MINORITY SHAREHOLERS WATCH GROUP
BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD
(Incorporated in Malaysia – Company Registration No. 200001022382 (524989-M)

The Edge Malaysia – Monday, December 14, 2020(**C**) – (Part 1)

SUHAIMI YUSUF/THE EDGE

Timeline

JUNE 27, 2012 — FGV's IPO was the second largest in the world, raising RM10 billion

JULY 18, 2013 — Announces the acquisition of Pontian United Plantations for RM1.2 billion

DEC 17, 2013 — Acquires 70% in Cambridge Nanosystems Ltd for £10 million

AUG 29, 2014 — Announces the acquisition of Asian Plantations Ltd for about RM1 billion — RM628 million in cash and the assumption of RM388 million in liabilities

JUNE 8, 2015 — Acquired four plantation companies and a parcel of oil palm land in Sabah measuring 836.1ha from Golden Land Bhd for RM655 million in cash

JUNE 12, 2015 — Heads of agreement with PT Rajawali Capital International to acquire 37% in PT Eagle High Plantations Tbk, 95% of PT Cendrawasih Jaya Mandiri, 95% of PT Karya Bumi Papua, 93.3% equity interest in PT Rizki Kemilau Berjaya (deal aborted)

Questions over FELDA's plans for FGV

STORIES BY **JOSE BARROCK**

Last Friday, market talk had it that the Federal Land Development Authority (FELDA) had secured the requisite funding to buy the stakes held by Kumpulan Wang Persaraan (Diperbadankan), or KWAP, and Urusharta Jamaah Sdn Bhd (UJSB) in FGV Holdings Bhd.

The funding included the amount needed to buy up all the shares not under FELDA and parties acting in concert with it. Details of the funding, however, were unavailable but one source familiar with the matter said that FELDA obtained the loan as it had assets in the form of land.

"I would think it's a club deal (a consortium of banks), no single financial institution would take up such a loan ... or it (the privatisation) could be government funded," one source says.

However, it is not clear if the situation has changed since last Friday, as things have been pretty fluid at FELDA.

For instance, FGV, via a land lease agreement (LLA) with FELDA, controls and operates 350,733ha of plantations owned by FELDA, for a 99-year tenure starting from Nov 1, 2011. FGV on its own has 88,497ha of plantation land and 68 palm oil mills, parked under FGV Palm Industries Sdn Bhd.

Until recently, FELDA's restructuring plan was hinged on the termination of the LLA with FGV, which would give FELDA back its plantations but also incur compensation costs, which could total RM5 billion to RM6 billion, depending on the price tag of FGV's palm oil mills, which FELDA said it was interested in.

Now, the plans seem to have taken a drastic change, with no indication of FELDA's direction.

A vague one pager on the government agency's website, called FELDA's New Model, Towards a Brighter Future, has 10 tenets, which include terminating the LLA with FGV, and more general ones such as changing the FELDA settlers' mindset, a new oversight committee, strengthening management and settling the settlers' debts.

How seriously these tenets will be adhered to is anyone's guess.

To recap, early last week, FELDA, which has a stake of 33.66% in FGV, sought to acquire UJSB's 7.78% stake for RM368.8 million and KWAP's 6.1% holding for RM289.2 million, triggering a mandatory takeover offer.

FELDA, in a statement issued by Maybank Investment Bank Bhd, had said that with persons acting in concert, the government agency had amassed more than 50% of FGV's shareholding. But who is partnering with FELDA is not known, and while most fingers point to Koperasi Permodalan Felda Malaysia Bhd — an entity which aims to assist Felda settlers — there are many other government-linked entities with shareholdings in FGV that would work with FELDA.

With more than 50%, FELDA is making a mandatory takeover offer for the remainder shares it does not own at RM1.30 apiece.

But it is not clear if FELDA intends to maintain FGV's listing.

FELDA declined to answer emailed questions sent to it last week, while chairman Datuk Seri Idris Jusoh could not be contacted for comment.

