debt statement and the final Completion Net Working Capital statement.	This term serves to ensure that: (i) due professional care has been taken to determine the Final Disposal Consideration; (ii) fair representation of the final Completion Net Debt and final Net Working Capital statements as at the last month of the Completion Date; and (iii) the statements are free from material misstatement and omission, in accordance with the applicable accounting standards. The term on the appointment of Independent Accountants is intended to protect the interest of the Company in the event of any dispute and provides an avenue for the dispute to be resolved in a fair and orderly manner. Accordingly, we are of the view that this term is fair, reasonable and not detrimental to the non-interested shareholders of the Company.
3.	**Carved Out Assets** MSM Perlis shall let out an area within the property of MSM Perlis to the Company without any charge or rental, to store the Carved Out Assets for a period of 6 months from the Completion Date or such other date as may be mutually agreed by the parties.	As part of the Restructuring Exercise, the Carved Out Assets will be disposed or transferred to other MSMH's subsidiary companies. The Carved Out Assets is currently located in the buildings located on the Chuping Properties. The term allows the Company to store the Carved Out Assets in the buildings located on the Chuping Properties for 6 months from the Completion Date is reasonable and favours the Company as: (i) there will be no rental or charge to keep the Carved Out Assets; and

No.	Salient term	Our comments
		(ii) allow reasonable time for the Company to transfer the Carved Out Assets to MSM Prai.
4.	**Payment terms** FGVIF shall pay the Final Disposal Consideration to the Company in the following manner: (i) 10% Deposit upon execution of the MSMP SSA of RM 17.5 million, which was received on 8 June 2021; (ii) 90% on Completion Date of RM 157.5 million; and (iii) if the Final Disposal Consideration: (a) exceeds the Initial Disposal Consideration, FGVIF shall pay us an amount equal to the Final Disposal Consideration less the sum of the Initial Disposal Consideration; or (b) is less than the Initial Disposal Consideration, we shall pay FGVIF an amount equal to the Initial Disposal Consideration less the sum of the Final Disposal Consideration, within 5 Business Days after the Final Disposal Consideration is determined.	The payment terms are in line with common commercial terms of other disposal transactions. The settlement of the differential balance between the Initial Disposal Consideration and the Final Disposal Consideration is reasonable to enable both parties to determine the adjustment required in relation to the final Completion Net Debt and final Completion Net Working Capital.
5.	**Conditions precedent** The Proposed Disposal is conditional upon satisfaction or waiver (as the case may be) of the following Conditions on or before 20 September 2021 or such other date as provided in the MSMP SSA or as may be mutually agreed between the parties: (i) the Shareholders' Approval; and (ii) the consent of third parties (if required).	This term is reasonable as the Shareholders' Approval is required to be in compliance with the Listing Requirements, which has to be obtained before the stipulated time to avoid the risk of the MSMP SSA being rescinded.
6.	**Completion** Completion shall take place on the 7th Business Day after all the Conditions have been satisfied or waived, unless otherwise varied by the parties in writing. The parties shall cooperate and work in good faith towards completion of the Proposed Disposal taking place no later than 29 September 2021 or such other date as may be mutually agreed by both parties.	These terms ensure that Completion takes place within 7 Business Days from the date of the Conditions are met, which provides reasonable time for the necessary procedures to be undertaken to give effect to the Completion.

<table>
<tr><th>No.</th><th>Salient term</th><th>Our comments</th></tr>
<tr><td>7.</td><td>Breach of obligations on Completion

If the Conditions are fulfilled, waived or deemed waived in accordance with the terms of the MSMP SSA, and Defaulting Party does not comply with its obligations on Completion Date, the non-defaulting party shall be entitled to terminate the MSMP SSA, fix a new Completion Date, or claim for specific performance against the Defaulting Party of its obligations.

If FGVIF elects to terminate the MSMP SSA due to a breach by the Company of its obligations on Completion, the Deposit shall be refunded to FGVIF and the Company shall also pay FGVIF the sum equivalent to the actual out-of-pocket expenses incurred by FGVIF not exceeding the amount of the Deposit.

On the other hand, if the Company elects to terminate the MSMP SSA due to breach by FGVIF of its obligations on Completion, the Deposit shall be forfeited in favour of the Company as agreed liquidated damages.</td><td>This term set out the entitlement by each party to terminate the MSMP SSA should any of the obligations cannot be met by the other party.

We noted that in the event that FGVIF does not comply with its obligations, the Deposit will be forfeited. Similarly, in the event that the Company does not comply with its obligations, the Deposit will be refunded to FGVIF together with the out-of-pocket expenses limited to the amount of Deposit.

We are of the view that these terms are reasonable and are favourable to the Company as no liquidated damages to be incurred if the Company does not comply with obligations to complete the Proposed Disposal other than out-of-pocket expenses.</td></tr>
<tr><td>8.</td><td>Termination

The MSMP SSA may be terminated prior to Completion only in the following circumstances:

(i) by mutual written agreement of the Company and FGVIF;

(ii) by the Company, in the event FGVIF does not comply with its obligations on the Completion Date; and

(iii) by FGVIF, in the event the Company does not comply with its obligations on the Completion Date.</td><td>This term governs certain events which may trigger the termination of the MSMP SSA by the Company, FGVIF or by mutual agreement by both.

We are of the view that these terms are reasonable as they are common terms for transactions and are not detrimental to the non-interested shareholders of the Company.</td></tr>
<tr><td>9.</td><td>Post-Completion Undertakings

(i) FGVIF

FGVIF undertakes, among others, to the Company (acting as trustee and agent for MSM Prai) that:

(a) it shall procure MSM Perlis to renew the sub-tenancy agreement dated 15 December 2020 between MSM Perlis and MSM Prai, subject to the Penang Port Commission’s approval, for the sublet of bulk cargo terminal at Pengkalan Kargo Pukal, Penang (“Tenanted Property”), for a further period of 3 years upon the expiry of the existing term on 14 December 2021; and</td><td>These terms set out the obligations of FGVIF and the Company after the Completion.

MSM Perlis had on 20 November 2017 entered into a lease agreement with Penang Port Commission for the lease of the Tenanted Property. Further, MSM Perlis had entered into a sub-tenancy agreement with MSM Prai on 15 December 2020, for MSM Perlis to sub-let the Tenanted Property to MSM Prai for a period of 12 months. MSM Prai is currently occupying the Tenanted Property for its storage of raw sugar.</td></tr>
</table>

No.	Salient term	Our comments
	(b) MSM Prai shall have an option to renew the sub-tenancy agreement for an additional 1 year thereafter. **(ii) MSMH** MSMH undertake to resolve the claim by JTG Perlis for the payment of rent for MSM Perlis' occupation of the 90.0976 hectares of State land adjacent to the land bearing title details HSD145, Daerah Chuping, Negeri Perlis from 2011 to Completion Date and to pay the settlement amount to the JTG Perlis, if the matter remains unresolved by the Completion Date.	Based on our enquiry with management of the Company, there is no additional premium on the monthly rental paid by MSM Prai to MSM Perlis on top of monthly rental between MSM Perlis and Penang Port Commission. MSM Prai will have an option to renew the sub-tenancy agreement for an additional period of 3 years from the expiry of the existing term. We are of the view that these terms are favourable to the Company and not detrimental to the non-interested shareholders of the Company as it allows MSM Prai to continue its operations without disrupting its business. Based on our enquiry with management of the Company, MSM Perlis received a letter in February 2019 from JTG Perlis stating the difference in the land size for the land bearing the title HSD 145, which is part of the Chuping Properties, where an additional 90.0976 Ha was included as part of the Chuping Properties. In total, MSM Perlis is occupying 1,118.000 Ha instead of 1,027.9024 Ha as stated in the land title. JTG Perlis had submitted a claim request of RM3.48 million to MSM Perlis for the payment of rental for occupying the additional land from July 2011 to January 2019. The amount equivalent to the claim has been fully provided for in MSM Perlis' financial statements for the FYE 31 December 2020 and accordingly reflected in the Reference Net Working Capital as at 31 December 2020 in determining the Reference Final Disposal Consideration. As at the LPD, management of the Company is in the process of appealing to JTG Perlis for the reduction in the claim amount to RM0.63 million, instead of RM3.48 million. If the reduction in the claim is successful prior to the Completion Date, the Completion Net Working Capital will be adjusted and the Final Disposal Consideration will be higher than the Reference Final Disposal Consideration. Based on the above, we are of the view that the term is reasonable and not detrimental to the non-interested shareholders of the Company.
10.	**Tax indemnities** The Company will indemnify FGVIF against any loss suffered or otherwise imposed on MSM Perlis after the Completion, if such loss arises from any fact or matter occurring or existing at any time prior to Completion with respect to any additional payment for customs duty and tax imposed by any tax authority on MSM Perlis for which MSM Perlis failed to pay, where: (i) such additional payment for customs duty and tax was due prior to Completion; or	Based on our inquiry with management of the Company, the tax audit by the Inland Revenue Board ("**IRB**") have been completed up to the year 2017. No tax audit has been conducted for the year assessment 2018, 2019, 2020 and up to the LPD. Nevertheless, the Company will indemnify FGVIF against any loss arising from additional payment for tax which was due prior to the Completion. The Company will also indemnify FGVIF against any additional payment for tax which could arises from revised assessment after Completion for the period prior to Completion.

No.	Salient term	Our comments
	(ii) such additional customs duty and tax arises from a revised assessment after Completion from a tax authority, which assessment was assessed and paid prior to Completion. Further, the Company will indemnify FGVIF against any additional customs duty and sales tax which is assessed by any tax authority on MSM Perlis for which MSM Perlis failed to pay to the extent they are in relation to the Carved Out Assets provided that such customs duty and sales tax arises from any fact or matter occurring or existing at any time prior to Completion.	As the tax matters could arise post-Completion may result in adverse financial consequences during the period when the entity is held by the Company, this term is acceptable as it is customary for the purchaser to request for indemnity. In addition to the corporate tax above, based on our enquiry with management of the Company, MSM Perlis was granted an import duty and sales tax exemption from the Royal Malaysian Customs Department for the acquisition of the Carved Out Assets, pursuant to the Customs Duties (Exemption) Order 2017 and Sales Tax (Persons Exempted From Payment Of Tax) Order 2018. In the event that the Carved Out Assets are disposed, sold or transferred, the Carved Out Assets will be subjected to import duty and sales tax, which will be borne by MSM Perlis. Pursuant to the Restructuring Exercise, the Carved Out Assets will be disposed or transferred to other MSMH's subsidiary companies. The Royal Malaysian Customs Department has made an assessment on the addititonal customs duty and sales tax in relation to the Carved Out Assets in their letters dated 12 August 2021, in which MSM Perlis will make a payment of RM274,585.84 to the Royal Malaysian Customs Department for the tax liabilities arising from the transfer of Carved Out Assets. The payment of tax above will reduce the cash balances in MSM Perlis, which in turn will increase the Completion Net Debt (net of cash balances) as at the Completion. As such, the Final Disposal Consideration will be adjusted for Completion Net Debt in the manner set out in Section 2.4.2 of Part A of this Circular. Consequently, the pro forma adjusted NA of MSM Perlis prior to the Completion will also be adjusted with the same amount of the tax payable. Based on the above, the payment of tax arising from the sale or transfer of the Carved Out Assets payable to the Royal Malaysian Customs Department will not have any impact to the premium of the Reference Final Disposal Consideration above the pro forma adjusted audited NA of MSM Perlis as at 31 December 2020 as illustrated in Table 2, Section 6.2.2 of this IAL. Based on the above, we are of the view that the term is reasonable and not detrimental to the non-interested shareholders of the Company.

Based on the salient terms of the MSMP SSA and our comments as set out above, we are of the view that the salient terms of the MSMP SSA as a whole are reasonable and not detrimental to the interest of non-interested shareholders of the Company.

6.4 OUTLOOK AND PROSPECTS OF THE GROUP AFTER THE PROPOSED DISPOSAL

We take note of the outlook and prospects of the Group as disclosed in Section 4 of Part A of the Circular. Apart from meeting domestic demand, the Company plans to grow its export segment to the Asia Pacific region which has an estimated refined sugar import demand of 4 million MT per annum.

With the prepayment of borrowings from the proceeds of the Proposed Disposal, the Group will benefit from finance cost savings of RM4.4 million per annum. The balance of the proceeds, which will be utilised for general capital expenditure, will enable the Group to enhance the reliability and yield in its sugar refineries as well as to support its raw sugar procurement to meet the growing production levels. The Company also plan to pursue the growth of its value-added segment, which includes liquid sugar, fine syrup and premix for the domestic and export market.

As a result of the capacity rationalisation, lowering the cost of distribution with effective market demarcation and economies of scale to maximise the utilisation of the Group's sugar refinery factories in Johor and Prai to the optimum level, it is expected that the production capacity and efficiency within the Group will increase to meet the expected continuing demand for sugar in the domestic market and the growing demand in the Asia Pacific region.

Based on the above, we are of the view that the outlook and prospects of the Group is favourable.

6.5 UTILISATION OF PROCEEDS

We note from Section 2.7 of Part A of this Circular that the Company intends to utilise the proceeds from the Proposed Disposal in the following manner:

Description	Amount	Expected timeframe for utilisation of proceeds from the Completion
	RM'000	
Prepayment of borrowings	100,000	within 3 months
General capital expenditure	50,000	within 18 months
General working capital	55,167	within 6 months
Estimated expenses for the Proposed Disposal	900	within 3 months
Total	**206,067**	

Prepayment of borrowings

The Company intends to utilise RM100.0 million or approximately 48.53% of the Reference Final Disposal Consideration to prepay its existing borrowings. Assuming such sums are paid immediately, the Group is expected to realise finance cost savings of up to RM4.4 million per annum based on the profit rate of approximately 4.36% per annum (1.86% (KLIBOR rate as at the LPD) + 2.50%).

As at the LPD, the total borrowings of the Group were approximately RM902.1 million. The prepayment of borrowings is expected to improve the pro forma gearing ratio of the Group as at 31 December 2020 from 0.41 times to 0.37 times after the Proposed Disposal. We note that the borrowings are expected to be repaid over a period of 3 months from the Completion. The proceeds from the Proposed Disposal used for prepayment of borrowings will also provide financial flexibility to the Group where internal generated funds allocated for prepayment of the said borrowings can now be redeploy to other business purposes such as the raw sugar procurement or the enhancement of existing refinery facility.

General capital expenditure

The Company intends to earmark RM50.0 million or approximately 24.26% of the Reference Final Disposal Consideration for general capital expenditure, which will comprise the following:

General capital expenditure	RM' million
Additional steam generation and distribution system	37.5
Melting, purification & curing system enhancement	11.0
Sugar process enhancement	1.5
Total	**50.0**

The RM37.5 million earmarked for the additional steam generation and distribution system is for the purpose of increasing reliability and availability of the full capacity of the refinery in MSM Johor while providing improvements on the steam distribution system to fit the requirements of sugar refining operations. This will enable the refinery in MSM Johor to always operate with 2 boilers with 1 boiler as backup and ease maintenance planning. This enhancement to the system is important to avoid disruption in the daily operations.

The Company also earmarked RM11.0 million for the melting, purification and curing system enhancement at its MSM Johor's sugar refinery. This enhancement is expected to contribute to the yield by producing additional refined sugar products, namely brown sugar and reduce spillages. Improvement in yield will result in higher productivity for the same amount of raw material (raw sugar) and will improve profits.

The RM1.5 million earmarked for sugar process enhancement will reduce down time, production loss in the refinery and is in line with MSM Johor production ramp up plan.

General working capital

We noted that the proceeds from the Proposed Disposal allocated for the general working capital will be fully utilised for raw sugar procurement, which will reduce the reliance on bank borrowings, hence saving any finance cost.

We note that the utilisation of the proceeds from the Proposed Disposal are primarily for the prepayment of the Group's borrowings, capital expenditure for system enhancement of its sugar refinery operations and purchase of raw sugar, which the outcome is expected to contribute positively to the Group's businesses.

6.6 RISK FACTORS

We have taken note of the risk factor associated with the Proposed Disposal as set out in Section 5 of Part A of this Circular.

We noted that the Proposed Disposal is subject to completion risk, whereby the completion of the Proposed Disposal is conditional upon the conditions as set out in Section 2.5.5 of Part A of this Circular being satisfied. The non-fulfilment of the conditions may result in the MSMP SSA being terminated. There is no assurance that the Proposed Disposal can be completed within the time period permitted under the MSMP SSA.

The completion risk is a customary risk in any similar transaction. Some of events triggering the non-completion of the Proposed Disposal are beyond the control of management of the Company. Nevertheless, we take note that the Board will take reasonable steps to ensure that the Conditions are met and will use its best endeavours to obtain all necessary approvals for the Proposed Disposal within the stipulated timeframe.

We wish to highlight to the non-interested shareholders of the Company that no assurance can be given that the risk factor above will not occur and adversely affect the Group.

6.7 EFFECTS OF THE PROPOSED DISPOSAL

In evaluating the Proposed Disposal, we have taken note of the effects of the Proposed Disposal as set out in Section 6 of Part A of this Circular.

No.	Effects	Affin Hwang IB's Comments
1.	Share capital and substantial shareholders' shareholdings	We noted that the Restructuring Exercise will not have any effect on the share capital and the substantial shareholders' shareholdings of the Company. The Proposed Disposal will not have any effect on the share capital and the substantial shareholders' shareholdings of the Company as the Proposed Disposal does not involve any issuance of new ordinary shares by the Company.
2.	Earnings and EPS	We noted that the Restructuring Exercise will not have any effect on the earnings and EPS of the Group. We also noted that the Proposed Disposal is expected to be completed by the 3rd quarter of 2021 and hence, the Group is expected to record a gain arising from the Proposed Disposal for the FYE 31 December 2021. For illustrative purposes, based on the audited financial statements of the Company as at 31 December 2020 and assuming that the Proposed Disposal was completed on 1 January 2020, the effects of the Proposed Disposal on the pro forma consolidated earnings and EPS of the Group is expected to: (a) improve the total comprehensive income attributable to the owners of the Company, from a loss of RM76.01 million to a profit of RM121.31 million; and (b) improve the earnings of the Group from loss per share of 10.13 sen to EPS of 17.26 sen.
3.	NA, NA per Share and gearing	We noted that the Restructuring Exercise will not have any effect on the Group's NA, NA per share and gearing ratio. The Proposed Disposal is expected to increase the pro forma consolidated NA of the Group as at 31 December 2020 from RM1.58 billion to RM1.67 billion. The pro forma NA per share of the Group as at 31 December 2020 is also expected to increase by 13 sen, from RM2.25 per share to RM2.38 per share. The Proposed Disposal will also improve the pro forma gearing ratio of the Group as at 31 December 2020, from 0.41 times to 0.37 times after the Proposed Disposal.

Based on the above, we are of the view that the effects of the Proposed Disposal are not detrimental of the non-interested shareholders of the Company.

7. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the terms of the Proposed Disposal and have set out our evaluation in Section 6 of this IAL, as summarised in the table below. Non-interested shareholders of the Company should consider the merits and demerits of the Proposed Disposal carefully based on all relevant and pertinent factors including those set out below together with the appendices and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Disposal.

No.	Section of evaluation	Comments
1.	**Rationale and benefits of the Proposed Disposal**	The Proposed Disposal will provide the Company with: (i) monetisation of non-core plantation business at an attractive offer; (ii) capacity rationalisation, which enables the Group to consolidate its sugar refining operations in MSM Johor; (iii) lower cost of distribution with effective market demarcation by optimisation of the Group's logistics and distribution costs; and (iv) economies of scale in the production, which improved the utilisation factor in MSM Johor in 2020 and is expected to optimise the Group's refining cost. We are of the view that the rationale and benefits of the Proposed Disposal are reasonable.
2.	**Initial Disposal Consideration, Reference Final Disposal Consideration and Final Disposal Consideration**	We are of the view that: (i) the rationale, financial effects and utlisation of proceeds arising from the Restructuring Exercise are reasonable; (ii) the Initial Disposal Consideration of RM175.0 million for the Proposed Disposal is fair as it represents a premium of RM9.2 million or 5.6% above the adjusted NBV of Chuping Properties as at 31 December 2020; (iii) the Reference Final Disposal Consideration of RM206.1 million for the Proposed Disposal is fair as it represents a premium of RM9.2 million or 4.7% above the pro forma adjusted audited NA of MSM Perlis as at 31 December 2020; (iv) the methodology of determining the Final Disposal Consideration is fair as it will reflect the latest RNAV of MSM Perlis as at the last day of the month of the Completion; and (v) the methods of valuation adopted by the Independent Valuer are reasonable and are consistent with generally applied valuation methodologies, and we are satisfied with the bases and assumptions used for the valuation of Chuping Properties.

No.	Section of evaluation	Comments
		In summary: (a) the Initial Disposal Consideration and Reference Final Disposal Consideration are fair as both represent premiums above the adjusted audited NBV of Chuping Properties and pro forma adjusted audited NA of MSM Perlis as at 31 December 2020, respectively; and (b) the determination of the Final Disposal Consideration is fair as it will reflect the RNAV of MSM Perlis as at the Completion.
3.	**Salient terms of the MSMP SSA**	Based on our review of the MSMP SSA in its entirety, we are of the view that the terms of the MSMP SSA as a whole are reasonable and are not detrimental to the non-interested shareholders of the Company.
4.	**Outlook and prospects of the Group after the Proposed Disposal**	As a result of the capacity rationalisation, lowering the cost of distribution with effective market demarcation and economies of scale to maximise the utilisation of the Group's sugar refinery factories in Johor and Prai to the optimum level, it is expected that the production capacity and efficiency within the Group will increase to meet the expected continuing demand for sugar in the domestic market and the growing demand in the Asia Pacific region. Based on the above, we are of the view that the outlook and prospects of the Group is favourable.
5.	**Utilisation of proceeds**	The proposed utilisation of proceeds from the Proposed Disposal are primarily for: (i) prepayment of the Group's borrowings; (ii) capital expenditure for system enhancement of its sugar refinery operations; and (iii) general working capital which includes the purchase of raw sugar. We are of the view that the expected outcome from the utilisation of proceeds arising from the Proposed Disposal earmarked for the above are expected to contribute positively to the Group's businesses.
6.	**Risk factors**	Although completion risk is a customary risk in any similar transaction and the Board will take reasonable steps to take necessary efforts to mitigate the risk, no assurance can be given that the risk will not occur. Nonetheless, we are of the view that the risk factor in relation to the Proposed Disposal can be managed and are not detrimental to the non-interested shareholders of the Company.

No.	Section of evaluation	Comments
7.	**Effects of the Proposed Disposal**	(i) The Restructuring Exercise will not have any effect on the share capital, substantial shareholders' shareholdings, earnings, EPS NA, NA per share and gearing ratio of the Company. (ii) The Proposed Disposal will not have any effect on the share capital and the substantial shareholders' shareholdings of the Company. (iii) Based on the audited financial statements of the Company as at 31 December 2020 and assuming that the Proposed Disposal was completed on 1 January 2020, the effects of the Proposed Disposal on the pro forma consolidated earnings and EPS of the Group is expected to: (a) improve the total comprehensive income attributable to the owners of the Company, from a loss of RM76.01 million to a profit of RM121.31 million; and (b) improve the earnings of the Group from loss per share of 10.13 sen to EPS of 17.26 sen. (iv) The pro forma consolidated audited NA of the Group as at 31 December 2020 is expected to increase from RM1.58 billion to RM1.67 billion. (v) The pro forma audited NA per share of the Group as at 31 December 2020 is expected to increase from RM2.25 per share to RM2.38 per share. (vi) The Proposed Disposal will also improve the pro forma gearing ratio of the Group as at 31 December 2020 from 0.41 times to 0.37 times.

After taking into consideration our overall assessment and evaluation of the Proposed Disposal based on the information available to us up to the LPD, we are of the view that the Proposed Disposal are **FAIR AND REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of the Company.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Disposal to be tabled at the forthcoming EGM.

Yours faithfully
for and on behalf of
AFFIN HWANG INVESTMENT BANK BERHAD

JOHAN HASHIM
Head
Corporate Finance

A. HISHAM MD HASHIM
Deputy Head
Corporate Finance

INFORMATION ON MSM PERLIS

1. DATE AND PLACE OF INCORPORATION

MSM Perlis was incorporated in Malaysia on 26 May 1971 as a private limited company, then known as Kilang Gula FELDA Perlis Sendirian Berhad. On 2 October 2014, it was subsequently renamed as MSM Perlis Sdn Bhd.

2. PRINCIPAL ACTIVITIES AND HISTORY OF BUSINESS

2.1 History

MSM Perlis was incorporated as part of the Perlis Sugar Project to diversify and develop Malaysia's agro-based industries. It was principally engaged in raw sugar refining, rubber and oil palm plantations with its principal place of business located at Mukim Chuping, 02500 Chuping, Perlis.

MSM Perlis' business commenced on 26 May 1971 whereby the first milestone achieved by MSM Perlis together with FELDA, was successfully establishing an integrated sugar mill with a sugar cane plantation and factory operations in Chuping, Perlis.

MSM Perlis discontinued the sugar cane plantation operations and started planting rubber trees (approximately 1,400 Ha of planted area), oil palm trees (approximately 106 Ha of planted area) and mango trees (approximately 22 Ha of planted area).

MSM Perlis stopped the plantation of rubber trees, oil palm trees and mango trees on 30 June 2019 as part of our Group's strategic decision to focus on its core business, which is sugar refining. However, MSM Perlis continues to provide minimal up keeping and maintenance to the plantation land.

The sugar refinery operations ceased on 30 June 2020 and the sugar refining activity was outsourced to MSM Prai via a tolling arrangement until January 2021. Under this arrangement, MSM Prai refines the raw sugar owned by MSM Perlis and in return charges a tolling fee.

2.2 Sugar production

MSM Perlis' sugar refinery factory is located at Lot 2039, Mukim Chuping, 02500, Chuping, Perlis and the built up area of the sugar refinery factory is approximately 264,704 square feet.

The raw sugar used in the refining process was mainly imported from Brazil and India and the refined sugar produced was sold to the domestic and export market.

The annual sugar production capacity and output of MSM Perlis for the past three (3) years are as follows:

	2018 MT	2019 MT	2020 MT
Annual production capacity	200,000	200,000	200,000
Annual production volume	142,860	142,782	32,340

The percentage of sales of sugar of MSM Perlis broken down between domestic and export is set out below:

	2018		2019		2020	
	MT	%	MT	%	MT	%
Domestic sales	342,107	77.6	398,093	84.7	56,639	30.2
Export sales	98,728	22.4	72,087	15.3	131,052	69.8

2.3 Rubber and oil palm production

MSM Perlis's rubber and oil palm plantation is located off Ulu Pauh – Padang Besar main trunk road, 02500 Kangar Perlis. It comprises eight (8) parcels of agricultural land, more particularly described in **Section 3** of this Appendix.

Rubber

No latex yield production record is available as there is no major tapping of the rubber trees carried out within the subject property. The cup lump being produced in Phase/Year 2011 are as follows:

Year	Weight (kg/wet)
2020	Nil
2019 (January to August)	20,623
2018	34,711
2017 (September to December)	11,555

Oil palm

The past fresh fruit bunches (FFB) yield production up for the past three (3) years is as follows:

Year of Planting	Yield (MT/Ha)		
	FYE 2018	FYE 2019	FYE 2020
2000	22.50	20.13	Nil
2011	24.53	22.80	Nil

INFORMATION ON MSM PERLIS (CONT'D)

3. TYPE OF ASSETS OWNED

The main assets to be owned by MSM Perlis upon Completion are the Chuping Properties.

The details of the Chuping Properties are set out below.

