

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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

If you have sold or transferred all your shares in Padiberas Nasional Berhad (“Bernas”), you should at once hand this Document (as defined herein) and the accompanying Form of Proxy to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee or you may hand this Document directly to the purchaser or transferee.

Bursa Malaysia Securities Berhad has not perused this Document prior to its issuance and takes no responsibility for the contents of this Document, makes no representation as to the 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 Document.

The Securities Commission Malaysia (“SC”) has notified that it has no further comments to this Document pursuant to Paragraph 2(a) of Schedule 3 of the Rules on Take-Overs, Mergers and Compulsory Acquisitions. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Board of Directors of Bernas or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Document.



BERNAS

PADIBERAS NASIONAL BERHAD

(Company No. 295514-U)

(Incorporated in Malaysia under the Companies Act, 1965)

PART A

CIRCULAR TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE (“PROPOSED SCR”)

PART B

EXPLANATORY STATEMENT TO THE SHAREHOLDERS (OTHER THAN PERSPECTIVE LANE (M) SDN BHD (“PLSB”) AND TRADEWINDS (M) BERHAD (“TWM”)) IN RELATION TO THE PROPOSED SCR

PART C

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE SHAREHOLDERS (OTHER THAN PLSB AND TWM) IN RELATION TO THE PROPOSED SCR

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser



Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser



MERCURY SECURITIES SDN BHD
(Company No. 113193-W)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting (“EGM”) of Bernas to be held at Grand BlueWave Hotel Shah Alam, Rebana Hall, Level 1, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 24 March 2017 at 10.00 a.m. or any adjournment thereof together with the Form of Proxy are enclosed in this Document. You are advised to refer to the Notice of EGM and the Form of Proxy which are enclosed in this Document.

The Form of Proxy must be lodged with the office of Share Registrar, Shareworks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than 48 hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Wednesday, 22 March 2017 at 10.00 a.m.
Date and time of the EGM : Friday, 24 March 2017 at 10.00 a.m.

This Document is dated 2 March 2017

DEFINITIONS

The following definitions apply throughout this Document and accompanying appendices unless the context requires otherwise:

Act 1965	:	Companies Act, 1965
Act 2016	:	Companies Act, 2016
Bernas Agreement	:	Agreement between Bernas and the government of Malaysia dated 18 September 2012 outlining Bernas' duties and obligations which include the management of national rice stockpile, purchase paddy from paddy farmers at the guaranteed minimum price, act as buyer of last resort for the paddy farmers, manage the disbursement of the subsidies to all registered paddy farmers, manage bumiputera rice millers' schemes and promotion of consumer interests to achieve a fair and stable price and ensure sufficient supply of rice in the country
Bernas or Company	:	Padiberas Nasional Berhad
Bernas Group or Group	:	Bernas and its subsidiaries, collectively
Bernas Shares	:	Ordinary shares of Bernas
Board	:	Board of Directors
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd
Bursa Securities	:	Bursa Malaysia Securities Berhad
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
Circular	:	The circular to the shareholders in relation to the Proposed SCR as set out in Part A of this Document
CMSA	:	Capital Markets & Services Act, 2007
Code	:	Malaysian Code on Take-Overs and Mergers, 2016
Court	:	High Court of Malaya
DCF	:	Discounted cash flow
Document	:	This document dated 2 March 2017 which consists of the Circular, the Explanatory Statement and the IAL in relation to the Proposed SCR
Effective Date	:	A date on which an office copy of the Order is lodged with the CCM pursuant to Section 116(6) of the Act 2016
EGM	:	Extraordinary General Meeting
Entitled Shareholders	:	Shareholders of Bernas (other than the Non-Entitled Shareholders) whose names appear in the Record of Depositors of Bernas on the Entitlement Date

DEFINITIONS (Cont'd)