Many are curious as to why KWAP and UJSB are accepting FELDA's offer of RM1.30 per share, as it could be deemed on the low side, depending on how you view the transaction.

Minority Shareholders Watch Group's (MSWG) CEO Devanesan Evanson says of the RM1.30 offer: "I suppose the question is whether the offer is reasonable and fair. The share price was RM1.27 before the offer was made. As such, there was a slight premium. The offer price of RM1.30 is well above the net asset per share of RM1.13 as at end-September." (See "MSWG's take on FELDA's offer for FGV" on Page 62.)

It is also noteworthy that since the offer by FELDA, FGV's share price has dipped, closing at RM1.19 last Thursday, translating into a market capitalisation of RM4.34 billion.

At RM1.30 per share, FELDA would have to fork out RM3.15 billion for the 66.34% it does not own in FGV.

A senior executive from FGV, meanwhile, deemed the RM1.30 offer as low. "I would have thought they (FELDA) would offer at

FEB 26, 2016 — Proposes to buy 55% in Zhong Ling Nutril Oil Holdings Ltd for RM976.25 million (acquisition cancelled)

JULY 5, 2018 — Company changes name to FGV Holdings Bhd, from Felda Global Ventures Holdings Bhd

SEPT 18, 2018 — President and CEO Datuk Zakaria Arshad resigns after being suspended on Sept 13

NOV 23, 2018 — FGV commences legal proceedings against former directors and senior executives for the acquisition of Asian Plantations Ltd via a voluntary conditional cash offer in 2014. The company brought the action for loss suffered from their failure to discharge their fiduciary duty, duty of fidelity and/or duty to exercise reasonable care, skill and diligence.

DEC 31, 2018 — Urusharta Jamaah Sdn Bhd, a unit of the Minister of Finance Inc, surfaces as a 7.77% shareholder in FGV, taking over the block of shares from pilgrim fund Lembaga Tabung Haji

JULY 26, 2019 — FGV confirms it is in talks to sell a block of shares in its 51% unit, sugar refiner MSM Malaysia Holdings Bhd

JUNE 9, 2020 — Koperasi Permodalan Felda Malaysia Bhd ceases to be substantial shareholder of FGV

OCT 13, 2020 — Perspective Lane (M) Sdn Bhd, a vehicle of Tan Sri Syed Mokhtar Albukhary, submits a proposal to inject assets for shares in FGV

OCT 18, 2020 — FELDA chairman, in an interview with Bernama, says it will terminate the land lease agreement with FGV

DEC 8, 2020 — FELDA seeks to buy 13.88% in FGV — 6.1% from Kumpulan Wang Persaraan (Diperbadankan) (KWAP) and 7.78% from Urusharta Jamaah Sdn Bhd — for RM1.30 a share or RM658 million, triggering a mandatory takeover offer.

FELDA

CGS-CIMB

FGV financial performance

RM MIL	DEC-18A	DEC-19A	DEC-20F	DEC-21F	DEC-22F
Total net revenue	13,464	13,259	18,324	19,863	19,994
Gross profit	1,297	1,277	1,765	1,914	1,926
Operating Ebitda	-114	606	1,079	1,131	1,223
Profit before tax (pre-EI)	-1,025	-350	97	106	155
Pre-tax profit	-1,025	-350	97	106	155
Profit after tax	-1,144	-371	63	83	129
Net profit	**-1,081**	**-242**	**75**	**78**	**111**

least RM1.59 per share (FGV's 52-week high, attained in early January this year)," he says.

Why are KWAP and UJSB accepting FELDA's offer?

UJSB, owned by the Ministry of Finance (MoF), took over assets from the troubled and cash-strapped pilgrim fund, Lembaga Tabung Haji, in 2018. The assets included stakes in 106 listed companies, one unlisted plantation counter, and 29 properties, including four hotels, and a plot of land at Tun Razak Exchange. UJSB had paid RM19.9 billion for the assets, which had a net book value of RM10 billion. UJSB also issued sukuk to the tune of RM19.6 billion to facilitate the acquisition.