(i) 8 parcels of land in Chuping, Perlis

	Title Details	Category of Use	Existing Use	Area of Land[1]	Tenure	Express Conditions[2]	Restrictions in interest	Encumbrances
1.	PN 37, Lot 2040, Mukim Chuping, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)	Rubber, palm tree and mango tree plantation	523.9398 hectares	90-year lease ending 12 June 2061	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (9 conditions)	Nil	Nil
2.	PN 39, Lot 2035, Mukim Chuping, Bukit Merah, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)		1,268.1079 hectares	90-year lease ending 15 October 2061	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (12 conditions)	Nil	Nil
3.	PN 40, Lot 2038, Mukim Chuping, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)		288.8774 hectares	90-year lease ending 12 June 2061	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (12 conditions)	Nil	Nil
4.	PN 41, Lot 2041, Mukim Chuping, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)		92.2017 hectares	90-year lease ending 12 June 2061	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (9 conditions)	Nil	Nil

INFORMATION ON MSM PERLIS (CONT'D)

	Title Details	Category of Use	Existing Use	Area of Land[1]	Tenure	Express Conditions[2]	Restrictions in interest	Encumbrances
5.	PN 43, Lot 2037, Mukim Chuping, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)	Rubber, palm tree and mango tree plantation	277.1783 hectares	90-year lease ending 12 June 2061	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (12 conditions)	Nil	Nil
6.	PN 1755, Lot 18794, Mukim Chuping, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)		952.8000 hectares	90-year lease ending 12 June 2061	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (12 conditions)	Nil	Nil
7.	PN 1754, Lot 18795, Mukim Chuping, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)		10.1500 hectares	90-year lease ending 12 June 2061	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (12 conditions)	Nil	Nil
8.	HSD 145, PT 5726, Mukim Chuping, Daerah Perlis, Negeri Perlis	*Pertanian* (Agricultural)		1,027.8619 hectares	90-year lease ending 12 January 2062	*Ladang Tebu dan Tanaman Lain* (Sugar cane plantation and other plantation) (15 conditions)	Nil	Nil

[1] *This refers to the net land area having taken into consideration the land compulsorily acquired.*
[2] *The other express conditions not set out in detail herein are operational in nature.*

<table>
<tr><td>Existing use</td><td>Rubber and oil palm plantation known as "Ladang Chuping"</td></tr>
<tr><td>Age of the buildings</td><td>The buildings located on Ladang Chuping which include an agriculture complex, housing complex site and agriculture research division, kindergarten, canteen clinic and guard post are approximately 47 years old (built in the 1973)</td></tr>
<tr><td>Maturity of the trees</td><td>The age profile of the rubber trees and oil palm as at the date of the Valuation Report are as follows:
<table>
<tr><th rowspan="2">Year of Planting</th><th rowspan="2">Age</th><th colspan="2">Planted Area</th></tr>
<tr><th>Hectares</th><th>%</th></tr>
<tr><td colspan="4">Rubber</td></tr>
<tr><td>2011</td><td>10</td><td>36.80</td><td>2.43</td></tr>
<tr><td>2012</td><td>9</td><td>834.34</td><td>55.01</td></tr>
<tr><td>2013</td><td>8</td><td>402.29</td><td>26.52</td></tr>
<tr><td>2014</td><td>7</td><td>111.24</td><td>7.33</td></tr>
<tr><td>2015</td><td>6</td><td>26.27</td><td>1.73</td></tr>
<tr><td colspan="2">Sub-total</td><td>1,410.94</td><td>93.02</td></tr>
<tr><td colspan="4">Oil Palm</td></tr>
<tr><td>2000</td><td>21</td><td>5.88</td><td>0.39</td></tr>
<tr><td>2011</td><td>10</td><td>100.01</td><td>6.59</td></tr>
<tr><td colspan="2">Sub-total</td><td>105.89</td><td>6.98</td></tr>
<tr><td colspan="2">Total Planted Area</td><td>1,516.83</td><td>100.00</td></tr>
</table></td></tr>
<tr><td>Net book value</td><td><u>8 parcels of land</u>
RM78.63 million based on the audited accounts for the financial year ended 31 December 2020

<u>Building, infrastructure and office equipment</u>
RM3.02 million based on the audited accounts for the financial year ended 31 December 2020</td></tr>
<tr><td>Market value</td><td>RM173,000,000.00 based on the valuation ascribed by the Independent Valuer on 4 May 2021 (Reference Nos. VSJ21.337.03(A)). The valuation was carried out using the comparison approach as the main valuation methodology and the income approach (discounted cash flow) as the secondary approach and as a check on the market value.</td></tr>
<tr><td>Original cost of investment</td><td><u>8 parcels of land</u>
RM98.71 million

<u>Building, infrastructure and office equipment</u>
RM7.53 million</td></tr>
<tr><td>Date of acquisition</td><td>21 May 2011</td></tr>
</table>

INFORMATION ON MSM PERLIS (CONT'D)

(ii) 1 parcel of land with a research centre in Chuping, Perlis

Title Details	PN 1989, Lot 2454, Mukim Chuping, Daerah Perlis, Negeri Perlis
Category of Use	Agricultural
Area of Land	12.8100 hectares
Tenure	90-year lease ending 1 August 2072
Encumbrances	Nil
Express Conditions[3]	*Tapak Pusat Penyelidikan dan Percubaan Tebu dan Tanaman Lain* (Site for research and testing facility for sugar cane and other plantation) (3 conditions)
Restrictions in interest	This land cannot be charged, leased or transferred except with the consent of the Perlis State Executive Council
Existing use	Previously used as a research centre which consists of three (3) laboratory buildings, one generator room and four (4) staff quarters
Age of the buildings	Approximately 50 years old (built in the 1970s)
Net book value	RM0.24 million based on the audited accounts for the financial year ended 31 December 2020
Market value	RM1,400,000.00 based on the valuation ascribed by the Independent Valuer on 4 May 2021 (Reference Nos. VSJ21.337.03(B)). The valuation was carried out using the comparison approach as the only approach as there are sufficient sale evidence of agricultural land. The use of a second valuation approach is not applicable in this instance as the subject property is a parcel of agricultural land which is not planted with any cultivation and is non-income generating
Original cost of investment	RM0.28 million
Date of acquisition	21 May 2011

[3] *The other express conditions not set out in detail herein are operational in nature.*

INFORMATION ON MSM PERLIS (CONT'D)

(iii) 1 parcel of industrial land with a sugar refinery factory in Chuping, Perlis

Title Details	PN 38, Lot 2039, Mukim Chuping, Daerah Perlis, Negeri Perlis
Category of Use	*Perusahaan* (Industrial)
Area of Land	16.3525 hectares
Tenure	99-year lease ending 13 March 2071
Encumbrances	Nil
Express Conditions[4]	*Tapak Kilang Gula* (Sugar Factory Site) (8 conditions)
Restrictions in interest	This land cannot be transferred, subleased without the prior consent of the State Executive Council
Existing use	Previously used as a sugar refinery factory which has ceased operation since June 2020
Age of the buildings	Approximately 50 years old
Net book value	RM7.77 million based on the audited accounts for the financial year ended 31 December 2020
Market value	RM22,300,000.00 based on the valuation ascribed by the Independent Valuer on 4 May 2021 (Reference Nos. VSJ21.337.03(C)). The valuation was carried out using the cost approach as the main valuation methodology and the income approach (investment method) as the secondary approach and as a check on the market value
Original cost of investment	RM9.47 million
Date of acquisition	20 February 1972

[4] *The other express conditions not set out in detail herein are operational in nature.*

(iv) 1 parcel of land being the site of the tube-well in Chuping, Perlis

Title Details	PN 58, Lot 3142, Mukim Chuping, Daerah Perlis, Negeri Perlis
Category of Use	*Pertanian* (Agricultural)
Area of Land	28.7200 hectares
Tenure	90-year lease ending 12 June 2061
Encumbrances	Nil
Express Conditions[5]	*Ladang Tebu* (Sugar cane plantation) (9 conditions)
Restrictions in interest	Nil
Existing use	Used as a tubewell site to extract underground water and accommodates five (5) tubewell buildings, a standby pump house, a generator house and two (2) guard houses
Age of the buildings	Approximately 50 years old
Net book value	Nil[6] based on the audited accounts for the financial year ended 31 December 2020
Market value	RM2,550,000.00 based on the valuation ascribed by the Independent Valuer on 4 May 2021 (Reference Nos. VSJ21.337.03(D)). The valuation was carried out using the comparison approach as the only approach as there are sufficient sale evidence of agricultural land. The use of income approach is not applicable in this instance as the subject property is a parcel of agricultural land used as a tubewell site and is non-income generating
Original cost of investment	RM0.14 million
Date of acquisition	30 September 1977

[5] *The other express conditions not set out in detail herein are operational in nature.*
[6] *The net book value is nil due to impairments.*

4. SHARE CAPITAL

The issued share capital of MSM Perlis as at the LPD are as follows:

	No of Shares	Total (RM)
Ordinary shares	129,354,500	209,981,810
	129,354,500	209,981,810

5. SUBSTANTIAL SHAREHOLDER

MSM Perlis is a wholly-owned subsidiary of our Company.

6. DIRECTORS

As at the LPD, the directors of MSM Perlis are Syed Feizal Bin Syed Mohammad (*Malaysian*), Ab Aziz Bin Ismail (*Malaysian*) and Hasni Bin Ahmad (*Malaysian*). None of the directors of MSM Perlis have any direct and indirect shareholdings in MSM Perlis, as at the LPD.

7. SUBSIDIARY AND ASSOCIATE COMPANIES

As at the LPD, MSM Perlis does not have any subsidiaries or associated companies.

8. HISTORICAL FINANCIAL INFORMATION

A summary of the audited consolidated financial information of MSM Perlis for the past 3 FYEs 31 December 2018 to 2020 and the unaudited financial information of MSM Perlis for the 3-month financial period ended ("**FPE**") 31 March 2021 are set out below:

	Audited FYE 31 December			Unaudited FPE 31 March
	2018 (RM '000)	2019 (RM '000)	2020 (RM '000)	2021 (RM '000)
Revenue	1,001,135	942,368	405,281	14,384
Profit /(Loss) before tax	18,066	(127,995)	(24,637)	3,261
Profit/(Loss) from continuing operation	18,066	(109,955)	(25,445)	3,261
Loss from discontinuing operation	–	(12,629)	(75,906)	1,079
Profit/(Loss) after tax	18,066	(122,584)	(101,351)	4,340
Shareholders' funds				
NA/(Net liabilities)	158,906	36,323	(65,028)	(60,688)
No of shares (units)	37,354,500	37,354,500	37,354,500	37,354,500
NA/(Net liabilities) per share (RM)	4.25	0.97	(1.74)	(1.62)
Net earnings/(Loss) per share (RM)	0.48	(3.28)	(2.71)	0.12
Total borrowings[(1)]	307,169	249,216	33,229[(4)]	–
Gearing ratio (times)[(2)]	0.70	1.07	N/A	N/A
Current ratio (times)[(3)]	0.85	0.78	0.44	0.37
Paid up capital	117,982	117,982	117,982	117,982

Notes:

(1) *The total borrowings comprise short term borrowings, term loan owing to immediate holding company, lease liabilities, revolving credits owing to a related company and immediate holding company.*

(2) *Gearing ratio is the total borrowings divided by total capital.*

(3) *Current ratio is current assets over current liabilities.*

(4) *MSM Perlis ceased its operation of plantation division in 30 June 2019 and its operation of sugar refining division on 30 June 2020 hence the total borrowing reduced substantially from 2018 to 2020.*

Commentaries:

FYE 31 December 2018

The principal activities of MSM Perlis consist of raw sugar refining, and rubber, mango and oil palm plantations. There have been no significant changes in the nature of these activities during the financial year. MSM Perlis registered a profit after tax of RM18.1 million in 2018.

FYE 31 December 2019

The principal activities of MSM Perlis consist of raw sugar refining, and rubber, mango and oil palm plantations. There have been no significant changes in the nature of these activities during the financial year except the cessation of the operation of plantation division. MSM Perlis registered a loss after tax of RM122.6 million in 2019.

FYE 31 December 2020

The principal activities of MSM Perlis consist of raw sugar refining, and rubber, mango and oil palm plantations. The operation of plantation division has ceased during the previous financial year. There have been no significant changes in the nature of these activities during the financial year except for the cessation of the operation of raw sugar refining division. MSM Perlis registered a loss after tax of RM101.4 million in 2020.

FPE 31 March 2021

The principal activities of MSM Perlis consist of raw sugar refining, and rubber, mango and oil palm plantations. The operation of plantation division ceased during 2019 and the sugar refining division ceased in the previous financial year. The sugar refining activity was outsourced to MSM Prai via a tolling arrangement until January 2021. Under this arrangement, MSM Prai refines the raw sugar owned by MSM Perlis and in return charges a tolling fee. MSM Perlis registered a profit after tax of RM4.3 million for the 3-month FPE 31 March 2021 mainly from the sales of refined sugar from the balance inventory from the previous year.

There was no audit qualification on the audited financial statements of MSM Perlis for the FYEs 31 December 2018 to 2020.

MSM Perlis had not adopted any accounting policies which are peculiar to its business for the three (3) FYEs 31 December 2018 to 2020.

9. MATERIAL CONTRACTS

Save as disclosed below, MSM Perlis has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular:

(i) a sale and purchase agreement dated 8 October 2019 between MSM Perlis and F&N Agrivalley Sdn Bhd (formerly known as Rimba Perkasa Sdn Bhd) ("**F&N**") for the disposal of 9 parcels of leasehold agricultural lands known as "Ladang Chuping" totalling approximately 4,453.92 hectares registered under MSM Perlis to F&N for a total cash consideration of RM156.0 million only, subject to the terms and conditions therein. On 9 April 2020, MSM Perlis exercised its right to rescind the sale and purchase agreement since F&N has not fulfilled the first condition precedent by the expiry of the conditional period as well as the extended conditional period.

10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

As at the LPD, our Board is not aware of any material commitments contracted or known to be contracted by the MSM Perlis which may have a material impact on the financial position of MSM Perlis.

11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

MSM Perlis is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant and our Board has no knowledge of any proceedings pending or threatened against MSM Perlis or of any facts likely to give rise to any proceedings, which might materially affect the position or business of MSM Perlis.

Raine&Horne.

Raine & Horne International Zaki + Partners Sdn. Bhd.
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Telephone : +603-5631 9668
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Email : cc@rhizp.com.my

Our Reference : VSJ21.377.03(A-D)

Date : 21 May 2021

Board of Directors
MSM Perlis Sdn Bhd
Level 44, Menara Felda
Platinum Park, No. 11, Persiaran KLCC
50088 Kuala Lumpur

Dear Sirs

VALUATION CERTIFICATE OF:-

1) **A RUBBER AND OIL PALM PLANTATION KNOWN AS "LADANG CHUPING" COMPRISING EIGHT (8) PARCELS OF AGRICULTURE LAND IDENTIFIED AS PAJAKAN NEGERI 39, 43, 40, 37, 41, 1755, 1754 AND HSD 145, LOTS 2035, 2037, 2038, 2040, 2041, 18794, 18795 AND PT 5726, ALL LOCATED WITHIN MUKIM OF CHUPING, DISTRICT OF PERLIS, STATE OF PERLIS**
2) **A PARCEL OF AGRICULTURE LAND IDENTIFIED AS PAJAKAN NEGERI 1989, LOT 2454, MUKIM OF CHUPING, DISTRICT OF PERLIS, STATE OF PERLIS**
3) **AN INDUSTRIAL PREMISES IDENTIFIED AS PAJAKAN NEGERI 38, LOT 2039, MUKIM OF CHUPING, DISTRICT OF PERLIS, STATE OF PERLIS**
4) **A PARCEL OF AGRICULTURE LAND PRESENTLY USED AS A TUBEWELL SITE IDENTIFIED AS PAJAKAN NEGERI 58, LOT 3142, MUKIM OF CHUPING, DISTRICT OF PERLIS, STATE OF PERLIS**

This Valuation Certificate has been prepared for inclusion in the Circular to the Shareholders of MSM Malaysia Holdings Berhad's ("MSMH") pursuant to the Submission to Bursa Malaysia Securities Berhad in relation to a proposed disposal of MSMH entire equity interest held in MSM Perlis Sdn Bhd (MSMP") for an initial disposal consideration of RM175.0 million (subject to adjustment for net debt and net working capital at completion).

We are pleased to confirm that we have valued the subject properties vide our Valuation Reports bearing Reference Nos. VSJ21.337.03(A-D), dated 21 May 2021. The relevant date of valuation of the abovementioned properties is 4 May 2021.

The Valuation Certificate have been prepared in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers, Malaysia and with the necessary professional responsibility and due diligence.

Our basis of valuation is the **Market Value** which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

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In arriving at the Market Value of the Subject Properties, we have used the following methods of valuation:-

i) **Comparison Approach**

The **Comparison Approach** seeks to determine the value of the properties being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Where dissimilarities exist, adjustments are made.

ii) **Cost Approach**

The **Cost Approach** of Valuation seeks to determine the value of the property through the summation of the value components of the land and building(s). In determining the value of the land, the analysed apportionment value attributable to the land is adopted as described in the Comparison Method, whilst making do allowances to factors of location, plot size, accessibility and other relevant factors. In determining the value of the building(s), current estimates on construction costs to erect equivalent buildings are adopted. Appropriate adjustments are then made for factors of obsolescence and existing physical condition of the building(s).

iii) **Income Approach (Investment Method)**

The **Income Approach (Investment Method)** is used to determine the Market Value which is derived from the capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for voids and management fees.

iv) **Income Approach (Discounted Cash Flow)**

The **Income Approach (Discounted Cash Flow)** converts future amounts (eg. cash flows or income and expenses) to a single current (i.e. discounted) amount. When the income approach is used, the market value measurement reflects current market expectations about those future amounts.

This approach estimates the annual income accruing to the planted area based on yield and long term average price of the crop. The cost of production is deducted thereon and the resultant net income is capitalised at an appropriate rate of return for the remaining cropping life to arrive at the value of the existing crops in each phase (year of planting). At the end of the economic life of the cultivation, the subject property is reverted to basic land condition which comprises the unimproved land value plus value of buildings, road improvements and land for roads and buildings. The basic land value is thereon considered and is deferred (discounted) for the period.

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Valuation

The summary of the Market Value of the Subject Properties is as follows:

Reference Nos.	Properties	Market Value
VSJ21.337.03(A)	A Rubber And Oil Palm Plantation Known As "Ladang Chuping" Comprising Eight (8) Parcels Of Agriculture Land Identified As Pajakan Negeri 39, 43, 40, 37, 41, 1755, 1754 And HSD 145, Lots 2035, 2037, 2038, 2040, 2041, 18794, 18795 And PT 5726, All Located Within Mukim Of Chuping, District Of Perlis, State Of Perlis	RM173,000,000.00
VSJ21.337.03(B)	A Parcel Of Agriculture Land Identified As Pajakan Negeri 1989, Lot 2454, Mukim Of Chuping, District Of Perlis, State Of Perlis	RM1,400,000.00
VSJ21.337.03(C)	An Industrial Premises Identified As Pajakan Negeri 38, Lot 2039, Mukim Of Chuping, District Of Perlis, State Of Perlis	RM22,300,000.00
VSJ21.337.03(D)	A Parcel Of Agriculture Land Presently Used As A Tubewell Site Identified As Pajakan Negeri 58, Lot 3142, Mukim Of Chuping, District Of Perlis, State Of Perlis	RM2,550,000.00
Total		**RM199,250,000.00**

The attached **Schedules A, B, C** and **D** incorporate the summary of the valuation of the properties as extracted from the respective Valuation Reports.

Yours faithfully
RAINE & HORNE INTERNATIONAL ZAKI + PARTNERS SDN BHD

HO SEK CHUEN, MRICS FRISM
REGISTERED VALUER, V373

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Raine & Horne International Zaki + Partners Sdn. Bhd.

SCHEDULE A

1.0 PROPERTY DETAILS

a. Property Particulars

Pajakan Negeri 39, 43, 40, 37, 41, 1755, 1754 And HSD 145, Lots 2035, 2037, 2038, 2040, 2041, 18794, 18795 and PT 5726, all located within Mukim of Chuping, District of Perlis, State of Perlis.

b. Property Type

A rubber and oil palm plantation known as "Ladang Chuping" comprising eight (8) parcels of agriculture land. The rubber and oil palm plantation has ceased operation since 30 June 2019. In arriving at the Market Value of the subject property, we have adopted the Comparison Approach and Income Approach (Discounted Cash Flow). The basis of valuation in adopting the second approach, that is Income Approach (Discounted Cash Flow), is that the subject property will resume operation as a rubber and oil palm plantation.

c. Location

The subject property, known as 'Ladang Chuping' is located in Perlis, the northern-most State in Peninsular Malaysia. The subject property is also located near Padang Besar and sited on both (eastern/western) sides of the Ulu Pauh – Padang Besar main trunk road, travelling from the south towards the northern direction. It has a direct frontage onto the Ulu Pauh – Padang Besar main trunk road which is a metalled road. Properties in the immediate vicinity of the subject property are predominantly agriculture in character including agriculture smallholdings and plantations cultivated mainly with paddy, rubber trees, oil palm and orchard. Kangar town centre is located about 30 kilometres due south-west of the subject property whilst Padang Besar town is located about 7 kilometres due north. The development of Chuping Valley Industrial Area undertaken by Perlis State Government with cooperation of Northern Corridor Implementation Authority which covers a land area of about 1,215 hectares is located to the immediate north of the subject property.

d. Title Particulars

We have conducted official title check at the Perlis Land Registry on 4 May 2021, confirming the title particulars of the subject property as follows:-

Nos.	Title Nos.	Lot / PT Nos.	Title Area (Hectares)	Annual Rent (RM)
1	PN 39	Lot 2035	1,268.1079	90,043.00
2	PN 43	Lot 2037	277.1783	19,682.00
3	PN 40	Lot 2038	288.8774	20,512.00
4	PN 37	Lot 2040	542.7972	33,536.00
5	PN 41	Lot 2041	103.6563	5,908.00
6	PN 1755	Lot 18794	952.8	67,649.00
7	PN 1754	Lot 18795	10.15	704.00
8	HS(D) 145	PT 5726	1,027.9024	65,784.00

All the above titles are held under Mukim of Chuping, District of Perlis, State of Perlis.

Tenure : **<u>In Respect of Lot 2035</u>**
Leasehold interest for a term of 90 years, expiring on 15 October 2061.

<u>In respect of Lots 2037, 2038, 2040, 2041, 18794 & 18795</u>
Leasehold interest for a term of 90 years, expiring on 12 June 2061.

<u>In Respect of PT 5726</u>
Leasehold interest for a term of 90 years, expiring on 12 January 2062.

Category of Land Use : Agriculture in respect of all the titles.

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Registered Owner	:	**MSM PERLIS SDN BHD,** in respect of all the titles.
Express Condition	:	**In respect of all the titles**

Ladang Tebu dan Tanaman Lain.

1) Tanah yang dipajak ini hendaklah ditanam dengan tebu dan tanaman lain.
2) Pemajak hendaklah sebilang masa mengambil langkah-langkah untuk mencegah diatas tanah ini daripada hakisan tanah sebagaimana yang dihendaki oleh Pegawai Pertanian Negeri.
3) Penanaman diatas tanah ini yang dipajakkan ini hendaklah mengikut rancangan penanaman yang dipersetujukan oleh Pegawai Pertanian Negeri yang akan berkehendak menentukan iaitu tidak ada sebarangpun bahagian tanah tidak ditanam bagi tempoh lebih kurang dua tahun pada sebarang masa.
4) Tanah yang dipajakkan ini tidak boleh dibelah bahagi.
5) Pemajak hendaklah memajukan sebuah syarikat (Public Joint Stock Company) yang ditubuhkan di Malaysia bagi mempunyai dan mengerjakan tanah ini dan syarikat itu tidak boleh mempunyai modal asing lebih daripada 50%.
6) Tanah yang dipajak ini tidak boleh dipindahmilik, dipajakkan (sub-lease) melainkan dengan kebenaran Majlis Mesyuarat Kerajaan terlebih dahulu.
   (i) Pemajak hendaklah mengambil pekerja-pekerja dari semua peringkat sebanyak tidak kurang daripada 70% daripada penduduk-penduduk tetap negeri Perlis dan sekurang-kurangnya 50% daripada bilangan semua pekerja-pekerja pemajak hendaklah daripada orang-orang Melayu.
   (ii) Pekerja-pekerja untuk kerja-kerja yang berkehendakkan pengetahuan pengalaman atau kelulusan istimewa boleh diambil bekerja dengan syarat tidak ada penduduk-penduduk tetap Negeri Perlis yang berkelayakan seperti itu.
   (iii) Pemajak hendaklah memberi kenyataan - kenyataan atau maklumat - maklumat mengenai kedudukan pekerja-pekerjanya sepertimana dan pada mana-mana masa yang dikehendaki oleh Kerajaan.

Additional Express Condition in respect of all the titles except PT 5726

7) Pemajak hendaklah membayar dan menyempurnakan semua cukai-cukai bayaran cukai pintu dan apa jua bayaran yang dikenakan diatas tanah yang dipajakan ini atau sebahagian daripadanya samada bayaran itu dikenakan oleh sebarang Majlis Tempatan atau sebarang Pihak Yang Berkuasa.
8) Tidak kurang daripada 50% modal bekerja diatas tanah itu atau pekerjaan lain yang dikenakan diatas lease ini hendaklah selama-lamanya dipegang oleh rakyat persekutuan.

Additional Express Condition in respect of all the titles except Lots 2040, 2041 and PT 5726

9) Sebelum menjalankan kerja-kerja menanam semua kayu kayan (forest produce) yang ditentukan oleh Pegawai Hutan Negeri sebagai mempunyai nilaian pasaran hendaklah dipasarkan oleh pemajak mengikut Undang-undang Hutan Negeri Perlis 3/1370 dan peraturan-peraturan yang diperbuat dibawahnya.
10) Semua pekerja-pekerja di dalam kawasan-kawasan ini adalah dikehendaki terlebih dahulu mendapat kebenaran memasuki kawasan kawalan daripada Pejabat Jawatankuasa Keselamatan Sempadan; dan

11) Semua pekerja-pekerja di dalam kawasan-kawasan ini adalah tertakluk kepada sekatan-sekatan dan kawalan bekalan makanan apabila memasuki kawasan kawalan.

Additional Express Condition in respect of PT 5726

8) Sebelum menjalankan semua kerja-kerja menanam semua kayu kayan (forest produce) yang ditentukan oleh Pegawai Hutan Negeri sebagai mempunyai nilaian pasaran hendaklah dipasarkan oleh pemajak mengikut undang-undang Hutan Negeri Perlis dan peraturan-peraturan yang diperbuat di bawahnya.
9) Pemajak hendaklah membayar dan menyempurnakan semua cukai-cukai, bayaran cukai pintu dan apa jua bayaran di atas tanah yang dipajakkan ini atau sebahagian dari-padanya samada bayaran itu dikenakan oleh sebarang Majlis Tempatan atau sebahagian sebarang pihak yang berkuasa.
10) Tidak kurang daripada 50% modal bekerja diatas tanah ini atau pekerjaan-pekerjaan lain yang dikenakan diatas lease ini hendaklah selama-lamanya dipegang oleh rakyat Persekutuan.
11) Semua pekerja-pekerja didalam Kawasan ini adalah di-kehendaki mendapat kebenaran terlebih dahulu memasuki Kawasan Kawalan daripada Pejabat Jawatankuasa Keselamatan Sempadan; dan
12) Semua pekerja-pekera di dalam kawasan ini adalah ter-takluk kepada sekatan-sekatan dan kawalan bekalan makanan apabila memasuki Kawasan kawalan.
13) Pasukan Keselamatan berhak bergerak secara bebas dalam rancangan ini sekiranya diperlukan bagi kepentingan operasi atau keselamatan dan Pemajak tidak boleh menuntut apa-apa kerugian akibat pergerakan Pasukan-pasukan.
14) Pemajak hendaklah mengadakan Pegawai-pegawai Keselamatannya yang cukup untuk mengawasi kawasan rancangan yang diperluaskan ini.
15) Kawasan seluas tiga rantai hendaklah ditinggalkan sebagai simpanan diantara tanah ini dan sempadan Antara Bangsa Malaysia/Thai.

Restriction In Interest : Nil in respect of all the titles.

Encumbrance : Nil in respect of all the titles.

Endorsements : **In respect of Lot 2038**
"Permohonan Pecah Sempadan", registered on 1 October 1984.

In respect of Lot 2040
"Pengambilan Sebahagian Tanah – Borang K, seluas lebih kurang 18.8574 hektar dan cukai dipinda kepada RM33,530.00", gazetted on 21 November 2005.

"Permohonan Pecah Sempadan", registered on 1 October 1984.

In respect of Lot 2041
"Pengambilan Sebahagian Tanah – Borang K, seluas lebih kurang 11.4546 hektar dan cukai dipinda kepada RM5,952.00", registered on 21 November 2005.

In respect of PT 5726
"Pengambilan Sebahagian Tanah – Borang K, seluas lebih kurang 0 Ekar 0 Rood 16.0000 Pole", gazetted on 8 January 1984.

Note:-
The express condition in all the title states that the subject property is designated Ladang Tebu Dan Tanaman Lain. We are of the opinion that the express condition has no impact to the valuation as there is no restriction on the types of cultivation for the subject property.

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e. **Sites**

The eight (8) parcels of agriculture land are contiguous in nature and the site boundaries are not demarcated by any form of fencing. The sites are generally regular in shape and have a total net title land area (after deducting land acquisition) of about 4,441.1170 hectares (10,974.22 acres). The details of the net title land areas of the component lots are as follows:-

No.	Lot / PT Nos.	Title Area		Land Acquired	Net Title Land Area After Land Acquisition	
		Hectares	Acres	Hectares	Hectares	Acres
1	Lot 2035	1,268.1079	3,133.56	-	1,268.1079	3,133.56
2	Lot 2037	277.1783	684.92	-	277.1783	684.92
3	Lot 2038	288.8774	713.83	-	288.8774	713.83
4	Lot 2040	542.7972	1,341.28	18.8574	523.9398	1,294.68
5	Lot 2041	103.6563	256.14	11.4546	92.2017	227.84
6	Lot 18794	952.8000	2,354.51	-	952.8000	2,354.51
7	Lot 18795	10.1500	25.08	-	10.1500	25.08
8	PT 5726	1,027.9024	2,540.00	0.040468	1,027.8619	2,539.90
	Total	**4,471.4695**	**11,049.32**	**30.3525**	**4,441.1170**	**10,974.22**

Table 1: Net Title Land Area

Based on the Certified Plan (PA) Nos. 71567 to 71572 and 09-44918 issued by Jabatan Ukur Dan Pemetaan, Perlis, we note that final survey in respect of PT 5726 has been carried out and ascribed new surveyed lot number identified as Lot 2034 and having new surveyed land area of 1,118 hectares (2,762.63 acres). The total net surveyed land areas of the component lots are as follows:-

No.	PT/Lot Nos.	Surveyed Area		Land Acquired	Net Surveyed Area After Land Acquisition	
		Hectares	Acres	Hectares	Hectares	Acres
1	Lot 2035	1,268.1079	3,133.56	-	1,268.1079	3,133.56
2	Lot 2037	277.1783	684.92	-	277.1783	684.92
3	Lot 2038	288.8774	713.83	-	288.8774	713.83
4	Lot 2040	542.7972	1,341.28	18.8574	523.9398	1,294.68
5	Lot 2041	103.6563	256.14	11.4546	92.2017	227.84
6	Lot 18794	952.8000	2,354.42	-	952.8000	2,354.42
7	Lot 18795	10.1500	25.08	-	10.1500	25.08
8*	PT 5726 (Surveyed Lot 2034)	1,118.0000	2,762.63	-	1,118.0000	2,762.63
	Total	**4,561.5671**	**11,271.86**	**30.3525**	**4,531.2551**	**11,196.96**

Table 2: Net Surveyed Land Area

*For PT 5726 (Surveyed Lot 2034), we have not deducted the land acquisition area endorsed in the land title as we have based the area on the latest surveyed land area which we noted it to have excluded the land area acquired.