Entitlement Date	:	A date which shall be determined by the Board of Bernas on which the names of the Entitled Shareholders must be registered in the Company's Record of Depositors as at 5.00 p.m. to be entitled to the Proposed SCR
EPS	:	Earnings per share
Explanatory Statement	:	The explanatory statement to the shareholders (other than PLSB and TWM) in relation to the Proposed SCR as set out in Part B of this Document
FCFE	:	Free cash flow to equity
FPE	:	Financial period ended
FYE	:	Financial year ended/ending, as the case maybe
IAL	:	The independent advice letter from Mercury Securities to the shareholders (other than PLSB and TWM) in relation to the Proposed SCR as set out in Part C of this Document
Interested Directors	:	Tan Sri Ab. Aziz bin Kasim, Dato' Mohammad Zainal bin Shaari and Datuk Ooi Teik Huat, collectively
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	23 February 2017, being the latest practicable date prior to the despatch of this Document
Maybank IB or Principal Adviser	:	Maybank Investment Bank Berhad
Mercury Securities or Independent Adviser	:	Mercury Securities Sdn Bhd
NA	:	Net assets
Non-Entitled Shareholders	:	PLSB and TWM, collectively
Non-Interested Directors	:	Directors of Bernas other than the Interested Directors
Offer Letter	:	The offer letter dated 5 January 2017 from PLSB together with its PAC, requesting the Company to undertake the Proposed SCR as set out in Appendix I of this Document
Official List	:	A list specifying all securities listed on the Main Market of Bursa Securities
Order	:	An order from the Court approving the reduction of the share capital of Bernas pursuant Section 116 of the Act 2016
PAC	:	TWM, being the person acting in concert with PLSB in respect of the Proposed SCR, pursuant to Sections 216(2) and/or 216(3) of the CMSA
PAT	:	Profit after taxation
PBR	:	Price-to-book ratio
PBT	:	Profit before taxation

DEFINITIONS (Cont'd)

PER	:	Price-to-earnings ratio
PLSB	:	Perspective Lane (M) Sdn Bhd
Proposed SCR	:	Proposed selective capital reduction and repayment exercise
Raine & Horne or Valuer	:	Raine & Horne International Zaki + Partners Sdn Bhd
Record of Depositors	:	Record of securities holders established by Bursa Depository pursuant to the rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991
Restu Jernih	:	Restu Jernih Sdn Bhd
RNAV	:	Revalued net asset value
Rules	:	Rules on Take-Overs, Mergers and Compulsory Acquisitions
SC	:	Securities Commission Malaysia
SCR Offer Price	:	RM4.00 per Bernas Share, being the cash consideration to be paid for each Bernas Share held by the Entitled Shareholders on the Entitlement Date pursuant to the Proposed SCR
SOPV	:	Sum-of-parts valuation
TSSM	:	Tan Sri Dato' Seri Syed Mokhtar Shah bin Syed Nor
TWM	:	Tradewinds (M) Berhad

CURRENCY

RM and sen	:	Ringgit Malaysia and sen
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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. References to persons shall include corporations.

All references to “**you**” or “**shareholder**” in this Document are to the shareholders of Bernas.

Any discrepancy in the tables included in this Document between the amounts listed, actual figures and the totals are due to rounding.

Any reference to a time of day in this Document is a reference to Malaysian time.

Any reference in this Document to any enactment, code, rules and regulations is a reference to that enactment, code, rules and regulations as for the time being amended or re-enacted.

CONTENTS

PAGE

PART A

CIRCULAR TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED SCR CONTAINING:

1.	INTRODUCTION.....	1
2.	DETAILS OF THE PROPOSED SCR.....	2
3.	MODE AND TIMING OF SETTLEMENT	4
4.	RATIONALE FOR THE PROPOSED SCR	4
5.	FUTURE PLANS FOR THE BERNAS GROUP AND ITS EMPLOYEES	5
6.	CORPORATE STRUCTURE	5
7.	EFFECTS OF THE PROPOSED SCR	6
8.	CONDITIONS TO THE PROPOSED SCR	9
9.	INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM.....	9
10.	INDEPENDENT ADVISER.....	10
11.	ESTIMATED TIMEFRAME FOR COMPLETION.....	10
12.	DIRECTORS' RECOMMENDATION	10
13.	EGM	11
14.	FURTHER INFORMATION.....	11

PART B

EXPLANATORY STATEMENT TO THE SHAREHOLDERS (OTHER THAN PLSB AND TWM) IN RELATION TO THE PROPOSED SCR CONTAINING:

1.	INTRODUCTION.....	13
2.	DETAILS OF THE PROPOSED SCR.....	13
3.	MODE AND TIMING OF SETTLEMENT	13
4.	RATIONALE FOR THE PROPOSED SCR	13
5.	CONDITIONS TO THE PROPOSED SCR	14
6.	FUTURE PLANS FOR THE BERNAS GROUP AND ITS EMPLOYEES	15
7.	UNLISTED STATUS OF BERNAS	15
8.	FINANCIAL RESOURCES OF BERNAS.....	15
9.	FINANCIAL CONSIDERATIONS.....	15
10.	INFORMATION ON PLSB AND THE PAC	15
11.	RESPONSIBILITY STATEMENT	16
12.	FURTHER INFORMATION	17

CONTENTS (Cont'd)

	PAGE
<u>PART C</u>	
IAL FROM MERCURY SECURITIES TO THE SHAREHOLDERS (OTHER THAN PLSB AND TWM) IN RELATION TO THE PROPOSED SCR	
APPENDICES	
I OFFER LETTER.....	51
II INFORMATION ON PLSB.....	56
III DISCLOSURE OF INTERESTS AND DEALINGS IN BERNAS SHARES.....	61
IV ADDITIONAL INFORMATION.....	63
NOTICE OF EGM	ENCLOSED
FORM OF PROXY	ENCLOSED

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PART A

CIRCULAR TO THE SHAREHOLDERS IN RELATION TO THE PROPOSED SCR



BERNAS
PADIBERAS NASIONAL BERHAD
(Company No. 295514-U)
(Incorporated in Malaysia under the Act 1965)

Registered office
Level 3, Menara HLA
No. 3, Jalan Kia Peng
50450 Kuala Lumpur

2 March 2017

Board of Directors

Tan Sri Ab. Aziz bin Kasim (*Chairman*)
Dato' Mohammad Zainal bin Shaari
Datuk Ooi Teik Huat
Dato' Khodijah binti Abdullah
Datuk Seri Dr. Ismail Hj Bakar
Shamsuddin bin Ismail (*Alternate Director to Datuk Seri Dr. Ismail Hj Bakar*)

To : The Shareholders of Bernas

Dear Sir/Madam,

PROPOSED SCR

1. INTRODUCTION

On 5 January 2017, Bernas received the Offer Letter, requesting the Company to undertake the Proposed SCR. The details of the Proposed SCR are set out in Section 2 of this Circular.

On 12 January 2017, the Board of Bernas, save for the Interested Directors, deliberated on the Offer Letter and resolved to table the Proposed SCR to its shareholders for their consideration.

On 14 February 2017, on behalf of Bernas, Maybank IB submitted an application for an extension of time to the SC pursuant to Paragraph 1.11 of Rule 1, Part A of the Rules to despatch this Document to the shareholders of Bernas. The SC had vide its letter dated 16 February 2017 approved the extension of time for Bernas to despatch this Document to its shareholders within 14 days from 16 February 2017.

The SC had vide its letter dated 28 February 2017, notified that it has no further comments to this Circular. However, such notification shall not be taken to suggest that the SC agrees with the recommendation of the Board of Bernas or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION PERTAINING TO THE PROPOSED SCR, AND TO SEEK YOUR APPROVAL FOR THE SPECIAL RESOLUTION PERTAINING TO THE PROPOSED SCR TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED HEREIN.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE EXPLANATORY STATEMENT AS SET OUT IN PART B OF THIS DOCUMENT AND THE RECOMMENDATION OF THE INDEPENDENT ADVISER AS SET OUT IN PART C OF THIS DOCUMENT PERTAINING TO THE PROPOSED SCR BEFORE VOTING ON THE SPECIAL RESOLUTION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED SCR

The Proposed SCR involves Bernas undertaking a selective capital reduction and a corresponding capital repayment to the Entitled Shareholders pursuant to Section 116 of the Act 2016.

As at the LPD, the share capital of Bernas is RM477,486,090 comprising 470,401,500 Bernas Shares. The said share capital is inclusive of the entire share premium account of Bernas of RM7,084,590, which shall become part of the share capital of Bernas pursuant to Section 618(2) of the Act 2016.