UJSB's 10-year mandate is to not only protect the value of the assets it has, but to create and grow the value of its portfolio, it had told *The Edge* in the past.

News reports have it that UJSB paid RM1.31 billion, or a 545% premium, for the 283.71 million shares or 7.78% stake in FGV it inherited from Lembaga Tabung Haji. The shares had a market value of RM202.85 million as at end-2018, when UJSB took over the assets of the pilgrim fund.

FELDA's offer of RM1.30 amounts to RM368.8 million in cash.

In an email reply to *The Edge*, UJSB says, "With reference to UJSB's disposal of its stake in FGV to FELDA, we would like to state that decisions such as this fall within the ordinary course of business of an asset management company.

"UJSB has executed a conditional share purchase agreement with FELDA which brings us into a contractual arrangement with them.

"From our perspective and internal assessment, we feel that the price that FELDA has offered is attractive. The proceeds raised will subsequently enable us to redeploy/reinvest capital and improve our returns. This forms part of UJSB's mandate to manage our assets responsibly and improve the overall performance of our portfolio."

KWAP, meanwhile, in response to questions from *The Edge*, says, "Given that KWAP is bound by a confidentiality agreement with FELDA subject to the conditional share purchase agreement, we are unable to provide further details in relation to this matter.

"However, if we may add, KWAP views achieving sustainable fund growth to be of utmost importance as it enables us to effectively manage our investments more diligently in the long term for the benefit of our stakeholders."

KWAP first surfaced as a substantial shareholder in early July 2012 with 193.49 million shares or 5.3% equity interest, after accumulating shares on the open market.

Since then, KWAP has actively traded FGV's stock, making it difficult to gauge its holding costs for its shareholding in FGV.

Nevertheless, from end-June 2012 — FGV's stock hit an intra-day high of RM5.46 on its debut — to end-December the same year, its share price averaged RM4.08. Since its listing at end-June 2012, FGV's stock has averaged RM2.15, which means the RM1.30 offer is a 39.53% discount to the average trading price of FGV over the last eight years.

What an analyst says

In a report released last week, CGS-CIMB's plantation analyst Ivy Ng says, "The offer price of RM1.30 is at a 3% discount to our target price and only a 2% premium to FGV's last closing price.

"However, this is probably a better option for FGV shareholders than having FGV's share price being negatively impacted by concerns over the termination of the LLA or a dispute over compensation terms.

"The downside is that most long-term shareholders of FGV will have to realise a significant loss from FGV's IPO price of RM4.55 per share and will not be able to enjoy the upside of higher fresh fruit bunch yields from its replanted estates or stronger crude palm oil (CPO) prices.

"On balance, the deal is probably more favourable to FELDA than FGV's shareholders. However, the takeover offer provides an avenue for large FGV shareholders to exit their position."

She sees FGV chalking up a net profit of RM75 million from RM18.32 billion in revenue for the financial year ending December 2020. She estimates that in FY2021, FGV will rake in a net profit of RM78 million from RM19.86 billion in turnover.

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MSWG's take on FELDA's offer for FGV

The Federal Land Development Authority's (FELDA) offer of RM1.30 per share to Kumpulan Wang Amanah Diperbadankan (KWAP) and Urusharta Jamaah Sdn Bhd (UJSB) for their stakes in FGV Holdings Bhd has triggered a mandatory takeover offer and raised many questions.

To recap, last week, FELDA — which had a 33.66% stake in FGV as at March 20,2020 — sought to acquire UJSB's 7.78% for RM368.8 million and KWAP's 6.1% for RM289.2 million. In a nutshell, FELDA is increasing its shareholding by 13.88%, which will cost it RM658 million. (Note that there has not been any announcement on changes in FELDA's interest in FGV since March.)

However, FELDA announced, via Maybank Investment Bank, that it has 21.24% in FGV and that "upon completion of the proposed acquisition, FELDA together with PACs (persons acting in concert) will collectively hold more than 50% of FGV shares. Accordingly ... FELDA will be obliged to extend the proposed mandatory takeover offer."