Lots 2040 and 2041 were partially acquired for the construction of the Ulu Pauh – Padang Besar main trunk road which was built in 2005/2006. This trunk road traverses the western portion of Lots 2040 and 2041. As a result of the land acquisition, Lots 2040 and 2041 are each severed into 2 portions respectively; the larger portions being sited to the east of the Ulu Pauh – Padang Besar main trunk road. The severance on Lots 2040 and 2041 has no impact to the Market Value of the subject property as it is located near the western boundary of the subject property and there is no restriction of access from Ulu Pauh – Padang Besar main trunk road to each portion of the land.

Notwithstanding the above, for the purpose of this valuation, we have adopted the net title land area (Table 1) to arrive at our opinion of value.

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f. **Hectarage Statement & Planting**

Area Statement	Hectares	Acres	%
Rubber			
i) Phase / Year 2011	36.80	90.93	0.83
ii) Phase / Year 2012	834.34	2,061.70	18.79
iii) Phase / Year 2013	402.29	994.08	9.06
iv) Phase / Year 2014	111.24	274.88	2.50
v) Phase / Year 2015	26.27	64.91	0.59
Sub-Total	**1,410.94**	**3,486.50**	**31.77**
Oil Palm			
i) Phase / Year 2000	5.88	14.53	0.13
ii) Phase / Year 2011	100.01	247.13	2.25
Sub-Total	**105.89**	**261.66**	**2.38**
Total Planted Area	**1,516.83**	**3,748.16**	**34.15**
Land cultivated with rubber trees and affected by fire	1,601.84	3,958.23	36.07
Land cultivated with mango, nursery and teak trees			
i) Mango	22.15	54.73	0.50
ii) Nursery	16.30	40.28	0.37
iii) Teak Tree	1.60	3.95	0.04
Sub-Total	**40.05**	**98.97**	**0.90**
Planted area			
i) Old Rubber	2.61	6.45	0.06
ii) Oil Palm (FASSB)	27.84	68.79	0.63
Sub-Total	**30.45**	**75.24**	**0.69**
Unplanted and vacant land	592.18	1,463.31	13.33
Buildings / Roads			
i) Housing Area	41.50	102.55	0.93
ii) Agriculture Office Area	16.31	40.30	0.37
iii) Kongsi	8.12	20.06	0.18
iv) Road	182.81	451.73	4.12
Sub-Total	**248.74**	**614.65**	**5.60**
Swamp, pond and others	386.75	955.68	8.71
i) TNB	24.28	60.00	0.55
Sub-Total	**411.03**	**1,015.68**	**9.26**
Total	**4,441.12**	**10,974.22**	**100**

Source: MSM Perlis Sdn Bhd

Based on the hectarage statement, we note that 31.77% of the land is planted with rubber trees and 2.38% is of oil palm. We also note 0.69% of the land has been cultivated with old rubber trees and oil palm (FASSB). We have been informed by the management that these rubber trees and oil palm (FASSB) are already old and therefore, we have valued this area as an improved land (basic land) and disregarded the cultivation.

We were informed by the management that there was a fire on the plantation in 2020 and early 2021 which burnt the rubber trees. The total land area which were previously cultivated with rubber trees and affected by fire is approximately 1,601.84 hectares (36.07% of net title land area). The remaining land area which is planted with rubber trees and unaffected by the fire is 1,410.94 hectares (31.77% of net title land area). Based on the latest survey by MSMP, we note that the area cultivated with rubber trees and affected by fire in 2021 is approximately 1,328.16 hectares whilst some of the areas have been regrown with rubber trees, wild vegetation, shrubs and bushes. Notwithstanding the above, we have adopted the area affected by the first fire in 2020 at 1,601.84 hectares and valued this area as improved land (basic land).

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g. **Age Profile**

The age profile of the rubber trees and oil palm is tabulated as follow:-

Year of Planting	Age	Planted Area		
		(Hectares)	(Acres)	%
Rubber				
2011	10	36.80	90.93	2.43%
2012	9	834.34	2,061.70	55.01%
2013	8	402.29	994.08	26.52%
2014	7	111.24	274.88	7.33%
2015	6	26.27	64.91	1.73%
Sub-Total		**1,410.94**	**3,486.50**	**93.02%**
Oil Palm				
2000	21	5.88	14.53	0.39%
2011	10	100.01	247.13	6.59%
Sub-Total		**105.89**	**261.66**	**6.98%**
Total Planted Area		**1,516.83**	**3,748.16**	**100.00%**

h. **Topography And Soil Series**

The topography in this part of northern Perlis is characterised by flat terrain to rolling relief with gentle slopes. We generally observe that there is no steepness in the terrain within the subject property except for a small portion at the eastern boundary which is hilly. There are some low-lying areas that had created the occurrence of swamps but these are not significant in terms of land size.

Based on information provided by the Client, we note that the soil series found in the subject property consist of Bukit Tuku, Sembrin, Medang, Jitra, Serdang, Nami, Kekura, Chuping, Nangka, Penambang, Pokok Sena, Dampar, Gong Chenak, Pedu, Terap, Napai, Langkawi, Kechor, Changloon, Serdang, Rasau and Nerang.

i. **Maintenance and Upkeep**

As at the date of our inspection, we note that the plantation is not well maintained. Based on the Planter's Adviser Report dated 10 September 2019 prepared by BR Dmas Enterprise and our enquiries with MSMP, we note that the upkeep of the plantation such as weeding, pruning and fertilizing has been stopped since early 2018 due to policy change by the management. The tapping of rubber trees and harvesting of oil palm have also not been carried out. We were also informed by the MSMP that the plantation has ceased operation since 30 June 2019. We also note that the networks of laterite roads within the plantation are not maintained but generally in motorable condition.

j. **Yield Profile**

Rubber

No latex yield production record is available as there is no major tapping of the rubber trees carried out within the subject property. Based on the information furnished to us by MSMP, we note that the cup lump is being produced on Phase / Year 2011 as follows:

Year	Weight (kg/wet)
2019 (January to August)	20,623
2018	34,711
2017 (September to December)	11,555

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Oil Palm

Based on the information furnished to us by MSMP, the past FFB yield production for Ladang Chuping up to 2019 is as follows:-

Year of Planting	Planted Area (Hectares)	Stand Per Hectare	Yield (MT/HA)				
			FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
2000	5.88	136	12.44	13.54	20.21	22.50	20.13
2011	100.01	140	5.86	10.73	21.84	24.53	22.80

The past yield levels recorded by the subject property are in tandem with the industry average. The yield levels of the mature palms ranged from 5.86 to 24.53 MT/ha which are also in tandem with the genetic potential of mature oil palm. We further note the yield for 2019 is 22.80 MT/ha. Based on the planter's report, the drop in yield is mainly caused by lack of fertiliser inputs and shortage of manpower.

k. Production Cost

The past production and harvesting costs for the subject property up to 31 December 2019 are shown as follows:-

Description	FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
Rubber Trees					
Upkeep and harvesting	0.00	0.00	RM128,056.47	RM344,982.67	RM1,023,520.57
General Estate	0.00	0.00	RM5,429.96	RM54,873.05	RM471,625.60
Workshop Overhead	0.00	0.00	RM2,641.78	RM34,938.04	RM209,412.82
Sub-Total	0.00	0.00	**RM136,128.21**	**RM434,793.76**	**RM1,704,558.99**
Oil Palm					
Upkeep, harvesting & transportation	RM362,466.28	RM437,246.36	RM527,952.53	RM510,343.20	RM405,031.91
General Estate	RM53,344.98	RM51,630.59	RM57,618.99	RM59,708.22	RM50,705.07
Workshop Overhead	RM36,549.36	RM33,554.77	RM31,272.14	RM31,849.67	RM22,514.24
Sub-Total	**RM452,360.62**	**RM522,431.72**	**RM616,843.66**	**RM601,901.09**	**RM478,251.22**
Total	**RM452,360.62**	**RM522,431.72**	**RM752,971.87**	**RM1,036,694.85**	**RM2,182,810.21**

(Source: MSMP)

We were informed by the Client that the production and harvesting costs of the plantation has increased FYE 2018 to FYE 2019 due to the increase in matured rubber area from 2018 to 2019. Likewise, maintenance, harvesting cost and estate overheads incurred and allocated to the mature area had also increased due to the increase in hectarage.

l. FFB Price And Oil Extraction Rate

The average FFB price and Oil Extraction Rate (OER) recorded by Ladang Chuping from 2015 to 2019 is as follows:

FYE 2015	FYE 2016	FYE 2017	FYE 2018	FYE 2019
FFB Price / MT (RM)				
RM327.96	RM438.40	RM473.17	RM380.75	RM338.73
Oil Extraction Rate (%)				
15.39	15.23	16.15	17.08	17.07

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m. Buildings

The subject property accommodates the following buildings:

Agriculture complex
Guard room, payroll office, chemical store, transit store, petrol station, canteen, general store, workshop – vehicle, workshop – tractor, fertilizer store, harvester workshop (3a), harvester workshop (3f), power house, agriculture office / laboratory, engine pump workshop, trailer workshop, implement workshop, harvester store and lubricant store. The total gross floor area of the buildings located within the agriculture complex is 60,739 square feet.

Staff Quarters in the Housing Complex
Single storey semi-detached house, single storey detached house, single storey low cost terrace house), multi purpose hall and guard house. The total gross floor area of the buildings located within the staff quarters in the housing complex is 275,253 square feet. Based on a letter issued by Majlis Perbandaran Kangar (MPK) bearing reference no. MPK.Ps.01/134 Jl 7(92) dated 23 February 2011, we noted that the local authority has no objection to the above-mentioned buildings which were built in early 1970s to be exempted from the requirement to have the Certificate of Fitness for Occupation (CFO). By virtue of this exemption to obtain the CFO, the above-mentioned buildings erected on the subject property are included in the valuation.

Agriculture Research Division (ARD) and Staff Quarters located at Lot 2040
Laboratory 1, ARD office, photoperiod house, store, biological control lab, computer room, laboratory 2, fertilizer store and chemical store, double storey staff quarters (Rumah Kongsi), kindergarten, canteen clinic and guard post. We were informed by MSMP, that the buildings located within the ARD were not in use and we noted they are in poor condition except for Laboratory 1 and ARD Office which are in fair condition. These buildings are built around 2002 and there is no exemption to obtain the CFO by MPK. As they are no approved building plans and CFO made available to us, we have therefore excluded the buildings located within the ARD from the valuation. We also note that the buildings located within the staff quarters at Lot 2040 are non-permanent structures made of timber frame and roofed over with asbestos / zinc on timber trusses. At the date of inspection, we were informed by MSMP that the buildings are presently not in use and we noted they were in dilapidated condition. Therefore, we have also excluded these non-permanent structures from the valuation.

2.0 METHODS OF VALUATION

In arriving at the Market Value of the subject property, we have used the **Comparison Approach** of valuation and as a check, the **Income Approach (Discounted Cash Flow)** of valuation.

3.0 COMPARISON APPROACH

The sales evidence used for the Comparison Approach is as follows:

Item	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property	PTD 4901, 26005 & 26006 and Lot 2836 & PTD 3796, All Within Mukim of Kahang, District of Kluang, Johor Darul Ta'zim	PT 510, 521 & 522, PT 166, PT 313, PT 345 and PT 259, All Within Mukim of Romping, District of Keratong, Pahang Darul Makmur	Lots 7258, 7280, 7281 & 10052 and Lot 11501, Mukim of Durian Sebatang, District of Hilir Perak, Perak Darul Ridzuan	PT 9576, Mukim of Bebar, District of Pekan, Pahang Darul Makmur
Source	Bursa Malaysia Announcement	Bursa Malaysia Announcement	Bursa Malaysia Announcement	Jabatan Penilaian Dan Perkhidmatan Harta (JPPH)
Locality	Located within the area known Kubah Estate, off Kluang - Mersing main road	Located fronting Jalan Cenderawasih, off Jalan Muadzam - Segamat	Located within the area known as Ladang Pinehill, Batu 6, Jalan Changkat Jong, Hilir Perak	Located off Jalan Pekan - Rompin, Jalan Muadzam - Segamat

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Item	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Tenure	Leasehold of 99 years expiring on 13 November 2093 for PTD 4901, 26005 & 26006 and 16 March 2086 for Lot 2386 & PTD 3796 (Unexpired term of about 73 and 66 years)	Leasehold of 99 years expiring on 18 June 2079 for PT 510, 521 & 522, 17 March 2070 for PT 166, 26 August 2072 for PT 313, 7 September 2074 for PT 345 & 12 November 2070 for PT 259 (Unexpired term of about 51, 53, 55 and 60 years)	Leasehold of 60 years expiring on 4 December 2035 for Lots 7258, 7280, 7281 & 10052 and 14 December 2032 for Lot 11501 (Unexpired term of about 17 and 14 years with approval for extension to 99 years)	Leasehold of 99 years expiring on 8 January 2111 (Unexpired term of about 93 years)
Age of Oil Palm	3 - 31 years	3 - 10 years	4 - 25 years	Young oil palm
Property Type	Agriculture (Oil Palm Plantation)	Agriculture (Oil Palm Plantation)	Agriculture (Oil Palm Plantation)	Agriculture (Oil Palm Plantation)
Land Area (hectares)	2,656.16	2,124.50	3,081.85	2,530.00
Land Area (acres)	6,563.52	5,249.75	7,615.41	6,251.76
Consideration	RM156,000,000.00	RM167,990,400.00	RM350,301,630.00	RM211,500,000.00
Vendor	KUB Agro Holdings Sdn Bhd	Harn Len Corporation Bhd	Pinehill Plantations (Malaysia) Sdn Bhd	Yayasan Pahang
Purchaser	Beradin Plantation Sdn Bhd	Far East Holdings Bhd	United Plantations Berhad	Perbadanan Kemajuan Pertanian Negeri Pahang
Date of Sale	16 June 2020	29 April 2019	21 September 2018	31 July 2018
Analysis (per hectare)	RM58,731	RM79,073	RM113,666	RM83,597
Adjustment Factors	Factors considered include time, location & accessibility, size, tenure, percentage of planted area, type and age of cultivation and terrain.			
Adjusted Value (per hectare)	**RM25,842**	**RM39,062**	**RM31,315**	**RM43,679**

We note that the large land plantations in Perak, Johor and Pahang with land area of 2,124 hectares to 3,082 hectares were transacted at RM58,731 per hectare to RM113,666 per hectare. Based on our investigations and analysis of transactions sourced from JPPH, we note that there were no transactions of agriculture land with an area of 8 hectares or more in the State of Perlis for the past three (3) years. In the valuation of Lots 2454 and 3142 that also belong to MSMP, we note that agriculture smallholdings with land areas of 1.58 hectares to 3.08 hectares were transacted at RM113,924 per hectare to RM241,573 per hectare. Notwithstanding the above, we are of the opinion that agriculture smallholdings of less than 8 hectares are not suitable to be used as comparables as they represent 0.18% of the total land area of the subject property.

As such, we have used the transactions of plantations which are located in Perak, Johor and Pahang. Under the Malaysian Valuation Standards, it is stated that where there is national market for the property, the Valuer may rely on market evidences in the national market. Hence, we are of the opinion that the comparables are suitable for the valuation of the subject property.

From the analysis, the range of adjusted land values is between RM25,842 per hectare to RM43,679 per hectare. We have adopted Comparable 2 as the best comparable as it has almost similar tenure as the subject property. Comparable 2 was adjusted to RM39,062 per hectare and as such we have rounded it to RM39,000 per hectare. The Market Value of the land using the Comparison Approach of RM39,000 per hectare is computed at RM173,000,000.00.

4.0 INCOME APPROACH (DISCOUNTED CASH FLOW)

The Income Approach (Discounted Cash Flow) is calculated for each phase/block and the summation of all the phases/blocks together with the other areas of the plantation would represent the Market Value of the subject property. The parameters adopted in the Income Approach (Discounted Cash Flow) are as follows:-

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4.1 Yield Profile

Rubber

Based on the Planter's Adviser Report dated 10 September 2019 prepared by BR Dmas Enterprise, the total cup lump production that can be achieved for the plantation is 31,574 wet/kg.

We have not used cup lump price as projection of income in the Income Approach as cup lump is lower in price compared to latex. It is also the industry practice to use latex price as projection of income in the Income Approach. The use of latex price will reflect the full income potential of the land as a rubber plantation and there is also availability of pertinent data published by Malaysian Rubber Board. For the purposes of this valuation, we have adopted a prudent yield profile that peak at 1,300 per kg/hectare in arriving at our Market Value.

For the rubber trees, since the plantation has no record of past yield, we have adopted the yield production profile based on information obtained from Malaysia Rubber Board and the Proceedings: Rubber Planters' Conference 2007 to derive at the appropriate production for each field. The yield data is shown below:

Planting Material	Year of tapping										Mean
	1	2	3	4	5	6	7	8	9	10	
RRIM 908	929	1089	1491	1506	1561	1358	1395	1431	1193	1055	1301
RRIM 911	928	1464	1859	1799	1735	1668	1769	1841	1655	1599	1632
RRIM 921	960	1209	1518	1570	1709	1527	1565	1686	1684	1448	1488
RRIM 928	1249	1593	1644	1953	1336	1631	1641	1834	-	-	1610
RRIM 929	1005	1225	1445	1585	1368	1503	1396	1796	-	-	1415
RRIM 936	1280	1800	2700	2670	2080	2690	2060	2220	2350	1610	2146
PB 260	1349	1641	1496	1569	1339	1841	1996	1886	1701	1124	1594
PB 350	1643	1552	1552	1898	1688	2191	2269	2102	-	-	1862
PB 355	723	1138	1146	1353	1241	1431	1403	1823	-	-	1282
PB 359	661	1083	1368	1507	1416	1499	1484	1538	-	-	1320
Average	**1070**	**1380**	**1620**	**1740**	**1550**	**1730**	**1700**	**1820**	**1720**	**1370**	-

(Source: Proceedings: Rubber Planters' Conference 2007)

Rubber trees generally first begin bearing latex about 5 years after planting in the field. However, when tapping begins, the yield is relatively low. Rubber trees usually give the maximum yield at about 12 to 13 years after planting or 6 to 7 years after the commencement of harvesting. Further, last 8 years of harvesting (i.e. before felling the tree) is generally intensified to maintain the yield at around 1,300 per kg/hectare. As the rubber trees begin to mature before felling, the yield decreases.

Oil Palm

Oil palm generally first begins bearing fruit about two and a half years after planting in the field. However, when harvesting begins, the yield is relatively low. The yield of young palms up to 9 years of age is typically 16 MT/ha. As the oil palm begins to mature, the yield increases and generally reaching peak production from year 10 to 20. The average yield of oil palm peak production is 24 MT/ha to 27 MT/ha. The yield will start decreasing from year 21 to 25. Production at this point is approximately 17 MT/ha to 19 MT/ha (Source: Prospectus of Initial Public Offering, Felda Global Ventures Holdings Berhad, 31 May 2012).

In projecting the yield of the FFB production, we have considered the historical production of the subject property and also benchmarked to industry level. We projected the yield of the subject property as follows:

Age of Palm (Years)	1 to 3	4 to 9	10 to 20	21 to 25
Production (Metric Tonne / Hectare)	0 to 3	7 to 17	18 to 27	17 to 20

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Based on our investigations and the Planter's Adviser Report, we note the low FFB yield and low collection of cup lump wet/kg are mainly caused by the following:

i) lack of fertiliser application.

ii) lack of close supervision during manuring to ensure fertilisers are applied with correct timing and placement methods to ensure minimum nutrient losses.

iii) lack of maintenance on the site improvements and operating environment. The accessibility in the fields was not well maintained. Hence, the crops were not properly harvested.

iv) the plantation also faced shortage of labour / tappers (harvesters) leading to low productivity and crop quality.

v) low operation and management cost allocated for the rubber trees and oil palm.

The yield can be improved by better agronomic practices such as more inputs of fertilisers and collection of latex and crops. The industry yield levels can be achieved with adequate input of fertilisers consistently carried out for the next two years. For sufficient replenishment, two applications of fertilisers per year are required to sustain good yield levels. In addition, the labour shortage issue must be resolved quickly so that more efficient tapping/harvesting and crop recovery from both the rubber trees and oil palms can contribute to higher yield.

Our valuation is also on the basis the current low yield will be normalised to industry levels after 2 years from the date of valuation. For the area planted with rubber trees, we have projected 30% and 70% of the standard yield for the first 2 years and normalise to the industry level after that. For the area planted with oil palm (Phase/Year 2011), we have discounted 10% and 5% for the first 2 years from the last yield achieved in 2019. Our valuation is also on the basis that there will be reasonable efforts at both the agronomic and management levels to commence tapping of rubber latex and improve the oil palm yield level respectively.

4.2 Life Span

We have adopted a life span of 25 years for the crop life.

4.3 Latex and Fresh Fruit Bunches ("FFB") Price

The average 5 years latex price is RM5.05 per kg. The average latex price is lower in 2018 and 2019 and slightly increased in 2020 & 2021 due to higher demand of latex in response to pandemic Covid-19.

Based on Peninsular Malaysia 5-year Crude Palm Oil and Palm Kernel Oil price published by Malaysian Palm Oil Board, the Long Term Average Price ("**LTAP**") is calculated at RM2,580/MT and RM1,970/MT respectively. The Oil Extraction Rate ("**OER**") and Kernel Extraction Rate ("**KER**") are adopted after analysing the Peninsular Malaysia 5-year average rates. Using the 5-year average OER of 19.94% and KER of 5.44%, we have arrived at the LTAP of FFB of RM535/MT.

4.4 Production Cost

The past production cost of the plantation is not used as the plantation was not in full operation and subsequently ceased operation in 2019. The production cost is based on the data obtained from our in-house data. We have also referred to the production cost adopted in the valuation of the following estates:-

Estate	Upkeep and Cultivation Cost	Harvesting and Transport Cost	General Charges	Source
Ladang Sg Kahang (Oil Palm Plantation)	RM1,730/ha	RM90/mt	RM1,200/ha	Circular to shareholders by KUB Malaysia Berhad dated 2 September 2020
Ladang Sg Yong (Oil Palm Plantation)	RM1,882/ha	RM110/mt	RM1,350/ha	Circular to shareholders by KUB Malaysia Berhad dated 2 September 2020
Lian Hup Estate (Oil Palm Plantation)	RM1,800/ha	RM80/mt	RM1,000/ha	Circular to shareholders by Harn Len Corporation Bhd dated 29 July 2019

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Based on the above comparables, we have adopted the following production cost:-

i) **General Charges**
The General Charges are adopted at RM1,000 per hectare.

ii) **Harvesting and Transport Cost**
The Harvesting Cost is adopted at RM1.50/kg for rubber and RM60/MT for oil palm.

For rubber, we have further noted that our Client had outsourced the Harvesting and Transport Cost. However, we were informed by our Client that the cost is in the range of RM1.30/kg to RM1.70/kg. We have made verbal enquiries with a rubber factory in Teloi, Kedah that the harvesting and transport cost is also in the range from RM1.30/kg to RM1.70/kg. Based on the above and our check with an experienced rubber plantation manager, we have adopted the average Harvesting and Transport Cost of RM1.50/kg.

iii) **Upkeep and Cultivation Cost**
The Upkeep and Cultivation Cost is adopted at a lower cost at RM1,600/ha as the subject property has a flat terrain and easy access to the main road. We have increased the Upkeep and Cultivation Cost for the rubber trees and oil palm (for phase/year 2011) for the first 2 years by 30% to cover the rehabilitation cost. The Upkeep and Cultivation Cost is reduced by RM1,000/ha towards the end of the life cycle of the rubber trees and oil palm at age 24 and 25 as most plantation management will practise stopping or reducing the amount of fertiliser used on the fields.

4.5 Net Income

The net income is derived from the Gross Income less Production Cost over the remaining life span of the rubber trees and oil palm.

4.6 Discount Rate

Having considered the risks such as commodity price fluctuation, weather, pests, diseases and labour issues associated in plantations and also comparing with other forms of real estate yields, we have adopted a discount rate of 8.5% to the net income of the rubber and oil palm cultivation for the subject property.

The discount rate for the present value of the reversionary basic land value is adopted at 3.0% which is less than the above discount rate. This is in consideration of the lower risk associated with the basic land value as it is not subject to the generation of cash flow from the rubber and oil palm cultivation. Other factors such as leasehold titles and scarcity of large plantation land are considered in the adoption of the discount rate.

4.7 Basic Land Value

At the end of the life span of the rubber and oil palm, the land is reverted to the basic land value which comprises the unimproved land value plus value of buildings, road improvements and land for road and building. The value to the buildings and site improvements is calculated using the Cost Approach and with reference to the Construction Cost Handbook Malaysia 2020 (Source: JUBM Sdn Bhd and Arcadis Projeks Sdn Bhd). Depreciation is adopted at 1.66% per annum for reinforced concrete frame structures.

The unplanted areas plus the burnt area as well as land cultivated with mango, teak trees, nursery, old rubber trees and oil palm under FASSB are adopted from the basic land value (improved land) (per hectare basis). For the swamp, pond and others we have adopted unimproved land value (bare land) (per hectare basis).

The unimproved land value is derived from the sale transactions of vacant agricultural land using the Comparison Approach. The comparables used in arriving at the basic land value under the Income Approach (Discounted Cash Flow) is as follows:

VALUATION CERTIFICATES IN RESPECT OF THE CHUPING PROPERTIES (CONT'D)

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Item	Comparable 1	Comparable 2	Comparable 3	Comparable 4
Property	PT 143183, Mukim of Kuala Kuantan, District of Kuantan, Pahang	Lot 38250, Mukim of Keratong, District of Rompin, Pahang	PT 5087, Mukim of Pontian, District of Rompin, Pahang	PT 24385, Mukim of Teja, District of Kampar, Perak
Source	JPPH	JPPH	JPPH	JPPH
Locality	Located off Lebuhraya Pantai Timur	Located off Jalan Perwira Jaya - Selancar	Located off Jalan Felda Seledang - Rompin	Located off Jalan Cameron - Brinchang
Tenure	Leasehold of 99 years expiring on 31/7/2117 (Unexpired term of about 98 years)	Leasehold of 99 years expiring on 15 April 2118 (Unexpired term of about 99 years)	Leasehold of 99 years expiring on 8 March 2117 (Unexpired term of about 99 years)	Leasehold of 99 years expiring on 19 December 2118 (Unexpired term of about 99 years)
Property Type	Vacant agriculture land	Vacant agriculture land	Vacant agriculture land	Vacant agriculture land
Land Area (hectares)	210.6	854.20	121.41	202.34
Land Area (acres)	520.40	2,110.77	300.01	499.99
Consideration	RM3,160,200	RM42,202,720	RM4,750,000	RM38,500,000
Vendor	Perbadanan Setiausaha Kerajaan Pahang	Asyadihan Plantations Sdn Bhd	Pahang FC Sdn Bhd	Perbadanan Kemajuan Negeri Perak
Purchaser	Mahkota Gold & Country Club Sdn Bhd	Perfect Goldtree Sdn Bhd	Adat Bersatu Sdn Bhd	Taman Tasik Harta Sdn Bhd
Date of Sale	29 November 2019	Recorded 11 September 2017 Registered 16 January 2020	18 July 2017	30 August 2019
Analysis (per hectare)	RM15,006	RM49,406	RM39,124	RM190,274
Adjustment Factors	Factors considered include time, location & accessibility, size and tenure.			
Adjusted Value (per hectare)	**RM6,272**	**RM32,386**	**RM18,212**	**RM43,382**

We note that the large land parcels of vacant agriculture land (unimproved) in Perak and Pahang with land area of 121 hectares to 854 hectares were transacted at RM15,006 per hectare to RM190,274 per hectare. Based on our investigations and analysis of transactions sourced from JPPH, we note that there were no transactions of agriculture land with an area of 8 hectares or more in the State of Perlis for the past three (3) years. Notwithstanding the above, we are of the opinion that agriculture smallholdings of less than 8 hectares are not suitable to be used as comparables as they represent 0.18% of the total land area of the subject property. As such, we have used the transactions of vacant agricultural land which are located in Perak and Pahang.

We have adopted Comparable 2 as the best comparable as it has the least adjustment. After considering all the above adjustments, we have adopted the unimproved land value (bare land) at RM32,400 per hectare.

The Market Value derived from Income Approach (Discounted Cash Flow) is RM173,000,000.00.

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5.0 MARKET VALUE

The summary of the Market Values derived from Comparison Approach and Income Approach (Discounted Cash Flow) is as follows:

Valuation Approach	Market Value
Comparison Approach	RM173,000,000.00
Income Approach (Discounted Cash Flow)	RM173,000,000.00

We have adopted the Market Value of RM173,000,000.00 derived from the Comparison Approach as the main approach in the valuation of the subject property. There is also sufficient data on transactions to provide a fair representation of the Market Value of the subject property using this approach.

The Income Approach (Discounted Cash Flow) is the secondary approach and used as a check on the Market Value. However, this approach is subjective since the subject property has ceased operation and the basis of valuation in adopting the second approach is that the subject property will resume operation as a rubber and oil palm plantation.