The direct interests of the shareholders in Bernas based on the Record of Depositors of Bernas as at the LPD is set out below:

	No. of Bernas Shares	%
PLSB	119,332,194	25.37
TWM	341,375,471	72.57
Subtotal	460,707,665	97.94
Remaining shareholders	9,693,835	2.06
Total	470,401,500	100.00

The Company will implement the Proposed SCR pursuant to Section 116 of the Act 2016 via the reduction of the share capital of Bernas from RM477,486,090 comprising 470,401,500 Bernas Shares to RM438,710,750 comprising 438,710,750 Bernas Shares by way of cancelling a total of 31,690,750 Bernas Shares comprising:

- (i) 9,693,835 Bernas Shares held by the Entitled Shareholders; and
- (ii) 21,996,915 Bernas Shares held by the Non-Entitled Shareholders,

which is in accordance with the Offer Letter. In conjunction therewith, the Non-Entitled Shareholders will waive their entitlements to be repaid under the Proposed SCR.

Pursuant to the Proposed SCR, the Entitled Shareholders will receive, in aggregate, a capital repayment of RM38,775,340 or equivalent to the SCR Offer Price of RM4.00 for each Bernas Share held.

Upon successful completion of the Proposed SCR, all 9,693,835 Bernas Shares held by the Entitled Shareholders and part of the Bernas Shares, comprising 21,996,915 Bernas Shares, held by the Non-Entitled Shareholders will be cancelled. The Non-Entitled Shareholders will collectively hold 438,710,750 Bernas Shares, representing the remaining Bernas Shares not cancelled. The said Bernas Shares will amount to the entire issued share capital of Bernas which will result in Bernas being entirely owned by the Non-Entitled Shareholders.

2.1 Basis of arriving at the SCR Offer Price

The SCR Offer Price was arrived at after taking into consideration, among others, the following:

- (i) offer price of RM3.70 per Bernas Share made pursuant to the unconditional take-over offer by PLSB, together with Kelana Ventures Sdn Bhd, Seaport Terminal (Johore) Sdn Bhd and Acara Kreatif Sdn Bhd (collectively referred to as “**Joint Offerors**”) vide the offer documents dated 21 March 2013 and 25 February 2014 to acquire all the Bernas Shares not held by the Joint Offerors and TWM then, which closed on 20 May 2013 and 1 April 2014 respectively; and
- (ii) Bernas Shares’ market price on 20 March 2014, being the last full day of trading prior to its suspension on 21 March 2014 of RM3.69.

2.1.1 Earnings

The SCR Offer Price represents the following PER:

	<u>EPS</u> (sen)	<u>PER</u> (times)
Based on audited consolidated EPS of Bernas for the FYE 31 December 2014	12.6	31.75
Based on audited consolidated EPS of Bernas for the FYE 31 December 2015	14.3	27.97

2.1.2 NA

The SCR Offer Price represents the following PBR:

	<u>NA per Bernas Share</u> (RM)	<u>PBR</u> (times)
Based on audited consolidated NA per Bernas Share as at 31 December 2014	2.78	1.44
Based on audited consolidated NA per Bernas Share as at 31 December 2015	2.93	1.37

The Non-Entitled Shareholders have not acquired any Bernas Shares at a price higher than the SCR Offer Price during the past 6 months prior to 5 January 2017, being the date of the Offer Letter. Should the Non-Entitled Shareholders acquire any Bernas Shares at a price higher than the SCR Offer Price during the period commencing from the date of the Offer Letter until the completion of the Proposed SCR, the SCR Offer Price will be revised to the higher price paid by the Non-Entitled Shareholders accordingly.

The Proposed SCR will be funded using the internal funds of the Bernas Group.

Having considered the financial position of Bernas, the Board of Bernas has confirmed and Maybank IB is satisfied that the Proposed SCR, once effective, will not fail by reason of insufficient financial capability of Bernas and every Entitled Shareholders will be paid in full.

As at the LPD, save for the Offer Letter, Bernas has not received any alternative offer for the Bernas Shares or any other offer to acquire its assets and liabilities.

3. MODE AND TIMING OF SETTLEMENT

The settlement of the SCR Offer Price will be effected via electronic remittance to the eDividend accounts duly registered with Bursa Depository. For the Entitled Shareholders who do not maintain eDividend accounts, the settlement of the SCR Offer Price will be effected via remittance in the form of cheques, banker's drafts and/or cashier's orders which will be despatched by ordinary mail to the Entitled Shareholders (or their designated agents, as they may direct) at the Entitled Shareholders' registered address last maintained with Bursa Depository at their own risk within 10 days from the Effective Date.

Except with the consent of the SC which would only be granted in certain circumstances in which all the Entitled Shareholders are to be treated similarly, settlement of the SCR Offer Price will be implemented in full in accordance with the terms of the Proposed SCR without regard to any lien, right of set-off, counter claim or other analogous rights to which the Company may otherwise be, or claim to be, entitled against the Entitled Shareholders.