FELDA, however, cautioned, "The completion of the CSPA (conditional share purchase agreement) is subject to the fulfilment of a condition precedent, which is, the receipt and acceptance by FELDA of a letter of offer in relation to the financing of such amount as required for FELDA to fund the payment of the purchase consideration for the proposed acquisition and to undertake the proposed mandatory takeover offer, issued by FELDA's financier, and such financing is confirmed by the financier/arranger to be available for utilisation/drawdown by FELDA."

Certain quarters are sceptical over FELDA making such offers prior to securing funding. However, the CEO of Minority Shareholders Watch Group (MSWG), Devanesan Evanson, explains, "The funding ability only needs to be disclosed in the offer documents when the mandatory takeover offer is made to the shareholders.

"At this stage, the proposed share acquisition from both KWAP and UJSB is pending conclusion. FELDA, as a government agency, is likely to obtain the required funding ... if it wants to. There is a residual risk that the exercise may be aborted due to FELDA stating that it is unable to obtain the funding," he says in an email reply to questions from *The Edge*.

Cash-strapped FELDA has been looking to issue debt papers to help solve its woes. The green light for a government-guaranteed sukuk was obtained about two months ago. The potential sukuk issue of RM9.9 billion will largely be used to settle existing borrowings, according to Tan Sri Abdul Wahid Omar, who is chairman of a task force set up by the government to revive FELDA.

At a press conference on FELDA's termination of its land lease agreement with FGV at end-October, Abdul Wahid said, "A chunk of the proceeds of the sukuk will be for the repayment of existing borrowings, and some for working capital."

To put things into perspective, FELDA has amassed debts of RM10 billion.

Meanwhile, FGV has said that it has paid more than RM2.5 billion to FELDA in various forms from 2012 to 2019. The proceeds from FGV's initial public offering in 2012, meanwhile, netted FELDA RM5.7 billion (see main story).

Another point of contention highlighted by Devanesan is the lack of clarity about whether FELDA plans to delist FGV or maintain its listing status.

He says, "FELDA has not stated whether it intends to maintain the listing status, and this is both troubling and puzzling. At this point in time, FELDA would know its intention regarding the listing status. This is important information for the minority shareholders to make their investment decisions."

HARIS HASSAN/THE EDGE

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A market watcher says he would also like to know who the persons acting in concert with FELDA are. FELDA, with other government agencies, have about 73% equity interest in FGV. These agencies include UJSB, Employees Provident Fund (EPF), Koperasi Permodalan Felda Malaysia Bhd (KPF), the Pahang government, Sawit Kinabalu Sdn Bhd (which is under the Sabah government), Lembaga Tabung Angkatan Tentera, and Permodalan Nasional Bhd's funds.

Nevertheless, a clear-cut candidate to act in concert with FELDA would be KPF, a sort of sister company of FELDA's that is controlled by the FELDA settlers' cooperative.

On June 3, KPF ceased to be a substantial shareholder of FGV after selling 12 million shares and reducing its stake to 4.75%. Thus, FELDA's stake in FGV, including that currently held by UJSB and KWAP, would be 47.54%. If the block held by KPF is added, it would nudge FELDA's shareholding to 52.29% — assuming KPF has not sold down further.

Devanesan says the offer of RM1.30 per share is fair.

"I suppose the question is whether the offer is reasonable and fair. The share price was RM1.27 before the offer was made. As such, there was a slight premium. The offer price of RM1.30 is well above the net asset per share of RM1.13 as at end-September," he notes.

FGV's latest quarterly earnings per share (EPS) was 3.8 sen per share, while EPS for the cumulative last three quarters was 0.4 sen. That, says Devanesan, is an indication of the reasonableness and fairness of the offer price. He adds that minority shareholders will have to wait for the FGV board and independent adviser to give their opinion before making an informed investment decision.

"The offer price of RM1.30 must be juxtaposed with two important factors affecting the oil palm industry: higher trending CPO prices and the acute shortage of foreign oil palm workers. It is obvious that both KWAP and UJSB are happy with the offer price based on Maybank's announcement," he states.