Our opinion of the Market Value of the unexpired leasehold interests of about 40 years and 41 years in a rubber and oil palm plantation comprising eight (8) parcels of agriculture land identified as Lots 2035, 2037, 2038, 2040, 2041, 18794, 18795 and PT 5726, all located within Mukim of Chuping, District of Perlis, State of Perlis, on the basis the titles are free from all encumbrances and with vacant possession is **Ringgit Malaysia One Hundred And Seventy Three Million Only (RM173,000,000.00).**

The Market Value opinion is analysed over the land area of 4,441.12 hectares at **RM38,954 per hectare.**

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SCHEDULE B

1.0 PROPERTY DETAILS

a. Property Particulars

Lot 2454, Mukim of Chuping, District of Perlis, State of Perlis.

b. Property Type

A parcel of agriculture land.

c. Location

The subject property is located in Perlis, the northern-most State in Peninsular Malaysia. The subject property is located approximately 10 kilometres to the west of the "Ladang Chuping" and situated within a locality known as Bilal Udoh. It is sited on the right (eastern) side of Kg. Kubang Tiga – Kg. Bukit Jerneh main road travelling from Kangar towards Padang Besar. Kg. Kubang Tiga – Kg. Bukit Jerneh main road is linked to Bukit Keteri – Padang Besar main road, all being well maintained metalled roads. Properties in the immediate vicinity of the subject property are predominantly agriculture in character including agriculture smallholdings and plantations cultivated mainly with oil palm and rubber trees, paddy fields as well as kampong type dwellings.

d. Title Particulars

The brief title particulars of the subject property are as follow:-

Lot No.	:	Lot 2454, Mukim of Chuping, District of Perlis, State of Perlis.
Title No.	:	Pajakan Negeri 1989.
Tenure	:	Leasehold interest for a term of 90 years expiring on 1 August 2072.
Category of Land Use	:	Agriculture.
Title Area	:	12.81 hectares.
Annual Rent	:	RM826.00.
Registered Owner	:	MSM PERLIS SDN BHD.
Express Condition	:	Tapak Pusat Penyelidikan dan Percubaan Tebu dan Tanaman Lain. i) Tanah yang dipajakkan ini hendaklah diguna khas untuk penyelidikan dan percubaan tebu dan tanaman lain. ii) Pemajak hendaklah sebilang masa mengambil langkah untuk mencegah di atas tanah ini daripada hakisan tanah sebagaimana yang dikehendaki oleh Pengarah Pertanian Negeri. iii) Tanah yang dipajakkan ini tidak boleh dibelah bahagi.
Restriction-In-Interest	:	Tanah ini tidak boleh dicagar, dipajak atau dipindahmilik melainkan dengan kebenaran Majlis Mesyuarat Kerajaan Perlis.
Encumbrance	:	Nil.

Note:-
The express condition in the title states that the subject property is designated Tapak Pusat Penyelidikan dan Percubaan Tebu dan Tanaman Lain. We are of the opinion that the express condition has no impact to the valuation as there is no restriction on the types of cultivation for the subject property.

e. Description Of The Subject Property

The subject property comprises a parcel of agriculture land which is regular in shape and has a title land area of 12.81 hectares (31.65 acres). The subject property has a frontage of about 519.55 metres (158.36 feet) onto the Kg. Kubang Tiga – Kg. Bukit Jerneh main road along the western boundary whilst other site boundaries adjoin the neighbouring lots.

The land is generally flat in terrain and lies about the same level as the Kg. Kubang Tiga – Kg. Bukit Jerneh main road. The site boundaries are generally demarcated by chainlink fencing and the entrance is secured by a pair of metal gates mounted onto metal posts.

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We note that the eastern portion of the subject site is erected with three (3) laboratory buildings, one generator room and four (4) staff quarters which are of semi-permanent construction.

The above-mentioned semi-permanent buildings were previously used as a research centre for Ladang Chuping which also belongs to our Client. The buildings are presently not in use and generally in dilapidated condition. We have excluded the buildings from the valuation as they consist of old buildings which were built in 1970s.

Internal roads within the site are of motorable gravel and laterite roads which are fairly well maintained. At the date of our inspection, we note that the remainder of the subject site is overgrown with wild trees, shrubs and bushes and covered with light undergrowth.

f. Planning Details

Our enquiries with the Jabatan Perancang Bandar dan Desa Negeri Perlis revealed that the subject property is zoned for agriculture use.

2.0 METHOD OF VALUATION

We have used the **Comparison Approach** as the only approach in our valuation as there are sufficient sale evidences of agriculture land. Accordingly, the use of a second valuation approach is not applicable in this instance as the subject property is a parcel of agriculture land which is not planted with any cultivation and is non-income generating.

3.0 COMPARISON APPROACH

The sales evidence used for the Comparison Approach is as follows:

Item	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Property	Lot 1429, Mukim of Titi Tinggi, District of Perlis, State of Perlis	Lot 1761, Mukim of Chuping, District of Perlis, State of Perlis	Lot 1991, Mukim of Chuping, District of Perlis, State of Perlis	Lot 1464, Mukim of Titi Tinggi, District of Perlis, State of Perlis	Lots 901 & 903, Mukim of Beseri, District of Perlis, State of Perlis
Source	JPPH	JPPH	JPPH	JPPH	JPPH
Locality	Located along Mile 17, Jalan Padang Besar	Located off Jalan Kubang Tiga, Bukit Kerengga	Located along Jalan Batu Bertangkup, Kubang Tiga	Located along Jalan Padang Besar	Located off Jalan Beseri - Bukit Keteri, Tunjong
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Town Planning	Agriculture use	Agriculture use	Agriculture use	Agriculture use	Agriculture use
Property Type	A parcel of agriculture land	A parcel of agriculture land	A parcel of agriculture land	A parcel of agriculture land	Two (2) adjoining parcels of agriculture land
Land Area (hectares)	1.78	1.58	1.89	3.08	3.01
Consideration	RM430,000.00	RM180,000.00	RM350,000.00	RM630,000.00	RM480,000.00
Vendor	Era Mahamaju Sdn Bhd	Cheah Tian Loon	Nordiyah Binti AB Razak	Book Sow Yen	Ismail Bin Mohd Rhouse
Purchaser	Lai Along	Yap Boon Chai	Tan Aik Ang	Kam Siang Chee	Prakash A/L Ramachandran
Date of Sale	17 September 2020	8 May 2019	26 March 2019	17 January 2019	11 December 2018
Analysed Land Value (per hectare)	RM241,573	RM113,924	RM185,185	RM204,545	RM159,468
Adjustment Factors	Factors considered include time, location, size, tenure and shape				
Adjusted Land Value (per hectare)	RM110,295	RM71,059	RM80,322	RM117,867	RM107,042

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4.0 RECONCILIATION OF MARKET VALUE

From the analysis, the adjusted land values range from RM71,059 per hectare to RM117,867 per hectare. We have adopted Comparable 5 as it is located near to the subject property and has the least adjustments. Based on the adjusted land value of Comparable 5 at RM107,042 per hectare, we have adopted the Market Value of the subject property at RM107,100 per hectare.

5.0 MARKET VALUE

Our opinion of the Market Value of the unexpired leasehold interest of about 51 years in a parcel of agriculture land identified as Lot 2454, Mukim of Chuping, District of Perlis, State of Perlis, on the basis the title is free from all encumbrances and with vacant possession is **Ringgit Malaysia One Million And Four Hundred Thousand Only (RM1,400,000.00).**

The Market Value opinion is analysed over the land area of 12.81 hectares at **RM109,289 per hectare.**

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SCHEDULE C

1.0 PROPERTY DETAILS

a. Property Particulars

Pajakan Negeri 38, Lot 2039, Mukim Of Chuping, District Of Perlis, State Of Perlis.

b. Property Type

An industrial premises.

c. Location

The subject property is located near Padang Besar, Perlis and sited on the right (eastern) side of the Ulu Pauh – Padang Besar main trunk road, travelling from Changlun-Kuala Perlis Highway and Ulu Pauh towards Padang Besar. The subject property is sited in northern Perlis and close to the Malaysia-Thailand border. Properties in the immediate vicinity of the subject property are predominantly agricultural in character including agricultural smallholdings and plantations cultivated mainly with paddy, rubber trees, oil palm and fruit trees.

The subject property is accessible from Ulu Pauh – Padang Besar trunk road via Jalan Kilang Gula which leads to the subject property. Jalan Kilang Gula is a metalled road access that traversed within the adjoining Lot 2040 which forms part of Ladang Chuping that also belongs to our client, MSM Perlis Sdn Bhd. Our valuation is on the basis road access to the subject property is available via the adjoining Lot 2040 by our Client.

Kangar town centre is located about 30 kilometres due south-west of the subject property whilst Padang Besar town is located about 7 kilometres due north. The development of Chuping Valley Industrial Area undertaken by Perlis State Government with cooperation of Northern Corridor Implementation Authority which covers a land area of about 1,215 hectares is located to the immediate north of the subject property.

d. Title Particulars

The title particulars of the subject property are as follow:-

Title No.	:	Pajakan Negeri 38.
Lot No.	:	Lot 2039, Locality of Kampong Baru, Mukim of Chuping, District and State of Perlis.
Land Area	:	16.3525 hectares.
Tenure	:	Leasehold interest for a term of 99 years, expiring on 13 March 2071.
Annual Rent	:	RM125,972.00.
Category of Land Use	:	Perusahaan.
Registered Owner	:	**MSM PERLIS SDN BHD.**
Express Condition	:	Tapak Kilang Gula 1) Pemajak hendaklah didalam tempoh dua tahun daripada tarikh pajakan ini didaftarkan mendirikan Kilang Gula diatas tanah ini. 2) Pemajak hendaklah membayar dan menyempurnakan semua cukai-cukai, bayaran cukai pintu dan apa-apa jua bayaran yang dikenakan diatas tanah yang dipajakan ini atau sebahagian daripadanya samada bayaran itu dikenakan oleh sebarang Majlis Tempatan atau sebarang pihak yang berkuasa. 3) Tanah yang dipajakan ini tidak boleh dibelah bahagi. 4) Pemajak hendaklah memajukan sebuah Syarikat (Public Joint Company) yang ditubuhkan di Malaysia bagi mempunyai dan mengerjakan tanah ini dan Syarikat itu tidak boleh mempunyai modal asing lebih daripada 50%.

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5) (i) Pemajak hendaklah mengambil pekerja-pekerja daripada semua peringkat sebanyak tidak kurang daripada 70 daripada penduduk-penduduk tetap Negeri Perlis dan sekurang-kurangnya 50% daripada jumlah bilangan semua pekerja-pekerja pemajak hendaklah daripada orang Melayu.
(ii) Pekerja-pekerja untuk kerja-kerja yang berkehendakkan pengetahuan, pengalaman atau kelulusan istimewa boleh diambil bekerja dengan syarat tidak ada penduduk-penduduk tetap Negeri Perlis yang berkelayakan seperti itu.
(iii) Pemajak hendaklah memberi kenyataan-kenyataan dan maklumat-maklumat mengenai kedudukan pekarja-pekerjanya sepertimana dan pada mana-mana masa yang dikehendaki oleh Kerajaan.
6) Tidak kurang daripada 50% modal bekerja diatas tanah ini ataupun pekerjaan-pekerjaan lain yang dikenakan diatas lease ini hendaklah selama-lamanya dipegang oleh rakyat Persekutuan.
7) Semua pekerja-pekerja didalam kawasan ini adalah dihendaki terlebih dahulu mendapat kebenaran memasuki Kawasan Kawalan daripada Pejabat Jawatankuasa Keselamatan Sempadan; dan
8) Semua perkerja-pekerja didalam kawasan ini tertakluk kepada sekatan-sekatan dan kawalan bekalan makanan apabila memasuki Kawasan Kawalan.

Restriction In-Interest	:	Tanah yang dipajak ini tidak boleh dipindahmilik, dipajak (sub-lease) melainkan dengan kebenaran terlebih dahulu daripada Majlis Mesyuarat Kerajaan.
Encumbrance	:	Nil.
Endorsement	:	Nombor Perserahan : 40/2012, **Perletakhakan Oleh Mahkamah Atas Kepentingan** melibatkan Gadaian No. Pers 895/1973, 102/1982 dari Bank Bumiputra Malaysia Berhad, Bank Bumiputra Malaysia Berhad kepada Bank of Commerce (M) Berhad, Bank of Commerce (M) Berhad mengikut Perintah MAHKAMAH TINGGI MALAYA DI KUALA LUMPUR no mahkamah bertarikh 3 September 1999, registered on 10 February 2012.

e. Site

The site comprises a parcel of industrial land which is almost rectangular in shape with a splayed corner and having a title land area of 16.3525 hectares (40.408 acres).

The site is generally flat in terrain and lies at about the same level as the frontage metalled road, Jalan Kilang Gula. The site boundaries are generally demarcated by chain link fencing except for the main entrance which is partly demarcated by rubble walls and plastered brickwalls mounted with metal fencing. Internal circulation areas are partly tarmacadamised and partly laid with reinforced concrete. The subject site is erected with industrial buildings which were previously used as a sugar refinery. We note that a telecommunication tower is sited on the eastern portion of the subject site.

We also note that there are filter water pond and main raw water pond with the areas of approximately 274.33 square metres (2,953 square feet) and 1,676.47 square metres (18,045 square feet) which are sited at the south-western portion of the subject site. We were informed by the Client that the ponds have a depth ranging from 2.13 metres (7 feet) to 2.43 metres (8 feet). The total area of the ponds constitutes 5% of the title land area. We have considered the man-made ponds as site improvement in the valuation. The cost of filling the ponds is insignificant as they are not deep and does not cause a negative impact to the valuation of the subject property.

f. Buildings

The subject site is erected upon with industrial buildings which were mainly used as a sugar refinery. The plant & machinery installed on the site have ceased operation since June 2020. For the purpose of this valuation, we have excluded the plant & machinery installed on the site and valued the subject property on the basis the registered owner will undertake to remove the said plant & machinery.

VALUATION CERTIFICATES IN RESPECT OF THE CHUPING PROPERTIES (CONT'D)

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At the date of our inspection, we note that the buildings erected on the subject site are generally in a fair to good state of decorative repair. The buildings included in the valuation are categorised into two (2) categories:-

i) Existing buildings (exempted from the requirement of Certificate of Fitness for Occupation (CFO), and
ii) New buildings (with Certificate of Completion and Compliance [CCC])

No.	Buildings	GFA (Sq. Feet)	Construction	Finishes	Condition
Existing Buildings (Exempted from The Requirement of CFO)					
1	Renovated Administration Building	18,682	Reinforced concrete framework with plastered brickwalls and roofed over with concrete flat roof.	Reinforced concrete floor slab generally finished with vinyl tiles and ceramic tiles.	Good
2	Technical Staff Office/Main C.C & Lab	7,847	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab finished with cement render with some area finished with epoxy coating.	Good
3	Bagged Sugar Store 1	40,946	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls. -Bagged sugar store eaves height to 25 feet. -Screening eaves height to 52 feet	Reinforced concrete floor slab finished with cement render.	Good
4	Lime Slaking	1,938	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls. Eaves height to 22 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
5	Power/Mill & Process House	35,133	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls. -Power House & Mill House eaves height 39 and 53 feet respectively -Process house eaves height to 82 feet comprises four levels	Reinforced concrete floor slab generally finished with cement render.	Fair
6	Boiler Control House No. 2	1,485	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls.	Reinforced concrete floor slab generally finished with cement render.	Fair
7	Main Pump House (Cooling Tower S.P.H)	4,515	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls. Eaves height to 22 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
8	Pump House No. 1	815	Steel frames roofed over with metal deck roofing sheets, partly cladded by corrugated asbestos sheets and partly by plastered brickwalls.	Reinforced concrete floor slab generally finished with cement render.	Fair
9	Surplus Baggase Store	7,535	Steel portal frames roofed over with spandex roofing sheets, partly cladded by metal claddings and partly by cement mortar. Eaves height from 15 feet to 29 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
10	Chemical Store No. 1	1,292	Reinforced concrete framework with plastered brickwalls roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with cement render.	Fair

VALUATION CERTIFICATES IN RESPECT OF THE CHUPING PROPERTIES (CONT'D)

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No.	Buildings	GFA (Sq. Feet)	Construction	Finishes	Condition
11	Chemical Store No. 2	2,430	Reinforced concrete framework with plastered brickwalls roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with cement render.	Fair
12	General Store & Electrical Workshop	10,723	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by corrugates asbestos sheets and partly by fair faced brickwalls. Eaves height to 21 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
13	Machine Workshop	9,558	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by corrugates asbestos sheets and partly by fair faced brickwalls. Eaves height to 21 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
14	Carpentry Store	1,511	Open-sided timber structure roofed over with corrugated roofing sheets. Eaves height to 15 feet.	Cement render.	Fair
15	Cane Payment Building / Chemical (Pallet Washing House)	5,567	Steel portal frames structure partly open-sided and partly cladded by corrugated asbestos free sheets. Eaves height to 10 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
16	T.F.E Store (Transport Fuel Engineering)(TFE Raw Sugar Store)	12,917	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding sheets and partly by plastered brickwalls. Eaves height to 19 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
17	Polybag Store	1,830	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding sheets and partly by plastered brickwalls. Eaves height to 19 feet.	Reinforced concrete floor slab generally finished with cement render.	Fair
18	Stock Yard 1	5,694	Steel frame structure roofed over with corrugated roofing sheets and partly cladded by corrugated asbestos sheets.	Reinforced concrete floor slab generally finished with cement render.	Fair
19	Stock Yard 2	2,938	Steel frame structure roofed over with corrugated roofing sheets and partly cladded by corrugated asbestos sheets.	Reinforced concrete floor slab generally finished with cement render.	Fair
20	Renovated Main Guard House	1,709	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with homogeneous tiles.	Good
21	Time Office	1,860	The construction is generally of partly concrete and partly timber structures roofed over with corrugated roofing sheets.	Reinforced concrete floor slab generally finished with cement render.	Fair
22	Main Canteen	2,856	Reinforced concrete framework roofed over with corrugated roofing sheets.	Reinforced concrete floor slab generally finished with ceramic tiles.	Fair
23	Clinic/Audiometric Room/Fire Squad Store	1,395	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with ceramic tiles.	Fair
24	Green House	140	Reinforced concrete framework roofed over with metal deck roofing sheets.	Cement render	Fair

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No.	Buildings	GFA (Sq. Feet)	Construction	Finishes	Condition
25	Factory Surau	1,402	Reinforced concrete framework roofed over with metal deck roofing sheets and corrugated zinc sheets.	Reinforced concrete floor slab generally finished with ceramic tiles.	Fair
26	Koop Office	1,009	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with ceramic tiles.	Fair
27	Process Chemical Store	640	Reinforced concrete framework with ventilation blocks and roofed over with concrete flat roof.	Cement render.	Fair
28	Inflammable Material Store (waste area)	1,116	Open-sided concrete framework roofed over with corrugated zinc sheets.	Cement render.	Fair
29	Weighbridge Office No. 1	538	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with homogeneous tiles.	Fair
30	Weighbridge Office No. 2	269	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with homogeneous tiles.	Fair
31	Weighbridge Office No. 3	538	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with homogeneous tiles.	Fair
32	Fuel Oil Station	1,587	Open-sided steel structure roofed over with metal deck roofing sheets.	Cement render.	Fair
33	Effination Toilet	256	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with homogeneous tiles.	Fair
34	Packing Station Toilet	256	Reinforced concrete framework roofed over with metal deck roofing sheets.	Reinforced concrete floor slab generally finished with homogeneous tiles.	Fair
35	Car Parking Shed	8,611	Steel frame structure roofed over with corrugated roofing sheets.	Tarmacadamised	Fair
36	Motorcycle Parking Shed	4,133	Steel frame structure roofed over with corrugated roofing sheets.	Tarmacadamised	Fair
	Sub-Total	**201,671**			
New Buildings (With CCC)					
37	Bagged Sugar Store 2	35,860	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls. Eaves height to 23 feet.	Reinforced concrete floor slab finished with cement render.	Good
38	Bagged Sugar Store 3	27,173	Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls. Eaves height to 23 feet.	Reinforced concrete floor slab finished with cement render.	Good
	Sub-Total	**63,033**			
	Total	**264,704**			

Based on a letter issued by Majlis Perbandaran Kangar (MPK) bearing reference no. MPK.Ps.01/134 Jld 7(96) dated 10 March 2011 in respect to the abovementioned existing buildings, we noted that the local authority has no objection to the existing buildings which were erected on the subject property to be exempted from the requirement of CFO.

By virtue of this exemption to obtain the CFO, we have therefore included the existing buildings in our valuation. Notwithstanding the above, we note that the existing buildings have been approved by Jabatan Bomba dan Penyelamat Perlis (BOMBA) vide reference no. JBPM/PS/005/20959 dated 20 February 2009.

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The building plans for Bagged Sugar Store 2 and 3 which form the new buildings with CCC were approved by MPK as follows:

New Buildings with CCC	Building Plan	CCC
Bagged Sugar Store 2	Approved under Reference No. Keben Peta No.210/09-KPI on 18 January 201	Approved under Reference No. LAM/Ps/No. dated 1 April 2014
Bagged Sugar Store 3	Approved under Reference No. MPK 05B/062/15-KPI on 23 July 2015	Approved under Reference No. LAM/Ps/No. (dated 28 July 2016

At the date of our inspection, we note that the guard house which forms part of the existing buildings has been renovated from a single storey building to double storey building. We were informed by the Client that building plans in respect of the double storey building were not submitted to the relevant authority for approval. We also noted that there are additional buildings (with no CFO) which were built after 2011 and not exempted from the requirement of CFO by MPK. As such, we have excluded the abovementioned extension to the guard house and the additional buildings with no CFO from the valuation.

g. Occupancy status

The subject property is owner occupied. Part of the eastern portion of the subject property is presently tenanted to a telecommunication company. However, we were informed by the Client that the tenancy is on a month-to-month basis at a monthly rental of RM1,815.00. Notwithstanding the above, our valuation of the subject property is on the basis of vacant possession.

h. Planning Details

The subject property is located within an area designated for industrial use. Based on the Express Condition in title, we note that the subject property is restricted to use as sugar factory.

2.0 METHODS OF VALUATION

In arriving at the Market Value of the subject property, we have used the **Cost Approach** of valuation and as a check, the **Income Approach (Investment Method)** of valuation.

3.0 COST APPROACH

In analysing the apportionment of value attributable to the land, we have adopted the Comparison Approach to arrive at the adjusted improved land value of the subject property. The summary analysis of the sales evidence is as follows:-

ITEM	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Lot / PT Nos.	PT 7013	PT 7012	PT 7009	PT 10261 to 10263	PT 95007
Mukim / District / State	Kuala Perlis, District of Perlis, Perlis	Kuala Perlis, District of Perlis, Perlis	Kuala Perlis, District of Perlis, Perlis	Bandar Gurun, District of Kuala Muda, Kedah	Bandar Sungai Petani, District of Kuala Muda, Kedah
Locality	Jalan Kuala Perlis	Jalan Kuala Perlis	Jalan Kuala Perlis	Fronting Jalan Gurun - Jeniang, Kawasan Perindustrian PKNK Gurun	Fronting Jalan PKNK 2, Kawasan Perindustrian Sungai Petani (LPK)
Property Type	A parcel of industrial land	A parcel of industrial land	A parcel of industrial land	Three (3) adjoining parcels of industrial land	A single storey detached factory with an annexed office building
Tenure	60-year leasehold interest expiring 8 May 2076	60-year leasehold interest expiring 8 May 2076	60-year leasehold interest expiring 8 May 2076	Freehold	60-year Lessee's interest expiring 3 April 2050

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ITEM	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
Town Planning	Industrial	Industrial	Industrial	Industrial	Industrial
Title Land Area (sq. ft.)	48,627	53,000	48,859	612,153	1,120,814
Approx. Gross Floor Area (sq. ft.)	-	-	-	-	212,100
Date of Sale	11/6/2020	4/1/2019	16/11/2017	3/1/2018	12/1/2018
Consideration (RM)	463,478.00	310,000.00	386,813.00	6,733,689	36,300,000
Vendor	Perbadanan Kemajuan Ekonomi Negeri Perlis	Loh Chew Yeng @ Loo Chu Yang	Perbadanan Kemajuan Ekonomi Negeri Perlis	Tong Take Lee Wood Products Sdn Bhd	Great Technology (M) Sdn Bhd
Purchaser	Zurin Azwan Bin Zainol	Ikhlas Sejati Sdn Bhd	Lim Kim Chung + 1	Asasrama Fibre Sdn Bhd	Green Point Precision (M) Sdn Bhd
Less for Analysed Building Value	-	-	-	-	RM 27,573,000
Adopted Building Value (psf)	-	-	-	-	RM130.00
Land value (RM)	-	-	-	-	8,727,000
Analysis Land Value (RM psf)	9.53	5.85	7.92	11.00	7.79
Adjustment Factors	Factors considered include time, location, size, tenure, express condition in title and site improvements				
Adjusted Improved Land Value (RM psf)	7.00	5.60	6.47	5.89	6.81

The adjusted improved land values of transacted properties are in the range of RM5.60 per square foot to RM7.00 per square foot. In reconciling our opinion of Market Value, we have placed a greater emphasis on Comparable 1 as it is the latest transaction. After considering all factors of the above, we have adopted the adjusted improved land value at RM7.00 per square foot.

The building component is based on the Construction Cost Handbook Malaysia 2020 published by JUBM Sdn Bhd and Arcadis Projeks Sdn Bhd. The parameters adopted for the Cost Approach are as follows:

Type of Construction	Replacement Cost New
Reinforced concrete frame with concrete flat roof / metal deck, plastered brickwalls and ceramic / homogeneous floor finishes.	RM100 - RM130 psf
Reinforced concrete frame with concrete flat roof / metal deck, plastered brickwalls and cement render	RM90 psf
Reinforced concrete frame with concrete flat roof / metal deck,open-sided and cement render	RM60 psf
Steel portal frames roofed over with metal deck roofing sheets, partly cladded by metal deck cladding and partly by plastered brickwalls.	RM90 - RM140 psf
Steel frames roofed over with metal deck roofing sheets, partly cladded by corrugated asbestos sheets and partly by plastered brickwalls.	RM60 - RM140 psf
Steel frame structure roofed over with corrugated roofing sheets and partly cladded by corrugated asbestos sheets.	RM80 psf
Timber frame with zinc sheet roof	RM70 psf

Depreciation for buildings is adopted based on the economic lifespan of 60 years which is 1.66% per annum.

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4.0 INCOME APPROACH (INVESTMENT METHOD)

We have used the Income Approach (Investment Method) as a check. The parameters adopted are as follows:

Gross Annual Rent	The subject property is presently owner occupied and therefore there is no rental of the subject property. We were unable to obtain rental evidences for industrial premises within Perlis. We have noted rental evidence of industrial premises in the larger vicinity of the subject property including in Kedah. From our analysed current market rentals in Kedah, the adjusted market rental ranged from RM0.80 psf to RM1.20 per square foot/month. We have adopted a Gross Market Rental of RM0.68 per square foot/month.
Outgoings & Voids	The outgoings is based on average three (3) of actual outgoings. For building repair & maintenance, we have adopted 5% of the gross rental. The voids is adopted to reflect rental for voids vacancy periods between rent reviews which include incentive for rent free periods, fitting out periods and possibility of bad debts. We have adopted a long term voids of 10%.
Yield	The analysis revealed that yields for the industrial premises range from 4.47% to 6.59%. The most important factor affecting yield is the degree of risk inherent in the investment and comparable yields from other forms of investments. We also note that the interest rate is on a downward trend due to the cut in the base lending rate which is the result of the current slowdown in the economy caused by COVID-19 pandemic. We have adopted a yield of 6% for the subject property.

5.0 RECONCILIATION OF MARKET VALUE

The Market Values derived from the two (2) approaches to valuation are as follows:

Valuation Approach	Derivation of Values
Cost Approach	RM22,300,000.00
Income Approach (Investment Method)	RM20,200,000.00

We have adopted the Market Value of RM22,300,000.00 derived from the Cost Approach as the main approach in the valuation of the subject property. There are sufficient sale evidences to provide a fair representation of the Market Value of the subject property using this approach.

The Income Approach (Investment Method) is the secondary approach and used as a check on the Market Value. The subject property is owner occupied and as such, the Income Approach (Investment Method) is sensitive to the estimated rental. We are of the opinion that the Income Approach (Investment Method) as the secondary approach is relevant in this valuation because the difference in the Market Value derived from both approaches is 9.4%. As a common practice, the secondary approach is often used as a check on the Market Value.

5.0 MARKET VALUE

Our opinion of the Market Value of the unexpired leasehold interest of about 50 years in Lot 2039, Mukim of Chuping, District of Perlis, State of Perlis, an industrial premises bearing address Lot 2039, Mukim Chuping, 02500 Chuping, Perlis, on the basis the title is free of all encumbrances and on the basis of vacant possession is **Ringgit Malaysia Twenty Two Million And Three Hundred Thousand Only (RM22,300,000.00)**.

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SCHEDULE D -

1.0 PROPERTY DETAILS

a. Property Particulars

Pajakan Negeri 58, Lot 3142, Mukim of Chuping, District of Perlis, State of Perlis

b. Property Type

A parcel of agriculture land presently used as a tubewell site.

c. Location

The subject property is situated in Mukim of Chuping, District of Perlis, State of Perlis and within a locality known as Kampung Air Timbul. It is sited on the right (eastern) side of the Bukit Keteri – Padang Besar main trunk road, travelling from the Bukit Keteri towards Padang Besar. The subject property fronts onto Bukit Keteri – Padang Besar main trunk road and is easily accessible from the surrounding areas. Properties in the immediate vicinity of the subject property are predominantly agriculture in character including sugar cane plantation, agriculture smallholdings and plantations cultivated with oil palm and rubber trees, paddy fields as well as kampong type dwellings. Kangar, being the capital city of Perlis, is located about 30 kilometres due south-west of the subject property whilst Padang Besar town is located about 7 kilometres due north.

d. Title Particulars

The title particulars of the subject property are as follow:-

Title No.	:	Pajakan Negeri 58.
Lot No.	:	Lot 3142, Mukim of Chuping, District and State of Perlis.
Land Area	:	29.2 hectares.
Tenure	:	Leasehold interest for a term of 90 years, expiring on 12 June 2061.
Annual Rent	:	RM1,844.00.
Category of Land Use	:	Pertanian.
Registered Owner	:	**MSM PERLIS SDN BHD.**
Express Condition	:	Ladang Tebu. 1) Tanah yang dipajakan ini hendaklah ditanam dengan tebu 2) Pemajak hendaklah sebilang masa mengambil langkah-langkah untuk mencegah diatas tanah ini daripada hakisan tanah sebagaimana yang dihendaki oleh Pegawai Pertanian Negeri. 3) Penanaman tebu diatas tanah ini yang dipajakan ini hendaklah mengikut rancangan penanaman yang dipersetujukan oleh Pegawai Pertanian Negeri yang akan berkehendak menentukan iaitu tidak ada sebarangpun bahagian tanah tidak ditanam bagi tempoh lebih kurang dua tahun pada sebarang masa. 4) Tanah yang dipajakan ini tidak boleh dibelah bahagi. 5) Pemajak hendaklah memajukan sebuah Syarikat (Public Joint Stock Company) yang ditubuhkan di Malaysia bagi mempunyai dan mengerjakan tanah ini dan Syarikat itu tidak boleh mempunyai modal asing lebih daripada 50%. 6) Tanah yang dipajak ini tidak boleh dipindahmilik, dipajakan (sub-lease) melainkan dengan Majlis Mesyuarat Kerajaan terlebih dahulu.