Non-resident Entitled Shareholders are advised that the settlement of the SCR Offer Price will be made in RM. Non-resident Entitled Shareholders who wish to convert the said consideration received into foreign currency for repatriation may do so after payment of the appropriate fee and/or charges as levied by the respective financial institutions.

4. RATIONALE FOR THE PROPOSED SCR

The Board of Bernas (save for the Interested Directors) has taken note of the rationale of the Proposed SCR as set out in Section 4 of the Explanatory Statement together with the Independent Adviser's evaluation and recommendation as set out in Part C of this Document. In this respect, the Board of Bernas (save for the Interested Directors) has taken cognisance that after the Bernas Initial Offer and Second Offer (each as defined in Section 4 of the Explanatory Statement) which closed on 20 May 2013 and 1 April 2014 respectively, Bernas Shares are no longer trading on the Official List of Bursa Securities following the delisting and withdrawal of Bernas Shares from the Official List of Bursa Securities on 18 April 2014.

In view of the above, the Proposed SCR offered the Entitled Shareholders the opportunity to:

- (i) exit the investment should they not wish to remain as shareholders of the Company and continue to hold unlisted Bernas Shares; and
- (ii) realise their investment in Bernas at a premium of approximately 8.11% to the offer price of RM3.70 per Bernas Share that was offered under the Bernas Initial Offer and the Second Offer,

upon successful completion of the Proposed SCR.

The Board of Bernas (save for the Interested Directors) has also taken note that the privatisation of Bernas via the Proposed SCR will:

- (i) provide more flexibility for Bernas to undertake any corporate exercise/scheme, which may otherwise require shareholders' and regulatory approvals under the Act 2016 or other applicable rules and regulations; and
- (ii) eliminate the administrative efforts and costs which can be utilised more effectively and efficiently in the core business of Bernas.

5. FUTURE PLANS FOR THE BERNAS GROUP AND ITS EMPLOYEES

The Board of Bernas (save for the Interested Directors) has taken note of the intention of the Non-Entitled Shareholders as at the LPD in respect of the businesses and employees of the Bernas Group after the completion of the Proposed SCR, as set out in Section 6 of the Explanatory Statement, as follows:

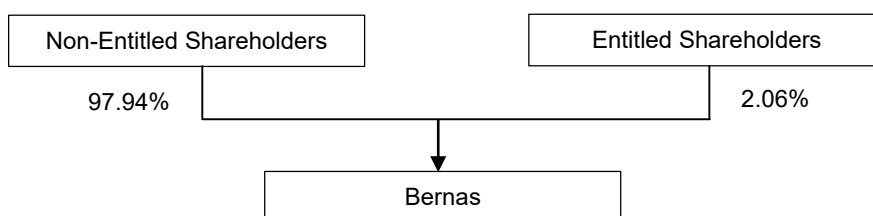
- (i) the Non-Entitled Shareholders intend to continue with the existing businesses of the Bernas Group and do not have any plan or intention to liquidate Bernas;
- (ii) the Non-Entitled Shareholders have no plan or intention to introduce or effect any major change in the business of the Bernas Group, or dispose or re-deploy the fixed assets of the Bernas Group; and
- (iii) the Non-Entitled Shareholders have no plan to dismiss or make redundant the employees of the Bernas Group as a direct consequence of the Proposed SCR, which includes the existing management team of Bernas who will continue to manage the day-to-day operations of Bernas. Nevertheless, there may be measures to further improve the efficiency of operations and constructive measures will be undertaken from time to time to optimise the Bernas Group's staff productivity.

The Board of Bernas (save for the Interested Directors) has also taken note that, as disclosed in Section 6 of the Explanatory Statement, as at the LPD, the Non-Entitled Shareholders have no knowledge of and have not entered into any negotiation or arrangement or understanding with any third party with regards to any significant change to the business of the Bernas Group, assets or shareholding structure of Bernas.