Some market watchers are wondering if KWAP and UJSB should wait for another potential offer — from Tan Sri Syed Mokhtar Albukhary's Perspective Lane (M) Sdn Bhd (see sidebar "Will Syed Mokhtar make a counter-offer for FGV?").

To this, Devanesan comments, "I am not aware of any evidence that Syed Mokhtar's Perspective Lane had made any offer for the stake held by KWAP and UJSB.

"There was talk that Perspective Lane had wanted to inject his plantation assets into FGV for shares. As far as KWAP and UJSB are concerned, the only offer they received was from FELDA, and they decided to accept it." ∎

The group expects CPO prices to remain strong till the end of the year

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She has a target price of RM1.30 on FGV's stock, down from RM1.34 previously.

For its nine months ended September, FGV registered a net profit of RM15.09 million from RM10.07 billion in sales. For the third quarter of FY2020, FGV posted a net profit of RM136.89 million from RM3.99 billion in revenue.

As at end-September this year, FGV had deposits, cash and bank balances of RM1.73 billion and short- and long-term debt of RM2.77 billion and RM854.1 million respectively. Meanwhile, accumulated losses totalled RM2.9 billion.

FGV's net cash from operating activities as at end-September this year was RM1.29 billion.

On its prospects, FGV says, "The group expects CPO prices to remain strong until the end of the year. Improvements in yield achieved to date, however, are unlikely to be sustained due to weather uncertainties and the partial lockdown in Sabah. The board expects the overall business climate to remain uncertain and volatile." This was for the financial period ended September.

Since early May this year, CPO futures have gained more than 70% to trade at RM3,347 per tonne last Friday. Analysts who cover CPO, however, peg their forecasts for 2021 at lower levels.

EAGLE HIGH PLANTATIONS

FELDA is involved in arbitration proceedings from its acquisition of a 37% stake in Indonesia's PT Eagle High Plantations TBK from the Rajawali group

Hong Leong Investment Bank, for instance, has a CPO price assumption of RM2,700 per tonne for 2020-2022. In a report last week, the bank-backed research house says, "We believe CPO price will remain elevated (at above RM3,000 per tonne) until 1Q21. Beyond 1Q21, we anticipate CPO price to soften, on the back of better supply outlook for major edible oils (based on the assumptions that labour shortage in Malaysia will gradually ease from 2021 onwards and La Niña does not strengthen further), which will in turn result in more balanced demand-supply dynamics."

Kenanga Investment bank, meanwhile, has an unchanged 2021 price forecast of RM2,600 per tonne.

The many blunders at FELDA and FGV

FELDA has announced that it is looking to raise RM9.9 billion in government-guaranteed sukuk but this is mainly to address RM10.6 billion in existing debt. There is little explanation as to what happened to the RM5.7 billion made from the listing of FGV in 2012, and the RM2.5 billion FGV says it has paid out to FELDA from 2012 to 2019 as part of the LLA, which requires it to pay RM248 million and 15% of the operating profit from LLA land.

The new management is led by politician Idris, who holds the chairman's post, but will he be able to help FELDA emerge from the current quagmire?

FGV's management, led by chairman Datuk Azhar Abdul Hamid and CEO Datuk Haris Haris Fadzilah Hassan, seem to have got their act together, but coming from a weak base, things have been difficult.

At the time of its listing, FGV's plantation profile was not very good. FGV's prospectus for its IPO in 2012 indicated that 36% of its plantations were between 21 and 25 years and 16.9% were over 25 years, or put another way, 52.9% of FGV's plantations were regarded as old eight years ago.

Today, however, old trees are 32% of FGV's profile as a result of a replanting exercise of 15,000ha year, which cost about RM300 million annually.

Acquisitions of companies post-IPO were to reduce the age profile of FGV's trees, but this did not take place. FGV utilised a chunk of its RM4.9 billion proceeds from the issuance of shares to acquire plantation assets, some of which courted controversy.