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7) (i) Pemajak hendaklah mengambil pekerja-pekerja daripada semua peringkat sebanyak tidak kurang daripada 70% daripada penduduk-penduduk tetap Negeri Perlis dan sekurang-kurangnya 50% daripada jumlah bilangan semua pekerja-pekerja pemajak hendaklah daripada orang-orang Melayu.

(ii) Pekerja-pekerja untuk kerja-kerja yang berkehendakan pengetahuan, pengalaman atau kelulusan istimewa boleh diambil bekerja dengan syarat tidak ada penduduk-penduduk tetap Negeri Perlis yang berkelayakan seperti itu.

(iii) Pemajak hendaklah memberi kenyataan atau maklumat mengenai kedudukan pekerja-pekerjanya sepertimana dan pada mana-mana masa yang dikehendaki oleh Kerajaan.

8) Pemajak hendaklah membayar dan menyempurnakan semua cukai-cukai bayaran cukai pintu dan apa jua bayaran yang dikenakan diatas tanah yang dipajakan ini atau sebahagian daripadanya samada bayaran itu dikenakan oleh sebarang Majlis Tempatan atau sebarang Pihak Yang Berkuasa.

9) Tidak kurang daripada 50% modal bekerja diatas tanah itu atau pekerjaan lain yang dikenakan diatas lease ini hendaklah selama-lamanya dipegang oleh rakyat persekutuan.

Restriction In-Interest : Nil.
Encumbrance : Nil.
Endorsement : "Pengambilan Sebahagian Tanah – Borang K" measuring approximately 0.4850 hectares gazetted on 30 June 1988.

e. Description Of The Subject Property

The subject site comprises a parcel of agriculture land and having a title land area of 29.2 hectares (72.155 acres). Part of the front portion of the subject property fronting Bukit Keteri – Padang Besar main trunk road and measuring about 0.4850 hectare (1.198 acres) was compulsorily acquired by the state government for the road widening purpose. As such, in our valuation, we have adopted the net land area (after deducting the area compulsory acquired) of 28.72 hectares (70.957 acres).

The land is generally flat in terrain and lies at about the same level as the frontage metalled road and the surrounding areas. The site boundaries are generally demarcated by chainlink fencing. Internal roads within the site are of motorable gravel and laterite roads which are fairly well maintained and are connected to the tubewell buildings. At the date of our inspection, we note that the subject property is presently being used as a tubewell site to extract underground water and accommodates five (5) tubewell buildings, a standby pump house, a generator house and two (2) guard houses. The undeveloped portion of the land is generally overgrown with thick undergrowth and wild trees.

No	Buildings	GFA (Sq. Feet)	Construction
1	5 nos. tubewell buildings (A – E)	42 (each)	Reinforced concrete framework and roofed over with corrugated roofing sheets
2	Standby pump house	240	Reinforced concrete framework and roofed over with corrugated roofing sheets
3	Generator house	960	Reinforced concrete framework roofed over with corrugated roofing sheets.
4	Guard House 1	100	Reinforced concrete framework roofed over with corrugated roofing sheets.
5	Guard House 2	100	Reinforced concrete framework roofed over with concrete roof tiles.

Based on a letter issued by Majlis Perbandaran Kangar (MPK) bearing reference no. MPK.Ps.01/134 Jld 7(96) dated 10 March 2011 in respect to the buildings, we noted that the local authority has no objection to the buildings which were erected on the subject property to be exempted from the requirement of Certificate of Fitness for Occupation (CFO). By virtue of this exemption to obtain the CFO, we have therefore included the existing buildings in our valuation.

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f. Occupancy status

The subject property is owner occupied.

g. Planning Details

Our enquiries with the Jabatan Perancang Bandar dan Desa Negeri Perlis revealed that the subject property is zoned for agriculture use. Based on the Express Condition in title, we note that the subject property is restricted for the cultivation of sugar cane.

2.0 METHOD OF VALUATION

In arriving at the Market Value of the subject property, we have adopted the Comparison Approach of valuation.

We have used the Comparison Approach as the only approach in our valuation as there are sufficient sale evidences of agriculture land. Accordingly, the use of the Income Approach is not applicable in this instance as the subject property is a parcel of agriculture land used as a tubewell site and is non-income generating.

3.0 COMPARISON APPROACH

The sales evidence used for the Comparison Approach is as follows:

Item	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Property	Lot 1492, Mukim of Titi Tinggi, District of Perlis, State of Perlis	Lot 1761, Mukim of Chuping, District of Perlis, State of Perlis	Lot 1991, Mukim of Chuping, District of Perlis, State of Perlis	Lot 1464, Mukim of Titi Tinggi, District of Perlis, State of Perlis	Lots 901 & 903, Mukim of Beseri, District of Perlis, State of Perlis
Source	JPPH	JPPH	JPPH	JPPH	JPPH
Locality	Located at Mile 17, Jalan Padang Besar	Located off Jalan Kubang Tiga, Bukit Kerengga	Located along Jalan Batu Bertangkup, Kubang Tiga	Located at Mile 17, Jalan Padang Besar	Located off Jalan Beseri - Bukit Keteri, Tunjong
Tenure	Freehold	Freehold	Freehold	Freehold	Freehold
Town Planning	Agriculture use	Agriculture use	Agriculture use	Agriculture use	Agriculture use
Property Type	A parcel of agriculture land	A parcel of agriculture land	A parcel of agriculture land	A parcel of agriculture land	Two (2) adjoining parcels of agriculture land
Land Area (hectares)	1.78	1.58	1.89	3.08	3.01
Consideration	RM430,000.00	RM180,000.00	RM350,000.00	RM630,000.00	RM480,000.00
Vendor	Era Mahamaju Sdn Bhd	Cheah Tian Loon	Nordiyah Binti AB Razak	Book Sow Yen	Ismail Bin Mohd Rhouse
Purchaser	Lai Along	Yap Boon Chai	Tan Aik Ang	Kam Siang Chee	Prakash A/L Ramachandran
Date of Sale	17 September 2020	8 May 2019	26 March 2019	17 January 2019	11 December 2018
Analysed Land Value (per hectare)	RM241,573	RM113,924	RM185,185	RM204,545	RM159,468
Adjustment Factors	Factors considered include time, location, size, tenure, shape and express condition in title				
Adjusted Land Value (per hectare)	RM79,719	RM57,361	RM58,056	RM93,273	RM87,867

4.0 RECONCILIATION OF MARKET VALUE

From the analysis of the sales evidence, the adjusted land value is in the range of RM57,361 per hectare to RM93,273 per hectare. We have adopted Comparable 5 as the best comparable as it is located near to the subject property and has the least adjustments. Comparable 5 was adjusted to RM87,867 per hectare and as such we have rounded it to RM88,000 per hectare.

We have also adjusted for building value and adopted the construction cost new of RM90 psf all the buildings which is based on Construction Cost Handbook Malaysia 2020 published by JUBM Sdn Bhd and Arcadis Projeks Sdn Bhd. Depreciation for buildings is adopted based on the economic lifespan of 60 years which is 1.66% per annum.

The subject property is principally a parcel of agriculture land whereby the main approach to valuation is the Comparison Approach. The buildings only constitute 0.05% of title land area and less than 1% of the Market Value. Therefore, we have considered the building component as part of the value adjustment in the Comparison Approach and not adopt it as a separate Cost Approach.

5.0 MARKET VALUE

Our opinion of the Market Value of the unexpired leasehold interest of about 40 years in a parcel of agriculture land presently used as a tubewell site identified as Lot 3142, Mukim of Chuping, District of Perlis, State of Perlis, on the basis the title is free from all encumbrances and with vacant possession is **Ringgit Malaysia Two Million Five Hundred And Fifty Thousand Only (RM2,550,000.00).**

Registration No.
197101000385 (010776-K)

MSM PERLIS SDN. BHD.
(Registration No: 197101000385 (010776-K))
(Incorporated in Malaysia)

DIRECTORS' REPORT AND STATUTORY FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Registration No.
197101000385 (010776-K)

MSM PERLIS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT AND STATUTORY FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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Registration No.
197101000385 (010776-K)

MSM PERLIS SDN. BHD.
(Incorporated in Malaysia)

DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Directors hereby submit their report and the audited financial statements of the Company for the financial year ended 31 December 2020.

DIRECTORS

The Directors in office during the financial year and during the period from the end of the financial year to the date of this report are as follows:

Ab Aziz Ismail	
Fakhrunniam Bin Othman	(Appointed on 28 December 2020; Resigned on 15 February 2021)
Hasni Bin Ahmad	(Appointed on 28 December 2020)
Dato' Khairil Anuar Bin Aziz	(Resigned on 28 December 2020)
Syed Feizal Syed Mohammad	(Appointed on 15 February 2021)

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of raw sugar refining, and rubber, mango and oil palm plantations. The operation of plantation division has ceased during the previous financial year. There have been no significant changes in the nature of these activities during the financial year except for the cessation of the operation of raw sugar refining division as disclosed in Note 2 to the financial statements.

FINANCIAL RESULTS

	RM'000
Net loss for the financial year	(101,351)

DIVIDENDS

No dividend has been paid or declared since the end of the Company's previous financial year. The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2020.

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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MSM PERLIS SDN. BHD.
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

DIRECTORS' BENEFITS (CONTINUED)

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except that certain Directors received remuneration from related companies in their capacities as Directors or executives of those related companies.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act, 2016 in Malaysia, none of the Directors who held office at the end of the financial year held any interest in shares in, or debenture of, the Company and every other body corporate, being the Company's holding company or a subsidiary of the Company's holding company during the financial year except as follows:

Shareholdings in FGV Holdings Berhad ("FGVH"), the penultimate holding company

	Number of ordinary shares			
	At date of appointment/ 1.1.2020	Acquired	(Disposed)	At 31.12.2020
Ab Aziz Ismail	500	6,600	(7,000)	100
Hasni Bin Ahmad	23,400	-	-	23,400
Fakhrunniam Bin Othman	29,800	-	-	29,800

The shares granted to Directors pursuant to FGV Holdings Berhad ("FGVH") Long Term Incentive Plan are set out below:

	Number of restricted shares granted under LTIP				
	Grant Date	At 1.1.2020	Granted	(Vested)	At 31.12.2020
Ab Aziz Ismail	1.6.2018	6,600	-	(6,600)	-

DIRECTORS' REMUNERATION

None of the Directors received any remuneration from the Company for the financial year ended 31 December 2020 and previous financial year ended 31 December 2019.

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MSM PERLIS SDN. BHD.
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

There is no indemnity given to or insurance effected for any directors, officers or auditors of the Company during the financial year and during the period from the end of the financial year to the date of this report.

IMMEDIATE AND PENULTIMATE HOLDING COMPANIES

The Directors regard MSM Malaysia Holdings Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the immediate holding company and FGV Holdings Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the penultimate holding company.

ULTIMATE HOLDING BODY

Directors regard Federal Land Development Authority ("FELDA"), a body set up under the Land Development Act 1956, as the ultimate holding body of the Company. See Note 27(b) for further information.

OTHER STATUTORY INFORMATION

Before the financial statements of the Company were prepared, the Directors took reasonable steps:

(a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

(b) to ensure that any current assets, which were unlikely to be realised in the ordinary course of business including the values of current assets as shown in the accounting records of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

(a) which would render the amounts written off for bad debts or the amount of allowance for doubtful debts inadequate to any substantial extent; or

(b) which would render the values attributed to current assets in the financial statements of the Company misleading; or

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

At the date of this report, there does not exist:

(a) any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(b) any contingent liabilities in the Company which has arisen since the end of the financial year.

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MSM PERLIS SDN. BHD.
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

OTHER STATUTORY INFORMATION (CONTINUED)

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company to meet its obligations when they fall due.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(a) the results of the operations of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except for:

    (i) cessation of the operation of raw sugar refining division and classification of right-of-use assets pertaining to raw sugar refining division as assets held for sale as disclosed in Note 17 to the financial statements;
    (ii) employees' termination benefits in relation to the cessation of the operation of raw sugar refining division as disclosed in Note 8 to the financial statements;
    (iii) gain on disposal of spare parts inventories of the raw sugar refining division as disclosed in Note 8 to the financial statements;
    (iv) allowance for obsolescence for spare parts inventories of the raw sugar refining division as disclosed in Note 8 to the financial statements;
    (v) write-off of the carrying amount of bearer plants pertaining to impact resulting from the fires at the plantation upon declassification as assets held for sale as disclosed in Note 10 to the financial statements;
    (vi) recognition of impairment loss on bearer plants pertaining to the plantation division as disclosed in Note 10 to the financial statements.

    Consequently, the directors have determined that the going concern basis of preparation is no longer appropriate, as disclosed in Note 2 to the financial statements

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the financial year in which this report is made except for the subsequent events as disclosed in Note 28 to the financial statements.

AUDITORS REMUNERATION

Details of auditors' remuneration are set out in Note 8 to the financial statements.

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MSM PERLIS SDN. BHD.
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DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

This report was approved by the Board of Directors on 25 March 2021. Signed on behalf of the Board of Directors:

SYED FEIZAL SYED MOHAMMAD
DIRECTOR

AB AZIZ ISMAIL
DIRECTOR

Kuala Lumpur

Registration No.
197101000385 (010776-K)

MSM PERLIS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Syed Feizal Syed Mohammad and Ab Aziz Ismail, being two of the Directors of MSM Perlis Sdn. Bhd., state that, in the opinion of the Directors, the accompanying financial statements set out on pages 11 to 81 are drawn up so as to give a true and fair view of the financial position of the Company as at 31 December 2020 and the financial performance of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 March 2021.

SYED FEIZAL SYED MOHAMMAD
DIRECTOR

AB AZIZ ISMAIL
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT, 2016

I, Ab Aziz Ismail, the Director primarily responsible for the financial management of MSM Perlis Sdn. Bhd., do solemnly and sincerely declare that, the financial statements set out on pages 11 to 81 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960 in Malaysia.

AB AZIZ ISMAIL
DIRECTOR

Subscribed and solemnly declared by the abovenamed Ab Aziz Ismail (NRIC No: 670124-03-5479 and MIA No: 15850), before me at Kuala Lumpur on 25 March 2021.

Lot 333, 3rd Floor, Wisma MPL,
Jalan Raja Chulan,
50200 Kuala Lumpur

PESURUHJAYA SUMPAH
W530
TAN SEOK KETT
BC/T/301
1/1/2019-31/12/2021
MALAYSIA

COMMISSIONER FOR OATHS

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MSM PERLIS SDN. BHD.
(Registration No. 197101000385 (010776-K))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of MSM Perlis Sdn. Bhd. ("the Company") give a true and fair view of the financial position of the Company as at 31 December 2020, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Company, which comprise the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 11 to 81.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants,
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MSM PERLIS SDN. BHD. (CONTINUED)
(Registration No. 197101000385 (010776-K))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Emphasis of matter – Basis of preparation

We draw attention to Note 2 to the financial statements which refers to the intention of the directors of the Company to cease the business operations of the Company at the end of February 2021. Accordingly, the directors have prepared the financial statements of the Company on a non-going concern basis. Our opinion is not modified in respect of this matter.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Company, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so. See Note 2 to the financial statements, which refers to the intention of the directors to cease the Company's operations at the end of February 2021.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MSM PERLIS SDN. BHD. (CONTINUED)
(Registration No. 197101000385 (010776-K))
(Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Company, including the disclosures, and whether the financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF MSM PERLIS SDN. BHD. (CONTINUED)
(Registration No. 197101000385 (010776-K))
(Incorporated in Malaysia)

OTHER MATTERS

This report is made solely to the member of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PricewaterhouseCoopers PLT

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

ANG GUAT IM
03515/08/2022 J
Chartered Accountant

Penang

25 March 2021

Registration No.
197101000385 (010776-K)

MSM PERLIS SDN. BHD.
(Incorporated in Malaysia)

STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
REVENUE	6	405,281	942,368
COST OF SALES		(415,870)	(921,470)
GROSS (LOSS)/PROFIT		(10,589)	20,898
Other operating income		13,848	9,099
Selling and distribution expenses		(746)	(1,689)
Administrative expenses		(10,468)	(13,169)
Other operating expenses		(13,298)	(133,887)
Finance costs	7	(3,384)	(9,247)
LOSS BEFORE TAX	8	(24,637)	(127,995)
Tax (expense)/credit	9	(808)	18,040
LOSS FROM CONTINUING OPERATION		(25,445)	(109,955)
LOSS ON DISCONTINUED OPERATION	17	(75,906)	(12,629)
NET LOSS FOR THE FINANCIAL YEAR		(101,351)	(122,584)
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR, NET OF TAX		-	-
TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR		(101,351)	(122,584)

The accompanying notes form an integral part of these financial statements.

Registration No.
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MSM PERLIS SDN. BHD.
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STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	10	-	-
Right-of-use assets	11	-	40
Intangible assets	12	-	-
		-	40
Current assets			
Inventories	13	18,894	126,351
Receivables, deposits and prepayments	14	12,205	112,161
Tax recoverable		3,178	3,360
Amounts due from related parties	15(b)	34,785	17,003
Deposits with licensed banks	16	37,177	36,032
Cash and bank balances	16	3,881	16,601
		110,120	311,508
Assets held for sale	17	81,892	156,000
		192,012	467,508
TOTAL ASSETS		192,012	467,548
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	117,982	117,982
Reserves	19	(183,010)	(81,659)
TOTAL EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY		(65,028)	36,323
Non-current liabilities			
Deferred tax liabilities	20	7,171	7,171
Term loan owing to immediate holding company	15(e)	-	26,250
		7,171	33,421
Current liabilities			
Short term borrowings	22	33,229	194,050
Lease liabilities	23	-	23
Payables and accrued liabilities	21	11,629	37,854
Term loan owing to immediate holding company	15(d)	-	10,780
Revolving credits owing to immediate holding company	15(e)	-	-
Revolving credits owing to a related company	15(f)	-	18,113
Amounts owing to related parties	15(b)	205,011	136,984
		249,869	397,804
TOTAL LIABILITIES		257,040	431,225
TOTAL EQUITY AND LIABILITIES		192,012	467,548

The accompanying notes form an integral part of these financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Non-distributable	Distributable			
	Share capital RM'000	Merger relief reserve RM'000	Agricultural research reserve RM'000	General reserve RM'000	(Accumulated losses)/ Retained profits RM'000	Total RM'000
At 1.1.2020	117,982	2,085	2,684	17,202	(103,630)	36,323
Net loss and total comprehensive loss for the financial year	-	-	-	-	(101,351)	(101,351)
At 31.12.2020	117,982	2,085	2,684	17,202	(204,981)	(65,028)
At 1.1.2019	117,982	2,085	2,684	17,202	18,954	158,907
Net loss and total comprehensive loss for the financial year	-	-	-	-	(122,584)	(122,584)
At 31.12.2019	117,982	2,085	2,684	17,202	(103,630)	36,323

The accompanying notes form an integral part of these financial statements.

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MSM PERLIS SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss for the financial year		(101,351)	(122,584)
Adjustments for:			
Tax expense/(credit)	9	808	(25,885)
Property, plant and equipment			
- Depreciation		2,011	12,807
- Written off		27,244	-
- Impairment loss		43,705	131,675
- Gain on disposal		(10,786)	-
Right-of-use assets			
- Depreciation		2,714	1,130
- Impairment loss		-	51
Assets held for sale			
- (Reversal of)/Impairment loss		(1,762)	1,762
Intangible assets			
- Amortisation		-	189
- Impairment loss		-	179
Inventories			
- Written off		530	-
- Allowance for obsolescence		8,508	1,238
Net unrealised foreign currency exchange loss/(gain)		115	(29)
Amortisation of advance payment		2,204	1,508
Interest expense		4,199	10,599
Impairment loss on other receivables		164	33
(Reversal of)/Impairment loss on trade receivables		(594)	599
Interest income		(738)	(602)
		(23,029)	12,670
Working capital changes:			
Inventories		98,419	35,731
Receivables		98,066	989
Payables		(26,226)	(35,919)
Intercompany balances		50,244	74,724
Cash generated from operations		197,474	88,195
Interest paid		(6,876)	(22,277)
Tax refunded		-	16,428
Tax paid		(626)	(2,552)
Net operating cash flows		189,972	79,794

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MSM PERLIS SDN. BHD.
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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

	Note	2020 RM'000	2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property plant and equipment		11,024	-
Purchase of property, plant and equipment	10	(678)	(7,408)
Interest received		739	610
Placement of fixed deposits with a licensed bank having maturity period of more than 3 months	16	-	(32)
Net investing cash flows		11,085	(6,830)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of short-term borrowings	22	(324,055)	(617,094)
Proceeds from short-term borrowings	22	164,446	606,904
Principal payment of lease liability	23	(23)	(265)
Repayment of term loan to immediate holding company	15(g)	(35,000)	-
Repayment of revolving credits to immediate holding company and a related company	15(g)	(28,920)	(36,500)
Drawdown of revolving credits	15(g)	10,920	-
Net financing cash flows		(212,632)	(46,955)
NET CHANGE IN CASH AND CASH EQUIVALENTS		(11,575)	26,009
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		51,722	25,713
EFFECT OF CHANGES IN EXCHANGE RATE		-	
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	16	40,147	51,722

The accompanying notes form an integral part of these financial statements.

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MSM PERLIS SDN. BHD.
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1 GENERAL INFORMATION

The Company is a private limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur. The principal place of business of the Company is located at Mukim Chuping, 02500 Chuping, Perlis.

The principal activities of the Company consist of raw sugar refining, and rubber, mango and oil palm plantations. The operation of plantation division has ceased during the previous financial year. There have been no significant changes in the nature of these activities during the financial year except for the cessation of the operation of raw sugar refining division as disclosed in Note 2 to the financial statements.

The immediate holding company is MSM Malaysia Holdings Berhad, a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad and the penultimate holding company is FGV Holdings Berhad, a company incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The ultimate holding body is Federal Land Development Authority ("FELDA"), a body set up under Land Development Act 1956.

2 BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ("IFRS") and requirements of the Companies Act, 2016 in Malaysia.

The Company had ceased the operation of its plantation division during the previous financial year and ceased the operation of the raw sugar refining division during the financial year ended 31 December 2020. Following the cessation of operation of the raw sugar refining division in July 2020, the Directors have decided to continue with a limited number of sales where the sugar were manufactured by a related company through tolling arrangement. The Company ceased trading at the end of February 2021. Accordingly, the directors have prepared the financial statements for the financial year ended 31 December 2020 on a non-going concern basis.

Consequent to the preparation of the financial statements on a non-going concern basis, non-financial assets have been written down to the lower of their carrying amounts and their net realisable values. Net realisable value is the estimated selling price the entity expects to obtain under the circumstances less the estimated costs necessary to make the sale. Additional liabilities have been recognised to the extent that the Company had a present obligation as at the reporting date. Liabilities have been presented in order of their priority in liquidation. The accounting policies set out below have been applied within this context.

The comparative information is measured and presented on a going concern basis.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 to the financial statements.

2.1 New standards, amendments to published standards and Issue Committee ("IC") interpretations to existing standards that are applicable to the Company and are effective

The new accounting standards, amendments and improvements to published standards and IC interpretations to existing standards that are effective for the Company's financial year beginning on 1 January 2020 are as follows:

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'

IFRIC agenda decisions issued during the financial year

In view that MFRS is fully converged with IFRS, the Company considers all agenda decisions published by the IFRS Interpretation Committee ('IFRIC'). Where relevant, the Company may change their accounting policy to be aligned with the agenda decision. There is no such instance in the current financial year.

The adoption of the amendments to published standards and IC Interpretation listed above did not have any impact on the current financial year or any previous financial year and are not likely to affect future financial years.

2.2 New standards, amendments to published standards and IC interpretations to existing standards early adopted by the Company

There are no new standards, amendments to published standards and IC interpretations to existing standards early adopted by the Company.

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Company but not yet effective and not early adopted

The Company will apply the new standards, amendments to published standards and IC interpretations to existing standards in the following financial periods:

(a) Financial year beginning 1 January 2021

- Amendment to MFRS 16 'COVID-19-Related Rent Concessions' (effective on 1 June 2020)

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Company but not yet effective and not early adopted (continued)

(b) Financial year beginning 1 January 2022

- Amendments to MFRS 116 Property, Plant and Equipment: 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRSs 2018 – 2020: Amendments to Illustrative Example 13 accompanying MFRS 16 Leases: 'Lease Incentives', Amendment to MFRS 9: 'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities' and Amendments to MFRS 141 'Taxation in Fair Value Measurements'

(c) Financial year beginning on 1 January 2023

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' and deferment of effective date

None of these is expected to have a significant effect on the financial statements of the Company in the financial year of initial application, except for the following:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020) grant an optional exemption for lessees to account for a rent concession related to COVID-19 in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment, however, do not make any changes to lessor accounting.

  The exemption only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:
  (a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
  (b) any reduction in lease payments affects only payments due on or before 30 June 2021; and
  (c) there is no substantive change to other terms and conditions of the lease.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 116 Property, Plant and Equipment: 'Proceeds before Intended Use' (effective 1 January 2022) prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

  The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

  The amendments shall be applied retrospectively.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

2 BASIS OF PREPARATION (CONTINUED)

2.3 New standards, amendments to published standards and IC interpretations to existing standards that are applicable to the Company but not yet effective and not early adopted (continued)

- Amendments to MFRS 137 'Onerous Contracts - Cost of Fulfilling a Contract' (effective 1 January 2022) clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

  The amendments shall be applied retrospectively.

- Amendments to Illustrative Example 13 accompanying MFRS 16 'Leases: Lease Incentives' (effective 1 January 2022) removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

  The amendments shall be applied retrospectively.

- Annual Improvements to MFRS 9 'Fees in the 10% Test for Derecognition of Financial Liabilities' (effective 1 January 2022) clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other's behalf, are included in the cash flow of the new loan when performing the 10% test.

  An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Amendments to MFRS 141 'Taxation in Fair Value Measurements' removed the requirement to exclude cash flows for taxation when measuring fair value to align with the requirements in MFRS 13 Fair Value Measurements.

  The amendments shall be applied retrospectively.

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current' (effective 1 January 2023) clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (e.g. debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at end of the reporting period even if the lender does not test compliance until a later date. The assessment of whether an entity has the right to defer settlement of a liability at reporting date is not affected by expectations of the entity or events after the reporting date.

The Company is in the process of assessing the impact of the above new standards, amendments to published standards and IC interpretations to existing standards on the financial statements of the Company.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. Unless otherwise stated, the following accounting policies have been consistently applied to all the financial years presented:

(a) Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

(i) those to be measured subsequently at fair value (either through profit or loss or other comprehensive income), and
(ii) those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest ("SPPI").

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(iii) Measurement (continued)

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company reclassifies debt investments when and only when its business model for managing those assets changes. There are two measurement categories into which the Company classifies its debt instruments:

(i) 'Amortised cost'

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in other operating income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss, together with foreign exchange gains and losses. Impairment losses are presented as separate line item in profit or loss.

(ii) 'FVTPL'

Assets that do not meet the criteria for amortised cost or 'Fair value through other comprehensive income' ("FVOCI") are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss and presented net within 'other operating income' or 'other operating expenses' in the financial period which it arises.

(b) Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in 'other operating income' or 'other operating expenses' in profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(iv) Subsequent measurement – Impairment

(i) Impairment for debt instruments

The Company assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at 'amortised cost'. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has two types of financial instruments that are subject to the ECL model:
- Trade receivables (including trade receivables due from related parties)
- Other receivables (including non-trade receivables due from related parties) and deposits

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

<u>General 3-stage approach for other receivables (including non-trade receivables due from related parties) and deposits</u>

At each reporting date, the Company measures ECL through loss allowance at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

The measurement details of ECL are disclosed in Note 14 to the financial statements.

<u>Simplified approach for trade receivables (including trade receivables due from related parties)</u>

The Company applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables (including trade receivables due from related parties)

The measurement details of ECL are disclosed in Note 14 to the financial statements.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(iv) Subsequent measurement – Impairment (continued)

(ii) Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model as applicable.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Company defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(iv) Subsequent measurement – Impairment (continued)

(iii) Definition of default and credit-impaired financial assets (continued)

Qualitative criteria:

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

(iv) Groupings of instruments for ECL measurement

(a) Collective assessment

To measure ECL, trade receivables have been grouped based on the days past due and shared credit risk characteristics as follows:

(i) Related parties
(ii) External domestic customers
(iii) External oversea customers

(b) Individual assessment

Trade receivables which are in default or credit-impaired are assessed individually.

Other receivables and amount due from related parties (non-trade related) are assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored separately.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Financial assets (continued)

(v) Write-off

(a) Trade receivables

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 360 days past due.