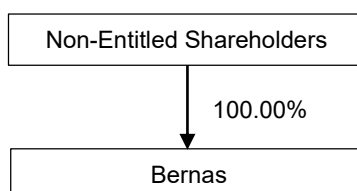
6. CORPORATE STRUCTURE

The corporate structure of Bernas before and after the Proposed SCR are as follows:

Before the Proposed SCR (as at the LPD)



After the Proposed SCR



7. EFFECTS OF THE PROPOSED SCR

7.1 Share capital

The effect of the Proposed SCR on the issued share capital of Bernas is as follows:

	No. of Bernas Shares	RM
As at the LPD	470,401,500	477,486,090 ⁽¹⁾
Less: Bernas Shares to be cancelled pursuant to the Proposed SCR	<u>(31,690,750)</u>	<u>(38,775,340)</u>
Issued share capital upon completion of the Proposed SCR	<u>438,710,750</u>	<u>438,710,750</u>

Note:

⁽¹⁾ Inclusive of the entire share premium account of Bernas of RM7,084,590, which shall become part of the share capital of Bernas pursuant to Section 618(2) of the Act 2016.

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7.2 Substantial shareholders' shareholding

For illustrative purposes only, the effect of the Proposed SCR on the direct and indirect interests of the substantial shareholders of Bernas based on the Register of Substantial Shareholders of Bernas as at the LPD is as follows:

Name	As at the LPD		After the Proposed SCR					
	Direct		Indirect		Direct		Indirect	
	No. of Bernas Shares	%	No. of Bernas Shares	%	No. of Bernas Shares	%	No. of Bernas Shares	%
PLSB	119,332,194	25.37	341,375,471 ⁽¹⁾	72.57	113,634,568	25.90	325,076,182 ⁽¹⁾	74.10
TWM	341,375,471	72.57	-	-	325,076,182	74.10	-	-
Total	460,707,665	97.94			438,710,750	100.00		

Note:

⁽²⁾ Deemed interest by virtue of its interest in TWM pursuant to Section 8 of the Act 2016.

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7.3 NA per Bernas Share and gearing

The effect of the Proposed SCR on the consolidated NA per Bernas Share and gearing of the Bernas Group based on the latest audited consolidated statements of financial position of Bernas as at 31 December 2015 and on the assumption that the Proposed SCR had been effected on that date are as follows:

	Audited as at 31 December 2015	After the Proposed SCR
	RM'000	RM'000
Share capital	470,402	438,711
Share premium	7,085	-
Retained profits	879,614	878,414 ⁽¹⁾
Other reserves	20,591	20,591
Equity attributable to shareholders of the Company	1,377,692	1,337,716
Non-controlling interests	113,899	113,899
Total equity	1,491,591	1,451,615
No. of Bernas Shares in issue ('000)	470,402	438,711
NA per Bernas Share (RM)	2.93	3.05
Total borrowings	2,187,574	2,187,574
Gearing (times) ⁽²⁾	1.59	1.64

Notes:

⁽¹⁾ After deducting estimated expenses relating to the Proposed SCR of approximately RM1.2 million.

⁽²⁾ Calculated based on total borrowings divided by equity attributable to shareholders of the Company.

Based on the latest unaudited consolidated statements of financial position of Bernas as at 30 September 2016, the consolidated NA per Bernas Share is at RM3.06 and the gearing of the Bernas Group is at 1.48 times. Assuming that the Proposed SCR had been effected on 30 September 2016, the consolidated NA per Bernas Share and the gearing of the Bernas Group will be at RM3.21 and 1.51 times respectively.

7.4 Earnings and EPS

The Proposed SCR is not expected to have any material effect on the earnings of the Bernas Group for the FYE 31 December 2017.

After the successful completion of the Proposed SCR, the consolidated EPS of Bernas will increase due to the decline in the number of Bernas Shares upon cancellation of Bernas Shares pursuant to the Proposed SCR.

7.5 Convertible securities

As at the LPD, Bernas does not have any convertible securities in issue.

8. CONDITIONS TO THE PROPOSED SCR

The Proposed SCR is subject to and conditional upon the following being obtained:

- (i) notification from the SC that it has no further comments to this Circular and the Explanatory Statement as well as the IAL which were obtained on 28 February 2017;
- (ii) approval from the remaining shareholders other than the Non-Entitled Shareholders via a special resolution at the forthcoming EGM to be approved by at least a majority in number of the remaining shareholders other than the Non-Entitled Shareholders and 75% in value of all Bernas Shares held by the remaining shareholders other than the Non-Entitled Shareholders that are cast either in person or by proxy at the EGM, and the value of the votes cast against the Proposed SCR must not be more than 10% of the votes attaching to all Bernas Shares held by the remaining shareholders other than the Non-Entitled Shareholders;
- (iii) consent from relevant creditors/lenders of Bernas, as required; and
- (iv) the granting of the Order.