In July 2013, a year after its flotation, FGV announced its plan to acquire Sabah-based Pontian United Plantations Bhd for RM1.2 billion, which was not met with much fanfare from the analyst fraternity. Pontian had about 16,000ha of oil palm plantation, among others assets.

Back then, BIMB Securities said FGV was paying too much for the plantation company and was "sceptical" about the acquisition, as the earnings contribution to FGV would be minimal.

FGV had also informed Bursa Malaysia that it could not ascertain key information pertaining to the plantation land held by Pontian group, including identification of real estate, age and profile of plantation, mill capacity and unplanted land area. Nevertheless, the acquisition was concluded in October the same year.

In June 2015, FGV announced the acquisition of four plantation companies and a parcel of oil palm land in Sabah measuring 836.1ha from Golden Land Bhd for RM655 million in cash. While this acquisition did not excite, it was not disparaged.

What raised many an eyebrow was the acquisition of Asian Plantations Ltd, which FGV concluded at end-October 2014 for RM628 million. It also assumed RM388 million in liabilities, meaning that it expended a little more than RM1 billion for the acquisition.

To recap, FGV acquired Singapore-incorporated but UK's Alternative Investment Market listed Asian Plantations after a voluntary conditional cash offer of £2.20 per share, which was a premium of 294.7% over its net asset value per share as at Dec 31, 2013.

Asian Plantations owns 24,622ha of oil palm plantations through its five wholly-owned estates, namely Incosetia Estate, Grand Performance Estate, Fortune Estate, Kronos Estate and BJ Corp Estate, all located around Miri and Bintulu, in Sarawak.

However, as much as 40% of its 24,000ha land could not be cultivated, as about 7,300ha were unplantable and close to 2,600ha were encumbered with Native Customary Rights claims.

Among the major shareholders of Asian Plantations when FGV took over was Keresa Plantations Sdn Bhd, the vehicle of Tan Sri Leonard Linggi Jugah, which had 24.9% equity interest in the company. Other shareholders were Dennis Nicholas Melka and Graeme Iain Brown, who, with Linngi, controlled close to 60% of Asian Plantations.

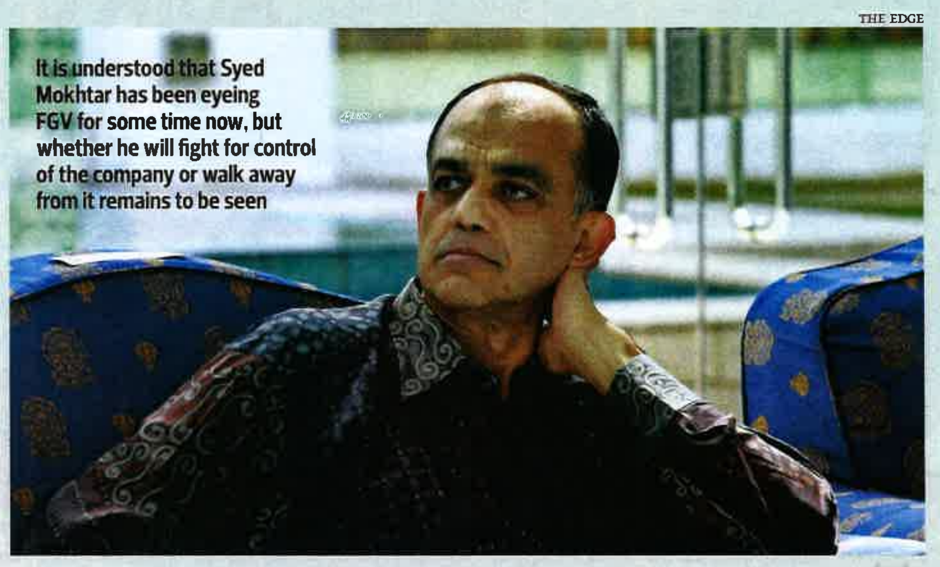
The dispute over the acquisition is in court now.