Impairment losses on trade receivables are presented as net impairment losses in profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

(b) Other debt instruments

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

(b) Financial liabilities

(i) Classification

The Company classifies its financial liabilities measured 'at amortised cost' as 'other financial liabilities'. Management determines the classification of its financial liabilities at initial recognition.

'Other financial liabilities'

'Other financial liabilities' are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. 'Other financial liabilities' are recognised as current liabilities unless the Company has an unconditional right to defer repayment of the liabilities for at least 12 months after the reporting date. The Company's 'other financial liabilities' comprise 'lease liabilities, 'term loan owing to immediate holding company', 'payables and accrued liabilities', 'amounts owing to related parties', 'revolving credits owing to immediate holding company', 'revolving credits owing to a related company' and 'short term borrowings' in the statement of financial position.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Financial liabilities (continued)

(ii) Recognition and initial measurement

Financial liabilities are recognised in the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transactions costs.

(iii) Subsequent measurement

Subsequent to initial recognition, 'other financial liabilities' are measured at amortised cost using the effective interest method.

(c) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(d) Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. See Note 3(j) to the financial statements for the accounting policy on borrowings and borrowing costs.

After initial recognition, property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if applicable.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The subsequent costs that are included in an asset's carrying amount are depreciated over the revised useful life of the related asset. All other repairs and maintenance are recognised as expenses in profit or loss during the financial year in which they are incurred.

Major spare parts, stand-by equipment and servicing equipment are classified as property, plant and equipment rather than inventory when they are expected to be used during more than one period.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

A bearer plant is a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. The bearer plants of the Company are oil palm, rubber trees and mango trees. Immature bearer plants are measured at accumulated costs of planting of bearer plants, similar to accounting for a self-constructed item of property, plant and equipment.

Bearer plants are classified as immature until the trees are available for harvest. At that point, bearer plants are measured at amortised cost and depreciated over their useful life which is estimated to be 20 to 25 years.

Leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See Note 3(l) to the financial statements on accounting policy for ROU assets for these assets.

Other property, plant and equipment are depreciated on a straight-line basis to write off the cost of the assets to their residual values over their estimated useful lives.

Principal annual rates used are summarised as follows:

	Estimated useful lives (years)
Leasehold improvements	50 years
Mill and other buildings	3 to 33 years
Plant and machinery	3 to 20 years
Sundry equipment, furniture and fittings	3 to 11 years
Motor vehicles	5 to 10 years
Renovation	3 to 42 years
Bearer plants	
– Oil palm	22 years, or the lease term if shorter
– Rubber trees	20 years, or the lease term if shorter
– Mango trees	25 years, or the lease term if shorter

Assets under construction are carried as 'capital work in progress' and depreciation commences when the assets are ready for their intended use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

Depreciation on property, plant and equipment ceases at the earlier of derecognition and classification as held for sale.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Property, plant and equipment (continued)

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in 'other operating income' or 'other operating expenses' in profit or loss.

At each reporting date, the Company assesses whether there is any indication of impairment. If such an indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See accounting policies Note 3(g) to the financial statements on impairment of non-financial assets.

As at 31 December 2020, the assets are carried at the lower of their carrying amounts and their net realisable values in accordance with the basis of accounting set out in Note 2 to the financial statements.

(e) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. If such an indication exists, an asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. See accounting policies Note 3(g) on impairment of non-financial assets.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date. Intangible assets are amortised when ready for use.

Intangible assets are amortised using the straight-line basis over their estimated useful lives of 5 years.

Amortisation of intangible assets under development commences when the assets are ready for their intended use.

The nature of the intangible assets is software which relates to information technology ("IT") used within the Company.

As at 31 December 2020, the assets are carried at the lower of their carrying amounts and their net realisable values in accordance with the basis of accounting set out in Note 2 to the financial statements.

(f) Biological assets

Biological assets are measured at fair value less costs to sell until the point of harvest. Changes in the fair value are recognised in profit or loss in the period in which the changes arise. Harvested biological assets are transferred to inventory at fair value less costs to sell when harvested. The biological assets of the Company are made up of oil palm, rubber and mango.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Biological assets (continued)

The valuation model adopted by the Company is a discounted cash flows model which includes all cash inflows, cash outflows and imputed contributory asset charges where no actual cash flows associated with the use of assets essential to the agricultural activity are accounted for. The net present value of cash flows is then determined with reference to the market value of fruits at the date of harvest, adjusted for freight, extraction rates, production, transportation, contributory asset charges and other cost to sell at the point of harvest.

Based on management assessment, the identified biological assets balance as at 31 December 2019 was immaterial.

As at 31 December 2020, the assets are carried at the lower of their carrying amounts and their net realisable values in accordance with the basis of accounting set out in Note 2 to the financial statements.

(g) Impairment of non-financial assets

Property, plant and equipment and other non-current non-financial assets, including intangible assets with definite useful lives, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

The impairment loss is charged to profit or loss. Impaired assets are reviewed for possible reversal of impairment at each reporting date and is recognised in profit or loss. Any subsequent increase in recoverable amount is recognised in profit or loss. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised.

(h) Inventories

Inventories which consist of raw materials, work-in-progress, finished goods, molasses and consumables are stated at lower of cost and net realisable value.

Cost is determined on the weighted average cost basis. Raw material cost comprises the landed cost of goods purchased and in the case of work-in-progress and finished goods, includes materials, direct labour, other direct charges and an appropriate proportion of factory overheads. Consumables comprise the actual purchase costs. Molasses, being a by-product from sugar refinery, is valued at net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less selling and distribution costs and all other estimated cost to completion.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institution, other short-term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if any) which are repayable on demand and form on integral part of the Company's cash management are included as a component of cash and cash equivalents in the statement of cash flows. In the statement of financial position, bank overdrafts are shown within borrowings in current liabilities.

(j) Borrowings and borrowing costs

(i) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between initial recognised amount and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss within 'finance costs'.

Where the terms of a financial liability are renegotiated and the Company issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of liability for at least 12 months after the end of the reporting period.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Borrowings and borrowing costs (continued)

(ii) Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognised in profit or loss in the financial period in which they are incurred.

(k) Current and deferred income taxes

Tax expenses for the financial period comprises current and deferred tax. The income tax expense or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses, if any. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in 'other comprehensive income' or directly in equity. In this case the tax is also recognised in 'other comprehensive income' or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes (i.e. tax bases) and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the financial period when the related deferred tax asset is realised or the deferred tax liability is settled.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Current and deferred income taxes (continued)

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(l) Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

Accounting by lessee

Leases are recognised as ROU asset and a corresponding liability at the date on which the leased asset is available for use by the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Company is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Company reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Company and affects whether the Company is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Accounting by lessee (continued)

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

ROU assets are presented as a separate line item in the statement of financial position.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:
- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used. This is the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Leases (continued)

Accounting by lessee (continued)

(iii) Lease liabilities (continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Company presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the 'finance costs' in the statement of comprehensive income.

(iv) Reassessment of lease liabilities

The Company is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(v) Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture, which cost less than RM20,000 each if purchased new. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

(m) Provisions

Provisions are recognised when:
- the Company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- a reliable estimate of the amount can be made.

Where the Company expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions (continued)

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as 'finance costs' in profit or loss.

(n) Onerous contract

The Company recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(o) Contingent assets and liabilities

The Company does not recognise contingent assets and liabilities but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control the Company, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company. The Company does not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

(p) Share capital

(i) Classifications

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental costs directly attributable to the issue of new shares or options are deducted against equity.

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holder of an equity instrument are recognised directly in equity.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the 'functional currency'). The financial statements of the Company are presented in Ringgit Malaysia ('RM'), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(iii) Principal closing rates

The principal closing rates used in the translation of foreign currency monetary assets and liabilities as at the reporting date are as follows:

	2020 RM	2019 RM
1 US Dollar ("USD")	4.0170	4.0950

(r) Revenue recognition

(i) Revenue from contracts with customers

- Sales of goods

The Company's revenue which represents income arising in the course of the Company's ordinary activities is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Company transfers the control of the goods and services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at point in time.

A contract with customer exists when the contract has commercial substance, the Company and its customers have approved the contract and intend to perform their respective obligations, the Company's and the customer's rights regarding the goods or services to be transferred and the payment terms can be identified, and it is probable that the Company will collect the consideration to which it will be entitled to in exchange of those goods or services.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

- Sales of goods (continued)

  Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties such as sales and service taxes or goods and services tax. If the amount of consideration varies due to discounts, rebates, penalties or other similar items, the Company estimates the amount of consideration that it expects to be entitled based on the expected value method or the most likely outcome but the estimation is constrained up to the amount that is highly probable of no significant reversal in the future. Transaction price is allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct good or service promised in the contract.

  The Company sells refined sugar, raw sugar and molasses in connection to the sugar operation. In addition, the Company also sells rubber, mango and palm oil through its plantation division.

  Revenue from sales of goods from the sugar operation and plantation are recognised net of discount and taxes at the point in time when control of the goods has transferred to the customer. Depending on the terms of the contract with the customer, control transfers either upon delivery or shipment of goods to the specific location agreed with the customer, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

- Sales with a right of return

  When the customer has a right to return the goods within a given period, the Company is obliged to refund the purchase price. Revenue is adjusted for the expected value of the returns and cost of sales are adjusted for the value of the corresponding goods expected to be returned.

  A refund liability for the expected refunds to customers is recognised as adjustment to revenue and correspondingly in trade and other payables. At the same time, the Company has a right to recover the goods from the customer where the customer exercises his right of return and recognises a refund asset and a corresponding adjustment to cost of sales the refund asset is measured by reference to the former carrying amount of the product.

  Accumulated experience is used to estimate such returns at the time of sale at a portfolio level using the expected value method. Because the number of goods returned has been steady for years, management assessed that it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Revenue recognition (continued)

(i) Revenue from contracts with customers (continued)

- Revenue from rendering services

  Revenue from rendering services are recognised when the services are performed by reference to completion of the specific services.

  Transportation services performed after the transfer of control of sales of goods from the sugar operation to customers are regarded as a separate performance obligation and recognised over time depending on the terms of the contract.

Receivables, contract asset and contract liabilities

A receivable is recognised when the goods are delivered or services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

The Company has elected the practical expedient to recognise contract cost assets incurred related to contracts with an amortisation period of less than one year as an expense when incurred.

A contract liability is also recognised for expected volume rebates granted to customers.

(ii) Revenue from other sources

Specific revenue recognition criteria for other revenue and income earned by the Company are as follows:

(a) Rental income – recognised on a straight-line basis over the lease terms.

(b) Finance income – recognised using effective interest method.

Finance income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(c) Other income – recognised on an accrued basis unless collectability is uncertain.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as expenses in the year in which the associated services are rendered by employees. Short term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave is recognised when the absences occur.

(ii) Post-employment benefits – Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in profit or loss as incurred.

(iii) Termination benefits

The Company pays termination benefits in cases of termination of employment within the framework of the restructuring. Termination benefits are recognised as a liability and an expense when the Company has a detailed formal plan for the termination and is without realistic possibility of withdrawal.

(t) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for sale in its immediate condition. Management must be committed to the sale, which should be expected within one year from the date of classification as held for sale. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Non-current assets (or disposal groups) held for sale (continued)

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

In case conditions for classification of non-current assets and disposal groups as held for sale are no longer met, classification as held for sale ceases. Accordingly, results of operations, previously presented in discontinued operations, are reclassified and included in result from continuing operations for all periods presented. Non-current assets that ceases to be classified as held for sale are remeasured at the lower of their carrying amount before classification as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale, and its recoverable amount at the date of the subsequent decision to sell.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(u) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions.

Government grants relating to costs are recognised in profit or loss over the periods to match the related costs for which the grants are intended to compensate.

(v) Fair value measurement

The fair value measurement prescribes that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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4 FINANCIAL RISK MANAGEMENT

(a) Financial risk management policies

The Company is exposed to market risk (including foreign currency exchange risk, commodity price risk and interest rate risk), credit risk and liquidity risk arising from its business activities. The Company's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Company's financial performance. The Company uses relevant derivative financial instruments to hedge the risk of such commercial exposure and ensure the implementation of risk action plans to effectively mitigate the risks.

The Board of Directors has overall responsibility for the oversight of financial risk management which includes risk identification, both operational and strategic, and the subsequent action plans to manage these risks. Management is responsible for identifying, monitoring and managing the Company's risk exposures.

Market risk

(i) Foreign currency exchange risk

The Company operates internationally and is exposed to foreign currency exchange risk arising from various currency exposures, primarily with respect to the United States Dollar ("USD").

The Company manages its currency exposure through foreign currency forward contracts.

The Company's exposure to foreign currency exchange risk as at 31 December 2020 and 31 December 2019 is as follows:

	2020 RM'000	2019 RM'000
Receivables and deposits denominated in USD	10,554	2,992
Cash and bank balances denominated in USD	181	4
Payables and accrued liabilities denominated in USD	(689)	(2,359)
Net financial assets	10,046	637

Sensitivity analysis

Based on the financial instruments held as at 31 December 2020, had the USD weakened/strengthened by 10% against Ringgit Malaysia ("RM"), the Company's loss after tax would have been RM763,477 higher/lower.

Based on the financial instruments held as at 31 December 2019, had the USD weakened/strengthened by 5% against RM, the Company's profit after tax would have been RM24,192 higher/lower.

The above exposure mainly as a result of foreign exchange gains/(losses) on translation of foreign currency denominated receivables and deposits, cash and bank balances, amount owing to a related party and payables and accrued liabilities. The analysis assumes that all other variables remain constant.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Market risk (continued)

(ii) Commodity price risk

The Company is exposed to raw sugar prices which are subjects to fluctuations due to unpredictable factors such as weather, change of global demand and global production.

Management of the immediate holding company, MSM Malaysia Holdings Berhad, is responsible for managing the Company's exposure to raw sugar input cost against selling prices of refined sugar set by the Government. Management of the holding company meets regularly to review their raw sugar requirements and price trends and then decides when to buy and price raw sugar consignments so that a refining margin is locked to ensure budgeted profits are met. The holding company assists the Company in managing its raw sugar purchase cost by entering into New York 11 raw sugar future contracts on the Company's behalf to manage its raw sugar purchase cost.

A sensitivity analysis has been performed based on the Company's exposure to sugar futures as at year end.

As at 31 December 2020, if price of raw sugar increases or decreases by 33% with all other variables held constant, the Company's loss after tax and equity would increase or decrease by RM1,730,757.

As at 31 December 2019, if price of raw sugar increases or decreases by 17% with all other variables held constant, the Company's profit after tax and equity would decrease or increase by RM1,451,174.

(iii) Interest rate risk

The Company's exposure to interest rate risk is mainly confined to the loans owing to immediate holding company, revolving credits owing to a related company, short term borrowings from a licensed financial institution and deposits with financial institutions. Loans owing to immediate holding company and a related company, and bank borrowings are on fixed rate terms with the objective of minimising interest burden. The deposits with financial institutions were also bearing fixed interest rate. The Company monitors interest rates at inception to ensure that it is established at favourable rates.

As at 31 December 2020 and 2019, the fluctuations in the market interest rates would have minimal impact to the loss before taxation and equity of the Company as there were no variable rate financial instruments held by the Company.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. Credit risk arises from cash and bank balances, deposits with licensed banks, Company's financial assets that are subject to the ECL model include trade receivables (including trade receivables due from related parties), other receivables (including non-trade receivables due from related parties) and deposits.

The Company adopts the policy of dealing with customers with an appropriate credit history, and obtaining sufficient security where appropriate, including payments in advance, security in the form of guarantees, deeds of undertaking or letters of credit which can be called upon if the counterparty is in default under the terms of the agreement.

Receivables and amounts due from related parties' exposures are closely monitored and continuously followed up.

The Company's deposits with licensed banks, cash and bank balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

At the reporting date, the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position.

(i) Measurement of ECL

The Company's financial assets that are subject to the ECL model include trade receivables (including trade receivables due from related parties), other receivables (including non-trade receivables due from related parties) and deposits. While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the impairment loss is expected to be immaterial.

(a) Trade receivables (including trade receivables due from related parties) using simplified approach

The Company has applied the simplified approach by using the provision matrix to measure the lifetime ECL for trade receivables. The expected loss rates are based on the payment profiles of sales over a period of 24 months before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. No significant changes to estimation techniques or assumptions were made during the reporting period.

The identified impairment loss for trade receivables as at 31 December 2019 is disclosed in Note 14 to the financial statements while the amount of loss allowance in respect of trade receivables was immaterial as at 31 December 2020.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Measurement of ECL (continued)

(b) Other receivables (including non-trade receivables due from related parties) and deposits using general 3-stage approach

The Company uses three categories of internal credit risk rating model for other receivables (including non-trade receivables due from related parties) and deposits which reflect their credit risk and how the loss allowance is determined for each of those categories (3-stage approach). These financial assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 365 days past due.

A summary of the assumptions underpinning the Company's ECL model is as follows:

Category	Company's definition of category	Basis for recognising ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due. See Note 3(a)(iv)(ii) to the financial statements	Lifetime ECL
Non-performing	Interest and/or principal repayments are 180 days past due or there is evidence indicating the asset is credit impaired. See Note 3(a)(iv)(iii) to the financial statements	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. See Note 3(a)(v) to the financial statements	Asset is written off

Based on the assessment performed above, all deposits of the Company are classified under the performing category and are evaluated for ECL based on 12-month ECL.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(i) Measurement of ECL (continued)

(b) Other receivables (including non-trade receivables due from related parties) and deposits using general 3-stage approach (continued)

The identified impairment loss for other receivables as at 31 December 2020 and 31 December 2019 is disclosed in Note 14 to the financial statements.

(ii) Information on entity's credit risk exposure

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Company's maximum exposure to credit risk on these assets:

At 31 December 2020	Expected loss rate	Gross carrying amount – trade receivables (including trade receivables due from related parties*) RM'000	Loss allowance RM'000	Carrying amount (net of loss allowance) RM'000
Current	0.00%	11,375	-	11,375
Up to 30 days past due	0.00%	6,000	-	6,000
31 – 60 days past due	0.00%	20	-	20
61 – 90 days past due	0.00%	200	-	200
91 – 120 days past due	0.00%	273	-	273
121 – 150 days past due	0.00%	199	-	199
151 – 180 days past due	0.00%	1,353	-	1,353
181 – 210 days past due	0.00%	4,230	-	4,230
211 – 240 days past due	0.00%	724	-	724
241 – 270 days past due	0.52%	581	(3)	578
271 – 300 days past due	0.01%	10,462	(1)	10,461
More than 301 days past due	0.01%	8,491	(1)	8,490
Total		43,908	(5)	43,903

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Credit risk (continued)

(ii) Information on entity's credit risk exposure (continued)

* Trade receivable due from related parties as at 31 December 2020 are not subject expected credit loss during the year as trade receivable due from related parties are expected to be fully offset with amount due to the same related parties.

Fixed deposits and bank balances

The Company seeks to invest in its cash assets safely by depositing them with licensed financial institutions.

The Company's bank and cash balances were largely placed with major financial institutions in Malaysia. The Directors are of the view that the possibility of non-performance by these financial institutions, including those non-rated financial institutions, is remote on the basis of their financial strength.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations due to shortage of funds. The Company maintains a sufficient level of cash and cash equivalents to meet the Company's working capital requirements by closely monitoring its cash flows. Due to the nature of its business, the Company has adopted prudent liquidity risk management in maintaining and obtaining sufficient credit facilities from financial institutions.

The table below summarises the maturity profile of the Company's financial liabilities based on the remaining maturity period at the statement of financial position date. The amounts disclosed in the table are based on contractual undiscounted cash flows.

	Contractual undiscounted cash flows				
	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2020:					
Payables and accrued liabilities	4,207	-	-	4,207	4,207
Amounts owing to related parties	205,011	-	-	205,011	205,011
Short term borrowings	33,307	-	-	33,307	33,229
Total undiscounted financial liabilities	244,525	-	-	244,525	242,447

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management policies (continued)

Liquidity risk (continued)

	Contractual undiscounted cash flows				
	Less than 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Total RM'000	Carrying amount RM'000
At 31 December 2019:					
Payables and accrued liabilities	30,808	-	-	30,808	30,808
Amounts owing to related parties	136,984	-	-	136,984	136,984
Term loan owing to immediate holding company	10,780	10,780	21,560	43,120	37,030
Revolving credits owing to a related company	18,289	-	-	18,289	18,113
Short term borrowings	195,235	-	-	195,235	194,050
Lease liabilities	23	-	-	23	23
Total undiscounted financial liabilities	392,119	10,780	21,560	424,459	417,008

(b) Capital risk management policies

The Company's primary objectives on capital management policies are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

To maintain or adjust the capital structure, the Company may adjust the dividends payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes during the financial year ended 31 December 2020 and 31 December 2019.

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4 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management policies (continued)

The Company considers its debts and equity attributable to owner of the Company as capital and monitor capital using gearing ratio. This ratio is calculated as net debt divided by total capital of the Company. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the statement of financial position), lease liabilities and loan owing to related parties less deposits with licensed banks and cash and bank balances. Total capital is calculated as 'equity attributable to owner of the Company as shown in the statement of financial position plus the net debt of the Company.

The gearing ratio analysis is as disclosed below:

	2020 RM'000	2019 RM'000
Short term borrowings (Note 22)	33,229	194,050
Term loan owing to immediate holding company (Note 15(d))	-	37,030
Revolving credits owing to a related company (Note 15(f))	-	18,113
Lease liabilities (Note 23)	-	23
Less:		
Cash and cash equivalents (Note 16)	(40,147)	(51,722)
Net (cash)/debt	(6,918)	197,494
Total equity	(65,028)	36,323
Total capital	(71,946)	233,817
Gearing ratio	N/A	84.5%

The Company is not subject to any externally imposed capital requirements.

(c) Fair value estimation

As at 31 December 2020 and 2019, none of the financial assets and financial liabilities of the Company is measured at fair value which requires classification under fair value measurement hierarchy in accordance with MFRS 7.

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5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by Directors and management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Determination of whether held-for-sale criteria are met and whether an operation meets the definition of discontinued operation

Management had carried out assessments on the Company's plantation and factory leasehold lands to determine whether held-for-sale criteria are met, and whether the cessation of the raw sugar refinery division's operations meets the definition of discontinued operations.

Based on management's assessment, the Company's plantation leasehold land continues to meet the definition of assets held for sale as at 31 December 2020 on the basis that the recognition criteria was met as the Company had received a letter of intent from its ultimate holding company, FGV Holdings Berhad, to purchase the leasehold land (both plantation and factory land). Following the cessation of operation of the raw sugar refining division in July 2020, the Directors have decided to continue with a limited number of sales where the sugar were manufactured by a related company through tolling arrangement. As such, while the factory land meets the definition of assets held for sale as at 31 December 2020, the raw sugar refinery division does not meet the definition of discontinued operation in the current financial year.

Management performed their assessment on whether such an event or circumstance as stated in the preceding paragraph would result in the relevant plantation and factory assets being classified as held for sale or the raw sugar refinery division being classified as a discontinued operation in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Judgement is required as some criteria involved management's assessment of progress towards necessary milestones to complete the sale. Any significant change in the future market conditions and industry affecting the progress of the potential sale could potentially result in its completion beyond one year from the balance sheet date.

(b) Measurement of ECL allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company makes estimates and assumptions in selecting the inputs to the impairment calculation, based on the Company's past history and expected impact of forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

(c) Allowance for obsolete inventories

Allowance for obsolete inventories is made based on the management's evaluation of the inventory ageing profile and taking into account the consumption and usage patterns of individual item held in inventory. The evaluation requires considerable amount of judgement. Changes in the inventory ageing, level of consumption and usage may result in higher or lower allowance for obsolete inventories.

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5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(d) Impairment of non-financial assets

The Company has recognised an impairment loss of RM43,705,000 on its bearer plants under property, plant and equipment during the financial year. Based on the condition of the bearer plants which were neglected and have wilted since the cessation of the plantation operations, the management had fully impaired the carrying amount of the bearer plants subsequent to the write-off of the carrying amount of bearer plants resulting from the fires at the plantation upon declassification as assets held for sale, as the Company does not expect to be able to recover any of this carrying amount through sale.

In making these estimates, management has relied on its assessment of the plants' conditions subsequent to the fire and other available information and estimated that the recoverable amount for the bearer plants is Nil. Furthermore, where the basis of preparation is on a non-going concern, the extent of impairment loss takes into consideration the realisation of these assets through forced sale transactions, where applicable. Refer to Note 10(c) to the financial statements for the details of the impairment carried out by management on the Company's property, plant and equipment.

6 REVENUE – CONTINUING OPERATIONS

The Company derives the following revenue:

	2020 RM'000	2019 RM'000
Revenue from contracts with customers	405,281	942,368

Disaggregation of revenue from contracts with customers:

	2020 RM'000	2019 RM'000
Major goods and services:		
Sales of refined sugar	402,426	934,981
Sales of molasses	2,841	6,625
Transportation services	14	762
	405,281	942,368
Timing of revenue recognition		
- at a point in time	405,267	941,606
- over time	14	762
	405,281	942,368

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6 REVENUE – CONTINUING OPERATIONS (CONTINUED)

	2020 RM'000	2019 RM'000
Continuing and discontinued operations:		
Raw sugar refining	405,281	942,368
Rubber, mango and oil palm plantations	-	884
	405,281	943,252
Less: Revenue from discontinued operation (Note 17)	-	(884)
Revenue from continuing operations	405,281	942,368

The following table shows the revenue expected to be recognised in the future relating to performance obligations that were unsatisfied (or partially satisfied):

	2020 RM'000	2019 RM'000
Sales of sugar	-	12,410

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied as of the end of the reporting date, of which the Company expects to recognise as revenue in the next reporting period is RM Nil (2019: RM12,410,000).

7 FINANCE COSTS – CONTINUING OPERATIONS

	2020 RM'000	2019 RM'000
Interest expense on:		
- Short term borrowings (Note 22)	(2,526)	(7,800)
- Term loan owing to immediate holding company (Note 15(d))	(815)	(2,030)
- Revolving credits owing to immediate holding company (Note 15(e))	-	(158)
- Revolving credits owing to a related company (Note 15(f))	(857)	(1,281)
- Lease liabilities (Note 23)	(1)	(8)
	(4,199)	(11,277)
Less: Amount capitalised on qualifying assets (Note 10)		
- continuing operation	-	-
- discontinued operation	-	678
	-	678
Total finance costs for continuing and discontinued operations	(4,199)	(10,599)
Less: Finance costs for discontinued operation (Note 17)	815	1,352
Total finance costs for continuing operation	(3,384)	(9,247)

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8 LOSS BEFORE TAX

Loss before tax from continuing and discontinued operations are stated after charging/(crediting) the following items:

	2020 RM'000	2019 RM'000
Auditors' remuneration		
- Statutory audit	82	99
Property, plant and equipment:		
- Depreciation	2,011	12,807
- Written off	27,244	-
- Impairment loss	43,705	131,675
- Gain on disposal	(10,786)	-
ROU assets		
- Depreciation	2,714	1,130
- Impairment loss	-	51
Assets held for sale		
- (Reversal of)/Impairment loss	(1,762)	1,762
Intangible assets		
- Amortisation	-	189
- Impairment loss	-	179
Rental income*:		
- Land	(59)	(82)
- Premises	(11)	(62)
Inventories:		
- Written off	530	-
- Allowance for obsolescence	8,508	1,238
Distribution and transport expenses	10,490	33,730
Repair and maintenance	2,957	8,501
Natural gas and fuel consumed	12,686	34,270
Amortisation of advance payment	2,204	1,508
(Reversal of)/Impairment loss on trade receivables	(594)	599
Impairment loss on other receivables	164	33
Raw materials used	282,213	674,953
Employee benefits costs	18,701	22,080
Rental of warehouse	120	538
Changes in inventories of work in progress, refined sugar and molasses	30,316	(9,264)
Interest income*	(738)	(602)
Gain on disposal of scrap*	(2)	(7)
Government transportation subsidy*	(2,669)	(6,403)
Net unrealised foreign currency exchange loss/(gain*)	115	(29)
Net realised foreign currency exchange loss/(gain*)	1,559	(1,270)

* Included in other operating income

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8 LOSS BEFORE TAX (CONTINUED)

	2020 RM'000	2019 RM'000
Employee benefits costs from continuing and discontinued operations:		
- Wages, salaries and bonuses	3,553	7,708
- Defined contribution retirement plan	1,236	1,972
- Employee termination benefits	11,445	6,500
- Other employee benefits	2,467	5,900
	18,701	22,080
Less: Employee benefit costs from discontinued operation	(654)	(9,761)
Employee benefit costs from continuing operation	18,047	12,319

None of the Directors receive any remuneration from the Company for the financial year ended 31 December 2020 and financial year ended 31 December 2019.