Upon the aforementioned conditions being fulfilled, the Proposed SCR shall be binding on all of the shareholders of Bernas notwithstanding that there may have been some shareholders other than the Non-Entitled Shareholders who:

- (i) voted against or abstained from voting on the special resolution pertaining to the Proposed SCR to be tabled at the forthcoming EGM; and
- (ii) opted not to or were unable to attend the EGM.

The Proposed SCR is not conditional upon any other corporate exercise/scheme of Bernas.

The Proposed SCR will become effective on the Effective Date.

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

Save as disclosed below, none of the Directors, major shareholders of Bernas and/or persons connected with them has any interest, direct or indirect, in the Proposed SCR:

(i) Interested Shareholders

- (a) PLSB, being the major shareholder of Bernas and a Non-Entitled Shareholder; and
- (b) TWM, a PAC of PLSB, being the major shareholder of Bernas and a Non-Entitled Shareholder.

(ii) Interested Directors

- (a) Tan Sri Ab. Aziz bin Kasim, being a director of Bernas nominated by TWM;
- (b) Dato' Mohammad Zainal bin Shaari, being a director of TWM; and
- (c) Datuk Ooi Teik Huat, being a director of TWM.

None of the Interested Directors has any shareholding in Bernas.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of the Company in respect of the Proposed SCR. The Interested Shareholders will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the special resolution pertaining to the Proposed SCR to be tabled at the forthcoming EGM.

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

10. INDEPENDENT ADVISER

In compliance with the requirement under Paragraph 3.06 of the Rules, on 12 January 2017, the Non-Interested Directors have appointed Mercury Securities as the Independent Adviser to advise:

- (i) the Non-Interested Directors and the remaining shareholders other than the Non-Entitled Shareholders on the fairness and reasonableness of the Proposed SCR; and
- (ii) whether the remaining shareholders other than the Non-Entitled Shareholders should vote in favour of the Proposed SCR.

On 16 January 2017, Mercury Securities declared to the SC that it is independent from any conflict of interest or potential conflict of interest and is eligible to act as the Independent Adviser in relation to the Proposed SCR. Please refer to Part C of this Document for the IAL in relation to the Proposed SCR.

11. ESTIMATED TIMEFRAME FOR COMPLETION

The Board of Bernas expects the Proposed SCR to be completed by the 2nd half of 2017.

The tentative timetable for the implementation of the Proposed SCR is as follows:

Key event	Tentative timeline
EGM for the Proposed SCR	24 March 2017
Application to the Court for the Proposed SCR*	End April 2017
Granting of the Order*	End July 2017
<ul style="list-style-type: none">• Entitlement Date• Settlement of the SCR Offer Price• Completion of the Proposed SCR	Mid August 2017

Note:

* *The timeline is indicative and the actual timing will depend on, among others, the directions and timeline given by the Court in respect of the Order.*

12. DIRECTORS' RECOMMENDATION

The Board of Bernas (save for the Interested Directors), having considered all aspects of the Proposed SCR and with the advice and recommendation of the Independent Adviser, is of the opinion that the Proposed SCR is fair and reasonable, and in the best interest of the remaining shareholders other than the Non-Entitled Shareholders.

Accordingly, the Board of Bernas (save for the Interested Directors) recommends that the remaining shareholders other than the Non-Entitled Shareholders **vote in favour** of the special resolution pertaining to the Proposed SCR to be tabled at the forthcoming EGM.

13. EGM

The notice convening the EGM is enclosed together with this Document. The EGM will be held at Grand BlueWave Hotel Shah Alam, Rebana Hall, Level 1, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 24 March 2017 at 10.00 a.m. or any adjournment thereof for the purpose of considering and, if thought fit, passing, with or without modification, the special resolution to give effect to the Proposed SCR.

If you are unable to attend and vote in person at the forthcoming EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions thereon as soon as possible so as to arrive at the office of Share Registrar, Shareworks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than 48 hours before the time set for holding the EGM or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the forthcoming EGM should you subsequently wish to do so.

14. FURTHER INFORMATION

For further information, please refer to the attached appendices and other parts of this Document.