It is also worth noting that FELDA is involved in arbitration proceedings from its acquisition of a 37% stake in Indonesia's PT Eagle High Plantations TBK from the Rajawali group, the vehicle of businessman Tan Sri Peter Sondakh, for US$505.4 million (RM2.26 billion then). The acquisition price was 95.86% higher than the market value of the company's shares.

The dispute between FELDA and Indonesia's Rajawali group stems from the former's decision to sell back its shares in Eagle High Plantations, exercising a put and call option which was part of the agreement, and importantly, at the original price of US$505.4 million. FELDA had filed a notice in April last year to sell back its 37% in Eagle High to the Rajawali group, which contested the exercise. Arbitration is ongoing at the Singapore International Arbitration Centre.

With all these issues occupying its time and attention, will FELDA be able to focus on running FGV well? E

Will Syed Mokhtar make a counter offer for FGV?



It is understood that Syed Mokhtar has been eyeing FGV for some time now, but whether he will fight for control of the company or walk away from it remains to be seen

In mid-October, when Tan Sri Syed Mokhtar Albukhary's Perspective Lane (M) Sdn Bhd (PLSB) expressed interest in FGV Holdings Bhd, via an injection of plantation assets in exchange for shares, the valuation of FGV was at RM1.50 per share, say sources.

The plan was for PLSB to inject Tradewinds Plantation Bhd into FGV in return for a controlling block of shares in the company, but some sources — who were privy to the details of the proposed deal — questioned the valuation of Tradewinds. "It [Tradewinds' valuation] was high, but I'm not sure how the talks went. I know FGV [officials] met up with them [Syed Mokhtar's executives]," says one of the sources.

Thus, the question now is, will Syed Mokhtar make a counter offer to the Federal Land Development Authority's (FELDA) mandatory takeover offer of RM1.30 per share for the equity interest in FGV that it does not control?

This RM1.30 offer came about as FELDA, which has a 33.66% stake in FGV, had acquired 13.88% — 7.78% from Ministry of Finance-controlled Urusharta Jamaah Sdn Bhd (UJSB) and 6.1% from state-controlled pension fund Kumpulan Wang Persaraan (Diperbadankan) (KWAP) — for RM658 million. However, FELDA placed a caveat — it would only undertake the mandatory takeover offer if it is able to obtain the requisite funding.

While Syed Mokhtar's gearing level is also said to be high, his proposal involves an asset injection, which means that UJSB and KWAP will not get any cash but only retain their shareholding in an enlarged entity.

It is understood that Syed Mokhtar has been eyeing FGV for some time now, but whether he will fight for control of the company or walk away from it remains to be seen.

Another source familiar with the proposed deal says that with the current political scenario, Syed Mokhtar may walk away from FGV but be compensated by the award of spectrum for his telecommunications business. However, all this remains conjecture at press time.

In the middle of last month, *The Edge* reported that Syed Mokhtar's plan to inject Tradewinds into FGV had hit a brick wall as his proposal had received opposition from certain quarters in the government.

However, with the RM1.30 offer made by FELDA, which some perceive as low, another source reckons that Syed Mokhtar may still have a go at FGV. It is noteworthy that the company was floated on Bursa Malaysia at RM4.55 in 2012. However, FGV today is not as exciting as it was eight years ago, when its debut on the local bourse in a mega listing made it the world's second largest initial public offering after Facebook.

It is difficult to gauge the valuation of Tradewinds as it is a private company wholly owned by PLSB. It currently has about 160,000ha of land bank, of which 87% is planted. According to its website, Tradewinds has 132,940ha of oil palm and 6,940ha of rubber plantations as well as 11 palm oil mills.

In its financial year ended December 2018, Tradewinds chalked up an after-tax profit of RM973.57 million from RM2.5 billion in revenue, according to its filings with the Companies Commission of Malaysia (SSM). As at end-2018, the company had total assets worth RM6.57 billion and total liabilities of RM3.08 billion.

It is noteworthy that there are other valuable assets, such as Padiberas Nasional Bhd (Bernas) and Central Sugars Refinery Sdn Bhd, parked under PLSB as well.