9 TAX (EXPENSE)/CREDIT

	2020 RM'000	2019 RM'000
Malaysian income tax:		
- Under accrual in respect of prior financial year		
- from continuing operation	(808)	-
Deferred tax liabilities (Note 20):		
- Current financial year		
- from continuing operation	-	19,218
- from discontinued operation	916	10,332
	916	29,550
- Under accrual in respect of prior financial year		
- from continuing operation	-	(1,178)
- from discontinued operation	(916)	(2,487)
	(916)	(3,665)
Tax (expense)/credit for the financial year	(808)	25,885

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9 TAX (EXPENSE)/CREDIT (CONTINUED)

	2020 RM'000	2019 RM'000
Tax (expense)/credit is attributable to:		
- Continuing operation	(808)	18,040
- Discontinued operation (Note 17)	-	7,845
Tax (expense)/credit for the financial year	(808)	25,885

The numerical reconciliation between tax expense and the product of accounting loss multiplied by the Malaysian income tax rate is as follows:

	2020 RM'000	2019 RM'000
Loss before tax from continuing operation	(24,637)	(127,995)
Loss before tax from discontinued operation	(75,906)	(20,474)
Total loss before tax from continuing and discontinued operations	(100,543)	(148,469)
Tax at Malaysian income tax rate of 24% (2019: 24%)	24,130	35,633
Tax effects of:		
- Expenses not deductible for tax purposes	(3,709)	(3,228)
- Income not subject to tax	91	28
- Impact of change from assets subject to corporate tax rates to real property gain tax ("RPGT") as a result of reclassification of property, plant and equipment for plantation division to assets held for sale (Note 17)	-	10,040
- Unrecognised DTA arising from deductible differences	(19,596)	-
- Derecognition of deferred tax assets arising from unabsorbed business losses carried forward not expected to be utilised*	-	(7,326)
- Derecognition of deferred tax assets arising from unutilised capital allowance carried forward not expected to be utilised*	-	(5,597)
- Under accrual of deferred tax in respect of prior financial year	(916)	(3,665)
- Under accrual of current tax in respect of prior financial year	(808)	-
Tax (expense)/credit for the financial year	(808)	25,885

* Derecognition of deferred tax assets arising from unabsorbed business losses and unutilised capital allowance carried forward not expected to be utilised as a result of change in accounting estimate in relation to the cessation of plantation division during financial year 2019 and the decision to cease the raw sugar refining division at June 2020.

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10 PROPERTY, PLANT AND EQUIPMENT

31.12.2020	Leasehold improvements RM'000	Renovation RM'000	Mill and other buildings RM'000	Plant and machinery RM'000	Sundry equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Bearer plants - Oil palm, rubber and mango RM'000	Total RM'000
COST									
At 1 January 2020	15	3,645	26,370	199,061	16,394	3,531	1,461	-	250,477
Transfer from assets held for sale	-	-	7,530	1,621	1,812	1,146	-	73,572	85,681
Written off	-	-	-	(1)	(7)	(16)	-	(27,244)	(27,268)
Disposals	-	-	(4)	(13,300)	(2,349)	(299)	-	-	(15,952)
Transfer to assets held for sale	-	-	(7,526)	(883)	(1,374)	(831)	-	-	(10,614)
At 31 December 2020	15	3,645	26,370	186,498	14,476	3,531	1,461	46,328	282,324
ACCUMULATED DEPRECIATION									
At 1 January 2020	8	749	18,698	83,818	12,283	3,246	-	-	118,802
Transfer from assets held for sale	-	-	4,278	1,396	1,687	882	-	1,111	9,354
Charge for the financial year	-	-	499	-	-	-	-	1,512	2,011
Transfer to assets held for sale	-	-	(4,774)	(687)	(1,274)	(748)	-	-	(7,483)
Written off	-	-	-	(1)	(7)	(16)	-	-	(24)
Disposals	-	-	(3)	(3,872)	(1,285)	(118)	-	-	(5,278)
At 31 December 2020	8	749	18,698	80,654	11,404	3,246	-	2,623	117,382
ACCUMULATED IMPAIRMENT LOSS									
At 1 January 2020	7	2,896	7,672	115,243	4,111	285	1,461	-	131,675
Transfer from assets held for sale	-	-	-	43	60	-	-	-	103
Impairment loss	-	-	-	-	-	-	-	43,705	43,705
Transfer to assets held for sale	-	-	-	(43)	(60)	-	-	-	(103)
Disposals	-	-	-	(9,399)	(1,039)	-	-	-	(10,438)
At 31 December 2020	7	2,896	7,672	105,844	3,072	285	1,461	43,705	164,942
CARRYING AMOUNT									
At 31 December 2020	-	-	-	-	-	-	-	-	-

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

31.12.2019	Leasehold improvements RM'000	Renovation RM'000	Mill and other buildings RM'000	Plant and machinery RM'000	Sundry equipment, furniture and fittings RM'000	Motor vehicles RM'000	Capital work in progress RM'000	Bearer plants - Oil palm, rubber and mango RM'000	Total RM'000
COST									
At 1 January 2019	15	3,645	33,861	200,682	18,206	4,677	1,461	71,443	333,990
Additions	-	-	39	-	-	-	-	2,129	2,168
Transfer to assets held for sale	-	-	(7,530)	(1,621)	(1,812)	(1,146)	-	(73,572)	(85,681)
At 31 December 2019	15	3,645	26,370	199,061	16,394	3,531	1,461	-	250,477
ACCUMULATED DEPRECIATION									
At 1 January 2019	7	579	22,454	74,506	13,301	3,996	-	506	115,349
Charge for the financial year	1	170	522	10,709	669	131	-	605	12,807
Transfer to assets held for sale	-	-	(4,278)	(1,397)	(1,687)	(881)	-	(1,111)	(9,354)
At 31 December 2019	8	749	18,698	83,818	12,283	3,246	-	-	118,802
ACCUMULATED IMPAIRMENT LOSS									
At 1 January 2019	-	-	-	43	60	-	-	-	103
Impairment loss	7	2,896	7,672	115,243	4,111	285	1,461	-	131,675
Transfer to assets held for sale	-	-	-	(43)	(60)	-	-	-	(103)
At 31 December 2019	7	2,896	7,672	115,243	4,111	285	1,461	-	131,675
CARRYING AMOUNT									
At 31 December 2019	-	-	-	-	-	-	-	-	-

Included in the additions of bearer plants are interest capitalised on qualifying assets of RM Nil (2019: RM678,000).

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The details of property, plant and equipment are as follows:

(a) Bearer plants – comprise oil palms, rubber trees and mango trees

	Mature				Immature				
	Oil palms RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Oil palms RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Total bearer plants RM'000
31.12.2020									
Cost									
At 1 January 2020	-	-	-	-	-	-	-	-	-
Transfer from assets held for sale	1,608	22,220	676	24,504	-	48,870	198	49,068	73,572
Written off	-	-	-	-	-	(27,244)	-	(27,244)	(27,244)
At 31 December 2020	1,608	22,220	676	24,504	-	21,626	198	21,824	46,328
Accumulated depreciation									
At 1 January 2020	-	-	-	-	-	-	-	-	-
Transfer from assets held for sale	329	725	57	1,111	-	-	-	-	1,111
Charge for the financial year	91	1,387	34	1,512					1,512
At 31 December 2020	420	2,112	91	2,623	-	-	-	-	2,623
Accumulated impairment loss									
At 1 January 2020	-	-	-	-	-	-	-	-	-
Impairment loss	1,188	20,108	585	21,881		21,626	198	21,824	43,705
At 31 December 2020	1,188	20,108	585	21,881	-	21,626	198	21,824	43,705
Carrying amount at 31 December 2020	-	-	-	-	-	-	-	-	-

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Bearer plants (continued)

	Mature				Immature				
	Oil palms RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Oil palms RM'000	Rubber trees RM'000	Mango trees RM'000	Total RM'000	Total bearer plants RM'000
31.12.2019									
Cost									
At 1 January 2019	1,608	22,220	676	24,504	-	46,771	168	46,939	71,443
Additions	-	-	-	-	-	2,099	30	2,129	2,129
Transfer to assets held for sale	(1,608)	(22,220)	(676)	(24,504)	-	(48,870)	(198)	(49,068)	(73,572)
At 31 December 2019	-	-	-	-	-	-	-	-	-
Accumulated depreciation									
At 1 January 2019	292	170	44	506	-	-	-	-	506
Charge for the financial year	37	555	13	605	-	-	-	-	605
Transfer to assets held for sale	(329)	(725)	(57)	(1,111)	-	-	-	-	(1,111)
At 31 December 2019	-	-	-	-	-	-	-	-	-
Carrying amount at 31 December 2019	-	-	-	-	-	-	-	-	-

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Reconciliation of the additions to the cash flows for purchase of property, plant and equipment is as follows:

	2020 RM'000	2019 RM'000
Current year addition (included interest capitalised)	-	2,168
Current year addition unpaid as at financial year end	-	(678)
Payments for prior financial year's additions	678	5,918
	678	7,408

(c) Impairment of bearer plants

There were a few occurrences of fires at the plantation between January 2020 to March 2020 which burnt down some bearer plants. The bearer plants were not written off after the fire occurrences as they were classified as assets held for sale where the Company had entered into sale and purchase agreement with F&N Agrivalley Sdn Bhd ("F&N") on 8 October 2019 to dispose its leasehold agriculture land located at Chuping, Perlis. The leasehold agriculture land was to be sold as-is and therefore included the bearer plants situated on that land.

On 8 April 2020, the Company had issued a letter to F&N to exercise its rights to rescind the sale and purchase agreement in respect of the said disposal of its leasehold agriculture land. Thereafter, management has transferred these assets held for sale back to property, plant and equipment. Upon declassification as assets held for sale into property, plant and equipment, a write-off of RM27,244,000 of the carrying amount of bearer plants resulting from the fires at the plantation was put through.

Subsequently, the Company has recognised an impairment loss on the whole carrying amount of bearer plants amounting to RM43,705,000. Based on the condition of the bearer plants which were neglected and have wilted since the cessation of the plantation operations, the management had fully impaired the carrying amount of the bearer plants, as the Company does not expect to be able to recover any of this carrying amount through sale.

(d) Impairment assessment on property, plant and equipment and ROU assets and intangible assets (2019)

The Company has property, plant and equipment (Note 10), ROU assets (Note 11) and intangible assets (Note 12) with aggregate carrying amount of RM131,675,000, RM51,000 and RM179,000 respectively as at 31 December 2019. Management performed an impairment assessment on the Company's property, plant and equipment, ROU assets and intangible assets as the Directors of the Company had resolved to cease the operation of its raw sugar refining division in June 2020.

Management has assessed the recoverable amount of the CGU based on discounted cash flow analysis to determine its value in use. For the purpose of the assessment, management determined that the entire non-monetary assets of the Company as one CGU as this was the smallest identifiable unit which generates independent cash flows in the Company, with the exception of the leasehold factory land as it is able to generate independent cash flows. Cash flows for the non-monetary assets were projected based on past experience and management's expectations for a 6 months period which is the remaining operation period of the raw sugar refining division. As for the recoverable amount of the factory land, the value was assessed based on the recent sales price per square metre for similar land located in the same vicinity as the factory land.

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10 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Impairment assessment on property, plant and equipment and ROU assets and intangible assets (2019) (continued)

The pre-tax discount rate used for the discounted cash flow analysis is 9%.

Based on management's assessment, the recoverable amount is lower than the carrying amount of the CGU of raw sugar refining division, and the shortfall had been applied to all non-monetary assets and an impairment loss of RM131,675,000, RM51,000 and RM179,000 had been recognised for property, plant and equipment, ROU assets and intangible assets respectively as at 31 December 2019.

11 RIGHT-OF-USE ASSETS

Nature of the Company's leasing activities

Leasehold land
The Company has made an upfront payment to secure the right-of-use of 90 to 99 years leasehold land, which are used in the Company's operations. This leasehold land was recognised as a separate line item in statement of financial position.

Warehouse
The Company leases a warehouse for storage of raw sugar.

	Leasehold land RM'000	Warehouse RM'000	Total RM'000
2020			
Cost			
At 1 January	160	1,209	1,369
Transfer from assets held for sale	99,225	-	99,225
Transfer to assets held for sale	(99,385)	-	(99,385)
Disposal	-	(1,209)	(1,209)
At 31 December	-	-	-
Accumulated depreciation			
At 1 January	109	1,169	1,278
Charge for the financial year	2,674	40	2,714
Transfer from assets held for sale	17,687	-	17,687
Transfer to assets held for sale	(20,470)	-	(20,470)
Disposal	-	(1,209)	(1,209)
At 31 December	-	-	-
Accumulated impairment loss			
At 1 January	51	-	51
Transfer to assets held for sale	(51)	-	(51)
At 31 December	-	-	-
Carrying amount			
At 31 December	-	-	-

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11 RIGHT-OF-USE ASSETS (CONTINUED)

	Leasehold land RM'000	Warehouse RM'000	Total RM'000
2019			
Cost			
At 1 January	99,385	1,209	100,594
Transfer to assets held for sale	(99,225)	-	(99,225)
At 31 December	160	1,209	1,369
Accumulated depreciation			
At 1 January	16,904	931	17,835
Charge for the financial year	892	238	1,130
Transfer to assets held for sale	(17,687)	-	(17,687)
At 31 December	109	1,169	1,278
Accumulated impairment loss			
At 1 January	-	-	-
Impairment loss*	51	-	51
At 31 December	51	-	51
Carrying amount			
At 31 December	-	40	40

* See Note 10(d) to the financial statements for details of impairment assessment.

There was no lease expense related to short-term leases and low-value assets that were not capitalised in the lease liabilities.

There is no externally imposed covenant on these lease arrangements.

12 INTANGIBLE ASSETS

The detail of intangible asset which is an Enterprise Resources Planning ('ERP') software is as follows:

	2020 RM'000	2019 RM'000
Net book value		
At 1 January	-	368
Additions	-	-
Amortisation charge	-	(189)
Impairment loss*	-	(179)
At 31 December	-	-
Expected remaining useful lives (years) as at 31 December	-	-

* See Note 10(d) to the financial statements for details of impairment assessment.

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13 INVENTORIES

	2020 RM'000	2019 RM'000
Raw sugar	5,926	21,218
Work in progress	-	1,216
Refined sugar	2,904	30,040
Consumable stores	17,276	17,654
Molasses	112	673
Inventories in transit – raw sugar	2,422	56,788
	28,640	127,589
Less: Allowance for obsolescence	(9,746)	(1,238)
	18,894	126,351

14 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RM'000	2019 RM'000
Current:		
Trade receivables – net	11,168	107,256
Other receivables – net	652	1,054
Deposits	90	625
Prepayments	295	1,022
Advance payment	-	2,204
	1,037	4,905
	12,205	112,161

On 28 February 2014, the Company signed the Gas Supply Agreement ('GSA') with a natural gas supplier for the supply and delivery of natural gas to the Company. The GSA is effective from March 2014 and will expire on 31 December 2022. An advance payment of RM8,198,000 was made to the natural gas supplier for the construction of the gas distribution pipeline and metering facilities to enable the supply of the natural gas to the Company. The ownership of the gas distribution pipeline and metering facilities constructed shall remain vested with the natural gas supplier. The advance payment is amortised over 106 months on a straight-line basis starting from March 2014 based on the tenure of the GSA. On 20 November 2019, the Board has resolved to cease the operation of its raw sugar refining division in June 2020 and determined that the advance payment will be amortised over a period of 8 months from November 2019 onwards to June 2020 instead of 38 months from November 2019 to December 2022. The total amortisation expenses incurred during the financial year ended 31 December 2020 amounted to RM2,204,000 (2019: RM1,508,000).

Included in other receivables is amount receivable from Kementerian Perdagangan Dalam Negeri, Koperasi dan Kepenggunaan of RM Nil (2019: RM641,000) relating to the Government subsidy on transportation.

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14 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The currency exposure profile of trade receivables, other receivables and deposits is as follows:

	2020 RM'000	2019 RM'000
RM	1,356	105,943
USD	10,554	2,992
	11,910	108,935

Credit term of trade receivables range from 7 to 60 days (2019: 7 to 60 days).

Reconciliation of loss allowance

(i) Trade receivables using simplified approach

The Company applies MFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of revenue earned over a period of 24 months before 31 December 2020 and 31 December 2019 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates were not adjusted to reflect forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables, as the Company has not identified any forward-looking assumptions which correlate to the historical loss rates.

The loss allowance for trade receivables as at 31 December 2020 reconciles to the opening loss allowance as follows:

	2020 RM'000	2019 RM'000
At 1 January	(599)	-
Decrease/(Increase) in loss allowance recognised during the financial year	594	(599)
At 31 December	(5)	(599)

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14 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Reconciliation of loss allowance (continued)

(ii) Other receivables using general 3 stage approach

The loss allowance for impairment of other receivables as at reporting date reconciles to the opening loss allowance as follows:

	2020 RM'000	2019 RM'000
At 1 January	(112)	(79)
Increase in loss allowance recognised during the financial year	(164)	(33)
At 31 December	(276)	(112)

The Company considered that there was evidence of impairment if any of the following indicators were present:
- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

15 RELATED PARTY DISCLOSURES

(a) Related parties and relationship

The Directors regard MSM Malaysia Holdings Berhad ('MSMH'), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the immediate holding company, FGV Holdings Berhad ('FGVH'), a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad, as the penultimate holding company and Federal Land Development Authority ('FELDA'), a body set up under the Land Development Act 1956 as the ultimate holding body.*

FELDA, the Company's ultimate holding body effective from 24 December 2020, is a statutory body corporate set up under the Land Development Act 1956, and controlled by the Malaysian Government. The Company considers that, for the purpose of MFRS 124 – "Related Party Disclosures", FELDA and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Company.

Apart from the individually significant transactions as disclosed in the financial statements, the Company has no significant transactions with other government-related entities.

These transactions are conducted in the ordinary course of the Company's business on terms consistently applied in accordance with the Company's internal policies and processes. These terms do not depend on whether the counterparties are government-related entities or not.

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15 RELATED PARTY DISCLOSURES (CONTINUED)

(a) Related parties and relationship (continued)

The related parties (all incorporated in Malaysia) and their relationship with the Company are as follows:

Related parties	Relationship
Federal Land Development Authority ('FELDA')	Ultimate holding body*
MSM Prai Berhad ('MSM Prai')	Fellow subsidiary company
MSM Sugar Refinery (Johor) Sdn. Bhd. ('MSM Johor')	Fellow subsidiary company
MSM Logistic Sdn. Bhd. ('MSM Logistic')	Fellow subsidiary company
Felda Global Ventures Perlis Sdn. Bhd. ('FGVP')	Subsidiary of FGVH
Felda Holdings Berhad ('FHB')	Subsidiary of FGVH
FGV Plantation (Malaysia) Sdn. Bhd. ('FVGPM')	Subsidiary of FGVH
FGV R&D Sdn. Bhd. ('FGVR&D')	Subsidiary of FGVH
Koperasi Permodalan Felda Berhad ('KPF')	Holding company of FHB
Felda Trading Sdn. Bhd. ('FTSB')	Subsidiary of KPF
Felda Trading Tawau Sdn. Bhd. ('FTTSB')	Subsidiary of KPF
FGV Agri Services Sdn. Bhd. ('FASSB')	Subsidiary of FHB
Felda Travel Sdn. Bhd. ('Felda Travel')	Subsidiary of FHB
Felda Prodata System Sdn. Bhd. ('FPSSB')	Subsidiary of FHB
FPM Sdn. Bhd. ('FPMSB')	Subsidiary of FHB
FGV Capital Sdn. Bhd. ('FGVCSB')	Subsidiary of FGVH

*FGVH was reflected as the ultimate holding company in the previous financial year. However, following the events as disclosed in Note 27(b) to the financial statements, FELDA and FGVH are deemed as ultimate holding body and penultimate holding company respectively as at 31 December 2020.

All Directors, Chief Executive Officer ("CEO") (or acting CEO) and Heads of Operation of the Company are regarded as key management personnel.

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15 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party balances

Related parties	Type of transactions	2020 RM'000	2019 RM'000
Amount due from immediate holding company:			
- MSMH	Non-trade	751	680
Amount due from penultimate holding company:			
- FGVH	Non-trade	1,228	1,252
Amount due from related companies:			
- FGVCSB	Non-trade*	-	1,525
- Others	Non-trade	-	5
		-	1,530
Amount due from fellow subsidiaries:			
- MSM Prai	Trade	26,717	11,182
- MSM Johor	Trade	6,018	2,358
	Non-trade	71	-
- Others	Non-trade	-	1
		32,806	13,541
Amounts due from related parties		34,785	17,003

*The amount due from FGVCSB represents the overnight cash sweeping and pooling management program of which the Company is required to transfer excess funds to FGVCSB on a daily basis, which in turn will invest the funds collectively in cash management funds on the Company's behalf on the next day.

Amounts due from related parties are unsecured, interest free, denominated in Ringgit Malaysia and have credit terms of 30 to 60 days (2019: 30 to 60 days).

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15 RELATED PARTY DISCLOSURES (CONTINUED)

(b) Related party balances (continued)

Related parties	Type of transactions	2020 RM'000	2019 RM'000
Amount owing to immediate holding company:			
- MSMH	Non-trade	436	696
Amount owing to fellow subsidiaries:			
- MSM Prai	Trade	203,937	136,213
- MSM Johor	Trade	-	56
		203,937	136,269
Amount owing to subsidiaries of FHB:			
- FPSSB	Non-trade	638	19
Amounts owing to related parties		205,011	136,984

Amounts owing to related parties are unsecured, interest free and have credit term of 60 days (2019: 60 days). All amounts owing to related parties are denominated in Ringgit Malaysia.

(c) Significant related party transactions

Significant transactions with related parties during the financial year are as follows:

		2020 RM'000	2019 RM'000
Sales of finished goods to:			
- MSM Prai	Refined sugar	4,050	70,413
	Raw sugar	49,117	-
	Molasses	1,523	4,060
Sales of finished goods to:			
- MSM Johor	Refined sugar	-	2,250
Provision of services to:			
- MSM Prai	Warehouse rental	144	-
	Transport charges	127	1,663
	Disposal of assets	6,412	-
Provision of services to:			
- MSM Johor	Disposal of assets	3,794	-
Provision of services to:			
- FGVTSSB	Forwarding services	5,769	-

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15 RELATED PARTY DISCLOSURES (CONTINUED)

(c) Significant related party transactions (continued)

		2020 RM'000	2019 RM'000
Purchase of goods from:			
- MSM Prai	Refined sugar	4,846	8,283
	Raw sugar	10,638	75,924
Management fees paid/payable to:			
- MSMH		1,860	1,860
Interest expense paid/payable to:			
- MSMH		-	2,188
- FGVCSB		857	1,281
Tolling charges paid/payable to:			
- MSM Prai		2,163	140,496
Placement of excess funds with:			
- FGVCSB		-	1,525

The terms of the above transactions were established based on prices agreed between the related parties.

(c) Key management personnel compensation

Included in the employee benefits costs are compensation paid to key management personnel as follows:

	2020 RM'000	2019 RM'000
Salary and bonuses	65	139
Post-employment benefits – Defined contribution plan	11	24
Other employee benefits	2	6
	78	169

(d) Term loan owing to immediate holding company

	2020 RM'000	2019 RM'000
At 1 January	37,030	45,764
Interest charged during the financial year (Note 7)	815	2,030
Repayment of principal	(35,000)	-
Repayment of interest	(2,845)	(10,764)
At 31 December	-	37,030
Fair value*	-	38,493

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15 RELATED PARTY DISCLOSURES (CONTINUED)

(d) Term loan owing to immediate holding company (continued)

	2020 RM'000	2019 RM'000
Current	-	10,780
Non-current	-	26,250
At 31 December	-	37,030

The term loan from immediate holding company is denominated in Ringgit Malaysia and subject to interest rate of 5.8% (2019: 5.8%) per annum. The term loan facility amount granted is RM50,000,000 and RM35,000,000 has been drawn down and fully repaid as at 31 December 2020 (2019: RM35,000,000).

*The fair value is measured based on level 2 fair value measurements.

(e) Revolving credits owing to immediate holding company

	2020 RM'000	2019 RM'000
At 1 January	-	26,181
Interest charged during the financial year (Note 7)	-	158
	-	26,339
Repayment during the financial year		
- Principal	-	(24,500)
- Interest	-	(1,839)
At 31 December	-	-

(f) Revolving credits owing to a related company – FGVCSB

	2020 RM'000	2019 RM'000
At 1 January	18,113	30,366
Drawdown during the year	10,920	-
Interest charged during the financial year (Note 7)	857	1,281
	29,890	31,647
Repayment during the financial year		
- Principal	(28,920)	(12,000)
- Interest	(970)	(1,534)
At 31 December	-	18,113

The revolving credits from immediate holding company and a related company are denominated in RM, unsecured with tenure ranging from 5 to 6 months (2019: 5 to 6 months) and subject to interest rate of 3.86% – 4.31% (2019: 4.31% – 4.58%) per annum.

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15 RELATED PARTY DISCLOSURES (CONTINUED)

(g) Cash flows and non-cash changes arising from financing activities are as follows:

		Included in the statement of cash flows			Non-cash	
2020	At 1 January 2020	Drawdown of principal	Repayment of principal	Repayment of interest	Interest accreted	At 31 December 2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loan owing to immediate holding company	37,030	-	(35,000)	(2,845)*	815	-
Revolving credits owing to a related company	18,113	10,920	(28,920)	(970)	857	-
	55,143	10,920	(63,920)	(3,815)	1,672	-

		Included in the statement of cash flows			Non-cash	
2019	At 1 January 2019	Drawdown of principal	Repayment of principal	Repayment of interest	Interest accreted	At 31 December 2019
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term loan owing to immediate holding company	45,764	-	-	(10,764)*	2,030	37,030
Revolving credits owing to immediate holding company	26,181	-	(24,500)	(1,839)	158	-
Revolving credits owing to a related company	30,366	-	(12,000)	(1,534)	1,281	18,113
	102,311	-	(36,500)	(14,137)	3,469	55,143

* Breakdown for the repayment of interest for term loan owing to immediate holding company:

	2020	2019
	RM'000	RM'000
Included in operating activities		
Interest paid	(2,167)	(7,956)
Included in investing activities		
Purchase of property, plant and equipment		
- interest capitalised during the financial year (Note 7)	-	(678)
- interest capitalised in previous financial year (Note 7)	(678)	(2,130)
	(678)	(2,808)
Repayment of interest for term loan owing to immediate holding company	(2,845)	(10,764)

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16 CASH AND CASH EQUIVALENTS

	2020 RM'000	2019 RM'000
Cash and cash equivalents of the Company comprises:		
Deposits with licensed banks:		
- placement in money market fund	36,266	35,121
- time deposits with maturity of more than 3 months	911	911
	37,177	36,032
Cash on hand	3	4,253
Bank balances	3,878	12,348
	3,881	16,601
Total deposits, cash on hand and bank balances	41,058	52,633
Less: Time deposits with a licensed bank having maturity period more than 3 months	(911)	(911)
	40,147	51,722

The currency exposure profile of deposits, cash on hand and bank balances are as follows:

	2020 RM'000	2019 RM'000
RM	40,877	52,629
USD	181	4
	41,058	52,633

Placement in money market fund can be redeemed at any point in time and distribution, if any, will be automatically reinvested into the fund.

The effective interest rate of time deposits with a licensed bank having maturity period of more than 3 months is 1.85% (2019: 3.35%) per annum. These time deposits have maturity term of 12 months (2019: 12 months).

Bank balances are deposits held at call with banks and non-interest bearing.

Credit rating profiles of the banks in which the deposits and bank balances have been placed are as follows:

	2020 RM'000	2019 RM'000
AAA	38,612	40,572
AA2	2,217	7,582
AA3	226	226
	41,055	48,380

The credit rating profiles of the bank are assessed by reference to RAM Ratings.

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16 CASH AND CASH EQUIVALENTS (CONTINUED)

AAA - A financial institution rated AAA has a superior capacity to meet its financial obligations. This is the highest long-term financial institution rated assigned by RAM Ratings.

AA - A financial institution rated AA has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.

A - A financial institution rated A has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.

For long-term ratings, RAM Ratings applies subscripts 1, 2 or 3 in each rating category from AA to C. The subscripts 1 indicates that the financial institution ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscripts 3 indicates that the financial institution ranks at the lower end of its generic rating category.

17 ASSETS HELD FOR SALE AND DISCONTINUED OPERATION

	Property, plant and equipment RM'000	Right-of-use assets RM'000	Total RM'000
At 1 January 2020	75,373	80,627	156,000
Add: Reversal of impairment loss**	851	911	1,762
	76,224	81,538	157,762
Less: Transfer to**	(76,224)	(81,538)	(157,762)
Add: Transfer from***	3,028	78,864	81,892
At 31 December 2020	3,028	78,864	81,892

	Property, plant and equipment RM'000	Right-of-use assets RM'000	Total RM'000
At 1 January 2019	-	-	-
Add: Transfer from*	76,224	81,538	157,762
	76,224	81,538	157,762
Less: Impairment loss*	(851)	(911)	(1,762)
At 31 December 2019	75,373	80,627	156,000

* The Company had entered into sales and purchase agreement with F&N Agrivalley Sdn Bhd ("F&N") on 8 October 2019 to dispose its leasehold agriculture land located at Chuping, Perlis at a price of RM156,000,000. The assets held for sale are written down to their fair value less cost to sell of RM156,000,000 as stipulated in the agreement with F&N.

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17 ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (CONTINUED)

** On 8 April 2020, the Company has issued a letter to F&N to exercise its rights to rescind the sale and purchase agreement in respect of the disposal of its leasehold agriculture land located at Chuping, Perlis, entered on 8 October 2019. Upon the rescission of the agreement, management had reversed the impairment charge of RM1,762,000 recorded previously based on a valuation exercise carried out on the assets. Pursuant to that, management has transferred these assets held for sale back to property, plant and equipment and right of use assets and continued depreciation/amortisation thereon.

*** The Company received a letter of intention from a potential buyer and subsequently a letter of offer on 23 December 2020 and 5 January 2021 respectively, to purchase its leasehold plantation land and leasehold factory land located at Chuping, Perlis.

The fair value is within Level 2 of the fair value hierarchy as this is based on comparison of prices for similar assets.