Bernas, which has a mandate from the federal government to import rice, secured a 10-year extension of its concession last month. While the company is wholly owned by PLSB, Minister of Finance Inc has a golden share in it.

For its financial year ended December 2019, Bernas chalked up an after-tax profit of RM135.08 million from RM3.92 billion in sales. As at end-2019, the company had total assets of RM5.33 billion and total liabilities of RM3.4 billion. It also had retained earnings of RM1.32 billion.

Central Sugars is one of two large players in the sugar refinery industry. The other is MSM Malaysia Holdings Bhd — a 51% unit of FGV. Thus, if PLSB's injection of assets results in Syed Mokhtar taking more than 51% equity interest in the merged entity, it would give him control of MSM as well.

However, when the injection of Central Sugars was speculated, FGV denied any knowledge of the sugar refiner being part of the asset injection. But if push comes to shove, Syed Mokhtar could inject more assets to make his offer more attractive.

Central Sugars registered an after-tax profit of RM87.98 million from RM1.17 billion in sales for the year ended December 2019. The company had total assets of RM1.13 billion, total liabilities of RM564.18 million and retained earnings of RM372.05 million at end-2019.

While it is not clear what other assets PLSB has in its portfolio, the company had total assets of RM14.53 billion and total liabilities of RM12.35 billion at the end of last year. It achieved an after-tax profit of RM1.06 billion on the back of RM7.95 billion in turnover in 2019.

According to SSM filings, some of the other assets under PLSB include Sutera Bakti Sdn Bhd, which controls Percetakan Nasional Malaysia Bhd, and a 31.9% stake in diversified media company Media Prima Bhd.

It is worth recalling that Syed Mokhtar, via PLSB, had acquired FELDA's 20% stake in Tradewinds (M) Bhd, a unit of Tradewinds Corp, the holding company of the Tradewinds group, which controlled Bernas and Central Sugars in late 2012 to early 2013. PLSB offered RM9.30 per Tradewinds (M) share and forked out RM551.43 million for FELDA's 59.29 million shares in the company.

Syed Mokhtar acquired the stake in Tradewinds (M) when his vehicle Restu Jerneh Sdn Bhd acquired 32% of Pernas International Holdings Bhd (which morphed into Tradewinds group) for RM497 million in 2002, paying Perbadanan Nasional Bhd RM2.10 for each Pernas share and 64 sen for each Pernas warrant.

FELDA opposed to asset injection

It is noteworthy that FELDA has seemingly been opposed to Syed Mokhtar's asset injection plan. Its chairman Datuk Seri Idris Jusoh is understood to have written to FGV's board members individually, stating that the government agency would oppose the plan by the businessman at the EGM held to approve the corporate exercise.

At a media briefing by FELDA on the plan to terminate its land lease agreement (LLA) with FGV, Tan Sri Abdul Wahid Omar, who is chairman of the task force aimed at reviving FELDA, said the government agency had "no intention to dilute the (33.66%) interest" it held in FGV, meaning that it did not support Syed Mokhtar's plan to inject assets into FGV, which would dilute FELDA's holding in the company. This came about when reporters asked Abdul Wahid and Idris what the government agency would do with its 33.66% stake post-termination of the LLA.

The LLA involved FGV leasing 350,733ha of plantation land held by FELDA for a 99-year tenure starting Nov 1, 2011. The termination of the LLA, however, would involve FGV being compensated — a sum based on the average profit per mature hectare for the entire leased land (based on its latest audited financial statements at the point of notice) multiplied by the loss of FGV's future profits.

FGV would be compensated for 10 years of future profits should the LLA be terminated less than eight years from the last replanting or five years of future profits should the agreement be terminated more than eight years after the last replanting.

It is not clear whether FELDA will go ahead with the termination of the LLA now that it has made a mandatory takeover offer.

It is noteworthy that PLSB's proposal was slated to take effect after FELDA terminated its LLA with FGV. All eyes will be on Syed Mokhtar to see if there will be a counter offer for FGV. E