Analysis of the profit and loss of discontinued operation is as follows:

	2020 RM'000	2019 RM'000
Revenue	-	884
Cost of sales	-	(3,303)
Other operating income (inclusive of reversal of impairment loss on assets held for sale of RM1,762,000)	2,381	109
Administrative expenses	(555)	(1,111)
Other operating expenses (inclusive of write-off on property plant and equipment of RM27,244,000 (2019: RM Nil) and impairment loss on property, plant and equipment of RM43,705,000 (2019: RM Nil) and impairment loss on non-current asset held for sale RM Nil (2019: RM1,762,000) and employee termination benefits of RM Nil (2019: RM6,500,000)	(76,917)	(15,701)
Finance costs	(815)	(1,352)
Loss before tax from discontinued operation	(75,906)	(20,474)
Tax credit	-	7,845
Loss after tax from discontinued operation	(75,906)	(12,629)
Other comprehensive income for the financial year, net of tax	-	-
Total comprehensive loss for the financial year from discontinued operation	(75,906)	(12,629)

Analysis of the cash flows of discontinued operation is as follows:

	2020 RM'000	2019 RM'000
Operating cash flows	(16,914)	1,262
Investing cash flows	802	(1,462)
Financing cash flows	16,152	-
Net cash flows	40	(200)

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18 SHARE CAPITAL

	2020		2019	
	Number of shares '000	RM'000	Number of shares '000	RM'000
Issued and fully paid:				
Ordinary shares with no par value	37,355	117,982	37,355	117,982

The holder of ordinary shares is entitled to receive dividends as declared by the Company and are entitled to one (1) vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

19 RESERVES

	2020 RM'000	2019 RM'000
Merger relief reserve	2,085	2,085
Agricultural research reserve	2,684	2,684
General reserve	17,202	17,202
Accumulated loss	(204,981)	(103,630)
	(183,010)	(81,659)

(a) Retained profits

Dividends paid out of retained profits of the Company are single-tier dividends which are tax exempt in the hands of the shareholder.

(b) Other reserves

(i) Merger relief reserve

This represents the excess of purchase consideration over the carrying amount of the net assets acquired in an acquisition accounted for using the predecessor method.

(ii) Agricultural research reserve and general reserve

The agricultural research reserve is created for agricultural research purposes and the general reserve is created for special projects to be undertaken by the Company in the future. These reserves are available for distribution as cash dividends.

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20 DEFERRED TAX LIABILITIES

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax relates to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2020 RM'000	2019 RM'000
Deferred tax liabilities		
- Subject to RPGT	(7,171)	(7,171)
	(7,171)	(7,171)
At 1 January	(7,171)	(33,056)
- Property, plant and equipment	669	38,091
- Assets held for sale	-	(7,171)
- Accrued liabilities	(507)	466
- Unabsorbed business losses	-	(2,704)
- Accrued interest	(162)	(2,797)
Credited/(Charged) to profit or loss (Note 9)	-	25,885
At 31 December	(7,171)	(7,171)
Subject to income tax:		
Deferred tax assets (before offsetting)		
- Accrued liabilities	-	507
- Accrued interest	-	162
	-	669
- Offsetting	-	(669)
Deferred tax assets (after offsetting)	-	-
Subject to income tax:		
Deferred tax liabilities (before offsetting)		
- Property, plant and equipment	-	(669)
- Offsetting	-	669
Deferred tax liabilities (after offsetting)	-	-
Subject to RPGT:		
- Assets held for sale	(7,171)	(7,171)
Total deferred tax liabilities	(7,171)	(7,171)

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20 DEFERRED TAX LIABILITIES (CONTINUED)

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2020 RM'000	2019 RM'000
Deferred tax assets:		
- Deferred tax assets to be realised after more than 12 months	-	-
- Deferred tax assets to be realised within 12 months	-	669
	-	669
Deferred tax liabilities:		
- Deferred tax liabilities to be settled after more than 12 months	-	-
- Deferred tax liabilities to be settled within 12 months	(7,171)	(7,840)
	(7,171)	(7,840)

Subject to agreement by the Inland Revenue Board, the Company has unabsorbed business losses and unutilised capital allowances where no deferred tax is recognised as follows:

	2020 RM'000	2019 RM'000
Unabsorbed business losses	33,137	23,319
Unutilised capital allowance	68,702	30,526
Deductible temporary difference	33,658	-
	135,497	53,845

Pursuant to the Finance Act, 2018 as gazetted on 27 December 2018, effective from Year of Assessment ("YA") 2019, unabsorbed business losses for a YA can only be carried forward for utilisation for up to 7 consecutive YAs following the relevant year. As a transitional step, accumulated unabsorbed business losses as at the end of YA 2018 shall be allowed to be utilised for the next 7 consecutive YAs from YA 2019 to YA 2025. Any unutilised business losses as at the end of YA 2025 shall be disregarded.

	2020 RM'000	2019 RM'000
Unutilised business losses by year of expiry:		
Expiring in 2025	9,252	9,252
Expiring in 2026	5,801	14,067
Expiring in 2027	18,084	-
	33,137	23,319

Deferred tax assets in respect of unabsorbed business losses which is subject to 7 years' time limit under the current tax legislation and unutilised capital allowance as at 31 December 2020 were not recognised as the Company has ceased its operation of plantation division in the financial year 31 December 2019 and its operation of raw sugar refining division in financial year ended 31 December 2020 which resulted in the Company being unable to generate sufficient future taxable profit against which the unabsorbed business losses and the deductible temporary difference can be utilised.

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21 PAYABLES AND ACCRUED LIABILITIES

	2020 RM'000	2019 RM'000
Trade payables	1,728	10,432
Other payables	359	11,574
Accrued liabilities	9,542	15,848
	9,901	27,422
	11,629	37,854

Deposit received for the sale of leasehold agriculture land included in other payables amounted to RM10,895,000 as at 31 December 2019. See Note 17 to the financial statements for further details.

Included in the accrued liabilities are charges for land assessment of RM4,140,000 (2019: RM4,140,000) and accrued employee termination cost of RM3,282,000 (2019: RM2,906,000 as a result of cessation of operation of plantation) as a result of cessation of operation of raw sugar refining division in financial year ended 31 December 2020.

The foreign currency profile of the payables and accrued liabilities is as follows:

	2020 RM'000	2019 RM'000
USD	689	2,359
RM	10,940	35,495
	11,629	37,854

22 SHORT TERM BORROWINGS

Short term borrowings are all denominated in Ringgit Malaysia.

The effective interest rate of the short-term borrowings as at 31 December 2020 ranges from 2.90% to 4.25% (2019: 2.81% to 4.65%) per annum. The unsecured bankers' acceptance will be maturing between January to February 2021 (2019: January to May 2020).

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22 SHORT TERM BORROWINGS (CONTINUED)

Cash flows and non-cash changes arising from financing activities are as follows:

2020	At 1 January 2020 RM'000	Included in the statement of cash flows: Drawdown of principal RM'000	Repayment of principal RM'000	Repayment of interest RM'000	Non-cash: Interest accreted RM'000	At 31 December 2020 RM'000
Bankers' acceptance	194,050	164,446	(324,055)	(3,738)	2,526	33,229

2019	At 1 January 2019 RM'000	Included in the statement of cash flows: Drawdown of principal RM'000	Repayment of principal RM'000	Repayment of interest RM'000	Non-cash: Interest accreted RM'000	At 31 December 2019 RM'000
Bankers' acceptance	204,572	606,904	(617,094)	(8,132)	7,800	194,050

23 LEASE LIABILITIES

	2020 RM'000	2019 RM'000
Current	-	23
Non-current	-	-
At 31 December	-	23

2020	At 1 January 2020 RM'000	Included in the statement of cash flows: Repayment of principal RM'000	Repayment of interest RM'000	Non-cash: Interest accreted RM'000	At 31 December 2020 RM'000
Lease liabilities	23	(23)	(1)	1	-

2019	At 1 January 2019 RM'000	Included in the statement of cash flows: Repayment of principal RM'000	Repayment of interest RM'000	Non-cash: Interest accreted RM'000	At 31 December 2019 RM'000
Lease liabilities	288	(265)	(8)	8	23

Lease liabilities are all denominated in Ringgit Malaysia.

24 DIVIDEND

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2020.

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25 CAPITAL COMMITMENTS

Capital expenditures in respect of property, plant and equipment not provided for in the financial statements are as follows:

	2020 RM'000	2019 RM'000
Property, plant and equipment:		
- contracted and not provided for	-	1,880
	-	1,880

26 FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

	Amortised cost	
	2020 RM'000	2019 RM'000
Financial assets		
Trade receivables	11,168	107,256
Other receivables (excluding GST receivables)	652	1,054
Deposits	90	625
Amounts due from related parties	34,785	17,003
Deposits with licensed banks	37,177	36,032
Cash and bank balances	3,881	16,601
Total financial assets	87,753	178,571

	Amortised cost	
	2020 RM'000	2019 RM'000
Financial liabilities		
Trade payables	1,728	10,432
Other payables and accrued liabilities	2,479	20,376
Amounts owing to related parties	205,011	136,984
Term loan owing to immediate holding company	-	37,030
Revolving credits owing to a related company	-	18,113
Short term borrowings	33,229	194,050
Lease liabilities	-	23
Total financial liabilities	242,447	417,008

(b) Fair value of financial instruments

The fair value of term loan from immediate holding company is disclosed in Note 15(d) to the financial statements.

The carrying amounts of the other current financial instruments of the Company at the end of the reporting period approximate their fair values because they are mostly short term in nature.

Registration No.
197101000385 (010776-K)

MSM PERLIS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

27 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Impact of Covid-19 pandemic

The Covid-19 outbreak has developed rapidly in 2020, with a significant number of infections. Measures taken by the government of Malaysia and other affected countries to contain the virus have affected economic activities.

The Company's revenue for the first half of the current financial year was reduced due to the pre-planned cessation of the operations of raw sugar refining. Following the cessation of operation of the raw sugar refining division in July 2020, the Directors have decided to continue with a limited number of sales where the sugar were manufactured by a related company through tolling arrangement.

The Company has taken a number of measures to monitor and prevent the effects of the Covid-19 virus such as safety and health measures for our people (like social distancing and working from home) and securing the supply of materials that are essential to the Company for the following arrangement. At this stage, it was assessed that there was no material impact on the Company's business and results. The demand of the goods produced by the Company was not significantly impacted given that they are considered consumer staples and the Company is utilising its remaining inventories in the tolling arrangement.

As the Company expects to cease trading by February 2021, management does not expect any significant impact arising from Covid-19 pandemic on the Company's financial results for the financial year ending 31 December 2021.

(b) Change of ultimate holding body

On 22 December 2020, the Board of Directors of FGV Holdings Berhad ("FGVH"), the Company's then ultimate holding company, received a notice of unconditional mandatory take-over offer from Federal Land Development Authority ("FELDA") to acquire all the remaining ordinary shares in FGVH (excluding treasury shares) which are not already held by FELDA and its Persons Acting in Concert ("PAC"), including all FGVH shares under FGVH's long term incentive plan.

The acquisition was subsequently completed on 24 December 2020.

As a result of the acquisition, the shareholding of FELDA in FGVH increased to approximately 35.12% and the collective shareholding of FELDA and the PAC in FGVH increased to approximately 50.49%. Pursuant to this, FELDA is deemed as the ultimate holding body of FGVH.

Consequently, FELDA is deemed as the ultimate holding body of the Company.

Registration No.
197101000385 (010776-K)

MSM PERLIS SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (CONTINUED)

28 SUBSEQUENT EVENTS

(a) Cessation of raw sugar refining division – transfer of inventories and tolling arrangement

The subsequent tolling arrangement with MSM Prai Berhad & MSM Sugar Refinery (Johor) Sdn. Bhd. ended in February 2021. There are approximately RM7,311,000 of sugar consumed or sold in the months of January and February for fiscal year 2021.

The spare parts and consumables inventories amounting to RM8,932,000 as at 31 December 2020 are being arranged for packaging and transfer to MSM Prai Berhad and MSM Sugar Refinery (Johor) Sdn Bhd. The Company is still in the midst of finalising the packaging so that they can ship it out at single instance.

(b) Land rental agreement with potential buyer

The Company received a letter of intention from a potential buyer and subsequently a letter of offer on 23 December 2020 and 5 January 2021 respectively, to purchase its leasehold plantation land and leasehold factory land located at Chuping, Perlis.

While the land sale process is underway with a valuation to be carried out by the potential buyer, the Company has on 15 March 2021 entered into a one-year tenancy agreement with a subsidiary of the potential buyer as part of the overall arrangement to secure the acquisition of the land for the potential buyer's purpose of integrated farming activities. The Company is expected to receive RM258,000 in rental income during the tenancy period.

The directors of the Company are of the view that the execution of this tenancy agreement does not have any impact on the classification of the leasehold plantation land and leasehold factory land as assets held for sale as of 31 December 2020 as the tenancy arrangement is linked to the planned ultimate sale and was intended to allow the potential buyer to begin preparing the land for its intended use upon the sale.

29 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 March 2021.

ADDITIONAL INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

Our Board has seen and approved this Circular and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular. They confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement in this Circular misleading.

The information relating to FGVIF and the Interested Major Shareholders as contained in this Circular was extracted from publicly available information and/or documents provided by the board of directors and management of FGVIF and the Interested Major Shareholders. Therefore, the responsibility of our Board with respect to such information is limited that such information is accurately reproduced in this Circular.

2. CONSENT AND CONFLICT OF INTERESTS

2.1 Raine & Horne

Raine & Horne, being the Independent Valuer for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Valuation Certificates and all references thereto in the form and context in which it appears in the abovementioned Circular.

Raine & Horne is not aware of any existing conflict of interest nor of any circumstances which would or is likely to give rise to a possible conflict of interest by virtue of its appointment as Independent Valuer for the Proposed Disposal.

2.2 Affin Hwang IB

Affin Hwang IB, being the Independent Adviser for the Proposed Disposal, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, IAL and all references thereto in the form and context in which it appears in the abovementioned Circular.

Affin Hwang IB is not aware of any existing conflict of interest nor of any circumstances which would or is likely to give rise to a possible conflict of interest by virtue of its appointment as Independent Adviser for the Proposed Disposal.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES OF OUR GROUP

3.1 Material commitments

Save as disclosed below, as at the LPD, our Board is not aware of any material commitments incurred or known to be incurred by our Group, which upon becoming enforceable, may have a material adverse impact on the financial position of our Group.

	RM '000
Property, plant and equipment	
Contracted but not provided for	24,161
Approved but not contracted for	169,461
	193,622

3.2 Contingent liabilities

As at the LPD, our Board is not aware of any contingent liabilities incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material adverse impact on the financial position of our Group.

4. MATERIAL LITIGATION

As at the LPD, our Group has not been engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, and our Board is not aware and does not have any knowledge of any proceedings, pending or threatened against our Group, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of our Group. For completeness, our Group would like to provide an update on the following:

4.1 Kuala Lumpur High Court (Civil Suit No WA-22NCvC-478-07/2018) brought by MSMH ("our Company"), Rozaini Binti Mohd Yusoff (suing on her behalf and as beneficiary and co-administrator for the Estate of the Late Dato' Sheikh Awab Bin Sheikh Abod), and Sheikh Muhammad Shakir (suing as co-administrator for the Estate of the Late Dato' Sheikh Awab Bin Sheikh Abod) (collectively, "Plaintiffs") against Transnational Insurance Brokers (M) Sdn Bhd ("TIB"/"Defendant")

By a writ of summons and statement of claim dated 26 July 2018, the Plaintiffs had commenced the above legal proceedings against the Defendant for professional negligence and breach of contract, whereby TIB was MSMH's insurance brokers to negotiate, procure and manage the insurance portfolio of MSMH's and its subsidiaries.

In this suit, the Plaintiffs contends that the TIB was negligent in failing to procure an increased sum cover ("**Increased Sum Covered**") for Dato' Sheikh Awab Bin Sheikh Abod who was the President and Group Chief Executive Officer of MSMH at the material time ("**Deceased**"). The Increased Sum Covered would have been available to the Deceased under Takaful's Group Term policy taken out under Takaful Ikhlas Berhad ("**Takaful Ikhlas**") for the benefit of our Company's eligible employees and members. The Plaintiffs further contends that because of the failure to transmit the Deceased's medical records to Takaful Ikhlas and/or failure to advise our Company accordingly, the Deceased's Increased Sum Covered was not engaged when the Deceased passed away. Thus, the estate of the Deceased was wrongfully refused and denied the Increased Sum Covered from Takaful Ikhlas amounting to RM5,990,400.00, which the Plaintiffs are claiming as damages under this suit.

This suit was initially filed in September 2017 vide a Civil Suit No: WA-22NCC-383-09/2017, but was withdrawn with liberty to file afresh. The current suit was re-filed with the inclusion of Takaful Ikhlas. In December 2018, with the agreement of the MSMH, the suit was withdrawn against Takaful Ikhlas, leaving only TIB as the defendant. Subsequently, the Amended Statement of Claim was filed on 11 December 2018. TIB has filed a defence against the claim denying any wrongdoing. There is no counterclaim by TIB. Several attempts by both parties for an amicable settlement out-of-court has been to no avail.

Trial for the suit took place on 5, 6,19, 22, 27 and 30 April 2021. The decision for this suit is fixed on 8 September 2021.

The counsels acting for the Plaintiffs in the above suit are of the view that the prospects of the suit by the Plaintiffs against TIB are good subject to the documents to be submitted and the performance of witnesses during trial.

5. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents are available for inspection by the registered shareholders of our Company at our office at Level 21, Wisma FGV, Jalan Raja Laut, 50350 Kuala Lumpur, Wilayah Persekutuan during normal business hours between Monday and Friday (except public holidays) from the date of this Circular up to and including the date of our EGM:

(i) our Constitution and the Memorandum and Articles of Association of MSM Perlis;

(ii) our audited financial statements for the 2 FYEs 31 December 2019 and 2020 as well as the latest unaudited consolidated financial statements of our Company for the 3-month period ended 31 March 2021;

(iii) the audited financial statements of MSM Perlis for the FYEs 31 December 2019 and 2020 as well as the latest unaudited management accounts of MSM Perlis for the 3-month period ended 31 March 2021;

(iv) the MSMP SSA;

(v) the valuation reports by the Independent Valuer in relation to the Chuping Properties referred to in Appendix II of this Circular;

(vi) the material contract referred to in **Section 9** of Appendix I of this Circular;

(vii) the cause papers in respect of the litigation referred to in **Section 4** of this Appendix; and

(viii) the letters of consent referred to in **Section 2** of this Appendix.

MSM MALAYSIA HOLDINGS BERHAD
Registration No : 201101007583 (935722-K)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of MSM Malaysia Holdings Berhad ("MSMH" or the "Company") will be held entirely on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting ("RPV") facilities via online meeting platform provided by Boardroom Share Registrars Sdn Bhd at **https://meeting.boardroomlimited.my** (Domain Registration No. with MYNIC – D6A357657) on Wednesday, 15 September 2021 at 11.00 a.m or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

ORDINARY RESOLUTION

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN MSM PERLIS SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF MSM MALAYSIA HOLDINGS BERHAD, TO FGV INTEGRATED FARMING HOLDINGS SDN BHD FOR AN INITIAL DISPOSAL CONSIDERATION OF RM175.0 MILLION IN CASH, SUBJECT TO ADJUSTMENT FOR NET WORKING CAPITAL AND NET DEBT AT COMPLETION ("PROPOSED DISPOSAL")

"THAT subject to the relevant approvals being obtained from all relevant authorities, approval be and is hereby given for the Company to carry out and to implement all transactions contemplated herein in relation to the following:

i. the disposal of the entire equity interest in MSM Perlis Sdn Bhd, a wholly-owned subsidiary of MSM Malaysia Holdings Berhad, to FGV Integrated Farming Holdings Sdn Bhd for an initial disposal consideration of RM175.0 million in cash, subject to adjustment for net working capital and net debt at completion of the Proposed Disposal.

AND THAT the Board of Directors of the Company be and is hereby authorised to carry out all such acts, deeds and things deemed necessary or expedient to give full effect to implement all transactions contemplated therein in the Proposed Disposal, for and on behalf of the Company and in the best interest of the Company, with full powers to assent to any conditions, modifications, variations and/or amendments to the terms of the Proposed Disposal as may be required by any relevant authorities and to execute, deliver and/or cause to be delivered such documents and agreements in connection therewith."

Please refer to Explanatory Note

BY ORDER OF THE BOARD

KOO SHUANG YEN
Company Secretary
(SSM PC No.: 201908003534)
(MIA 7556)

Kuala Lumpur
27 August 2021

NOTES:

1. Fully Virtual EGM

a. In light of the Government of Malaysia's pronouncement of the Movement Control Order, aimed at curbing the spread of COVID-19, and having regard to the well-being and the safety of our Shareholders, our Company will conduct its EGM on a fully virtual basis through live streaming and online remote voting using the RPV facilities via online meeting platform at **https://meeting.boardroomlimited.my** ("Online Meeting Platform").

This is in line with the Securities Commission's Guidance Note on the Conduct of General Meetings for Listed Issuers which was issued on 18 April 2021 and revised on 16 July 2021. Please follow the procedures provided in the Administrative Details for the EGM in order to register, participate and vote remotely via RPV facilities.

b. With the RPV facilities, a Shareholder may exercise his/her right to participate (including to pose questions to the Board/Management of our Company) and vote at the EGM, in the comfort of their home.

c. The venue of the EGM is the Online Meeting Platform which is located in Malaysia being the main venue and is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. For health and safety measures due to COVID-19 pandemic, Shareholders are required to participate through the Online Meeting Platform only.

d. Due to the constant evolving situation of the COVID-19 pandemic, we may be required to change the arrangements of our EGM at short notice. Kindly check the Company's website or announcements for the latest updates (if any) in relation to the EGM.

2. Proxy

a. Members who are unable to participate in the EGM may appoint Proxy(ies) to vote on their behalf. A Member is entitled to appoint one (1) or more Proxies but not more than two (2) to attend and vote at the same meeting. Where a Member appoints two (2) Proxies, each Proxy appointed shall represent a minimum of one hundred (100) shares and the appointment of such Proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each of such Proxy. Independent Scrutineer will be present to verify that the voting is conducted properly and fairly.

b. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with provisions of Section 25A(1) of SICDA.

c. Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of Shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor.

d. The appointment of Proxy may be made in a hardcopy form or by electronic means as follows:

<u>In Hardcopy Form</u>

The Proxy Form shall be deposited at the office of the Share Registrar of our Company at **Boardroom Share Registrars Sdn Bhd, Ground Floor or 11th Floor, Menara Symphony, No 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia** no later than **Monday, 13 September 2021 at 11.00 a.m.**, and in default the Proxy Form shall not be treated as valid.

<u>By Electronic Means</u>

The Proxy Form may be submitted:

a. to the Share Registrar of our Company, **Boardroom Share Registrars Sdn Bhd** via e-mail to **bsr.helpdesk@boardroomlimited.com**, no later than **Monday, 13 September 2021 at 11.00 a.m**. or

b. via electronic means ("e-Proxy") no later than **Monday, 13 September 2021 at 11.00 a.m**. (please refer to the Annexure to the Proxy Form for further information on submission via e-Proxy).

3. **Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees**

For Corporate Shareholders, Authorised Nominees and Exempt Authorised Nominees who wish to participate and vote remotely via RPV facilities at the EGM of our Company, please refer to the procedures in item 2 of the Administrative Details for the EGM.

4. **Shareholders entitled to participate and vote**

For purposes of determining a Shareholder who shall be entitled to participate and vote at the EGM, our Company shall be requesting from Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 63 of our Company's Constitution and Section 34(1) of Securities Industry (Central Depositories) Act 1991 ("SICDA"), to issue a General Meeting Record of Depositors as at **7 September 2021. Only a depositor whose name appears on the General Meeting Record of Depositors as at 7 September 2021 shall be entitled to participate and vote at the EGM or appoint a Proxy(ies) to participate and vote on such depositor's behalf.**

5. **Request for remote participation user ID and password**

The registration for remote participation will be open from **Friday, 27 August 2021, 11.00 a.m. up to Monday, 13 September 2021 at 11.00 a.m.**. Please follow the procedures provided in the Administrative Details for the EGM in order to participate in the EGM remotely via RPV EGM facilities.

6. **Voting**

Pursuant to Paragraph 8.29A(1) of the Listing Requirements, the resolution set out in the Notice of the EGM of our Company will be put to vote by poll. Poll Administrator will be appointed to conduct the poll via e-voting process and Independent Scrutineers will be appointed to verify the poll results.

Shareholders can proceed to vote on the resolution and submit their votes at any time from the commencement of the EGM at 11.00 a.m. until a time when the Chairman of the meeting announces the completion of the voting session. Upon completion of the voting session for the EGM, the Independent Scrutineers will verify and announce the poll results followed by the Chairman of the meeting's declaration whether the resolution is duly passed.

EXPLANATORY NOTE

Ordinary Resolution – Proposed Disposal

1. The proposed Ordinary Resolution, if passed, the entire equity interest held in MSM Perlis Sdn Bhd will be disposed to FGV Integrated Farming Holdings Sdn Bhd with the agreed initial disposal consideration of RM175.0 million in cash, subject to adjustment for net debt and net working capital at the date of completion of the Proposed Disposal.

2. Detailed information on the Proposed Disposal is set out in the Circular to Shareholders dated 27 August 2021.

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MSM MALAYSIA HOLDINGS BERHAD
Registration No : 201101007583 (935722-K)

PROXY FORM

CDS Account No	No of Shares held

EXTRAORDINARY GENERAL MEETING ("EGM")
15 SEPTEMBER 2021

I/We ____
(Full name in BLOCK LETTERS as per Identity Card (MYKad/Passport/Certificate of Incorporation))

MYKad/Passport No (for non-Malaysian only)/Company No.: ______________________________ of

____
(Address in full)

Telephone no.: ______________________ being a member of **MSM MALAYSIA HOLDINGS BERHAD** ("the Company"), hereby appoint ______________________________
(Full name in BLOCK LETTERS as per Identity Card (MYKad/Passport/Certificate of Incorporation))

MYKad/Passport No. (for non-Malaysian only): ______________________ of ______________________

____
(Address in full)

Telephone no.: ______________________ Email address: ______________________

and/or failing him/her ____
(Full name in BLOCK LETTERS as per Identity Card (MYKad/Passport/Certificate of Incorporation))

MYKad/Passport No. (for non-Malaysian only): ______________________ of ______________________

____
(Address in full)

Telephone no.: ______________________ Email address: ______________________

or failing the abovenamed Proxies, the *Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the EGM of the Company **be held entirely on a fully virtual basis through live streaming and online remote voting** using the Remote Participation and Voting ("RPV") facilities via online meeting platform provided by Boardroom Share Registrars Sdn Bhd at **https://meeting.boardroomlimited.my** (Domain Registration No. with MYNIC – D6A357657) on **Wednesday, 15 September 2021 at 11.00 a.m.** or at any adjournment thereof.

My/our Proxy/Proxies is to vote as indicated below:

NO	AGENDA			
ORDINARY RESOLUTION		FOR	AGAINST	ABSTAIN
1	Proposed Disposal			

(Please indicate with an "X" in the space whether you wish your votes to be cast FOR or AGAINST the resolution. In the absence of such specific instructions, your proxy will vote or abstain as he thinks fit).

As witness my/our hand(s) this day ____________of ______________ 2021.

____
Signature(s)/Common Seal of Member(s)

The proportions of my/our holding to be represented by my/our proxies are as follows:

	No. of shares	Percentage
First Proxy		
Second Proxy		
Total		**100%**

**Strike out whichever not applicable*

Notes:

1. Precautionary measures against Coronavirus disease 2019 (COVID-19) pandemic

a. In light of the Government of Malaysia's pronouncement of the Movement Control Order, aimed at curbing the spread of COVID-19, and having regard to the well-being and the safety of our Shareholders, our Company will conduct its EGM on a fully virtual basis through live streaming and online remote voting using the RPV facilities via online meeting platform at **https://meeting.boardroomlimited.my** ("Online Meeting Platform").

This is in line with the Securities Commission's Guidance Note on the Conduct of General Meetings for Listed Issuers which was issued on 18 April 2021 and revised on 16 July 2021. Please follow the procedures provided in the Administrative Details for the EGM in order to register, participate and vote remotely via RPV facilities.

b. With the RPV facilities, a Shareholder may exercise his/her right to participate (including to pose questions to the Board/Management of our Company) and vote at the EGM, in the comfort of their home.

c. The venue of the EGM is the Online Meeting Platform which is located in Malaysia being the main venue and is strictly for the purpose of compliance with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue. For health and safety measures due to COVID-19 pandemic, Shareholders are required to participate through the Online Meeting Platform only.

d. Due to the constant evolving situation of the COVID-19 pandemic, we may be required to change the arrangements of our EGM at short notice. Kindly check the Company's website or announcements for the latest updates (if any) in relation to the EGM.

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a. Members who are unable to participate in the EGM may appoint Proxy(ies) to vote on their behalf. A Member is entitled to appoint one (1) or more Proxies but not more than two (2) to attend and vote at the same meeting. Where a Member appoints two (2) Proxies, each Proxy appointed shall represent a minimum of one hundred (100) shares and the appointment of such Proxies shall not be valid unless the Member specifies the proportion of his/her shareholding to be represented by each of such Proxy. Independent Scrutineer will be present to verify that the voting is conducted properly and fairly.

b. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with provisions of Section 25A(1) of SICDA.

c. Where an exempt authorised nominee appoints two (2) or more proxies, the proportion of Shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

The instrument appointing a proxy shall be in writing under the hands of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation either under its common seal, or the hand of its officer or its duly authorised attorney. An instrument appointing a proxy to vote at a meeting shall be deemed to include the power to demand or join in demanding a poll on behalf of the appointor.

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Shareholders can proceed to vote on the resolution and submit their votes at any time from the commencement of the EGM at 11.00 a.m. until a time when the Chairman of the meeting announces the completion of the voting session. Upon completion of the voting session for the EGM, the Independent Scrutineers will verify and announce the poll results followed by the Chairman of the meeting's declaration whether the resolution is duly passed.

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MSM

Extraordinary General Meeting
MSM MALAYSIA HOLDINGS BERHAD
15 September 2021

Stamp

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony
No 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan, Malaysia

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