Yours faithfully
For and on behalf of the Board of
PADIBERAS NASIONAL BERHAD

DATUK SERI DR. ISMAIL HJ BAKAR
DIRECTOR

PART B

**EXPLANATORY STATEMENT TO THE SHAREHOLDERS (OTHER THAN PLSB AND TWM) IN
RELATION TO THE PROPOSED SCR**



2 March 2017

Registered office of PLSB

110, Jalan Maarof
Bangsar Baru
59000 Kuala Lumpur

Registered office of Maybank IB

32nd Floor, Menara Maybank
100, Jalan Tun Perak
50050 Kuala Lumpur

To : The Shareholders of Bernas other than PLSB and TWM

Dear Sir/Madam,

PROPOSED SCR

1. INTRODUCTION

- 1.1 On 5 January 2017, PLSB together with its PAC served the Offer Letter to Bernas, requesting the Company to undertake the Proposed SCR.
- 1.2 On 12 January 2017, the Board of Bernas, save for the Interested Directors, deliberated on the Offer Letter and resolved to table the Proposed SCR to its shareholders for their consideration.
- 1.3 The SC had, vide its letter dated 28 February 2017, notified that it has no further comments to this Explanatory Statement. However, such notification shall not be taken to suggest that the SC recommends the Proposed SCR or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this Explanatory Statement.

2. DETAILS OF THE PROPOSED SCR

The details of the Proposed SCR are set out in Section 2 of the Circular. Please refer to Section 2 of the Circular for the full details of the Proposed SCR.

3. MODE AND TIMING OF SETTLEMENT

The details of the mode and timing of settlement are set out in Section 3 of the Circular. Please refer to Section 3 of the Circular for the full details of the mode and timing of settlement.

4. RATIONALE FOR THE PROPOSED SCR

On 24 December 2012, PLSB, together with Kelana Ventures Sdn Bhd, Seaport Terminal (Johore) Sdn Bhd and Acara Kreatif Sdn Bhd (collectively referred to as the "**Joint Offerors**") served a voluntary take-over offer on TWM ("**TWM Offer**"). The TWM Offer became unconditional on 28 February 2013. Pursuant to Section 4.1 of Practice Note 9 of the Malaysian Code on Take-overs and Mergers, 2010, the Joint Offerors triggered the obligation to undertake an unconditional mandatory take-over offer on Bernas as well as Tradewinds Plantations Berhad.

Subsequently, the Joint Offerors served a mandatory take-over offer on Bernas on 21 March 2013 (“**Bernas Initial Offer**”) which successfully closed on 20 May 2013. Since the closing date of the Bernas Initial Offer, Bernas only had a public shareholding spread of approximately 16.31% held by approximately 5,400 public shareholders. As a result, Bernas did not comply with the minimum 25% public shareholding spread requirement. The Joint Offerors explored various options such as the disposal or placement of Bernas Shares in order to meet the public shareholding spread requirement. However, the then prevailing market conditions were not conducive or commercially viable for the Joint Offerors to undertake the disposal or placement exercise for the Bernas Shares acquired during the Bernas Initial Offer as:

- (i) the market price of Bernas Shares then was lower than the Joint Offerors’ offer price of RM3.70 per Bernas Share in respect of the Bernas Initial Offer; and
- (ii) the trading volume and liquidity of Bernas Shares were low.

To resolve the abovementioned issue, on 6 November 2013, the Joint Offerors procured Bernas to undertake a voluntary withdrawal from the Official List of Bursa Securities pursuant to Paragraph 16.06 of the Listing Requirements (“**Delisting**”). The exit offer (where the remaining shareholders would be offered a cash alternative at RM3.70 per Bernas Share) was proposed by the Joint Offerors to enable Bernas to comply with Paragraph 16.06(c) of the Listing Requirements. However, on 27 January 2014, the shareholders of Bernas voted against the Delisting at the EGM of Bernas. As such, the exit offer, which was to be implemented to facilitate the Delisting pursuant to Paragraph 16.06 of the Listing Requirements, was not undertaken by the Joint Offerors.

On 25 February 2014, the Joint Offerors offered the shareholders of Bernas a second opportunity, after the closing of the Bernas Initial Offer, to realise their investment in Bernas at RM3.70 per offer share (“**Second Offer**”). The Second Offer served as an avenue for the shareholders to exit and realise their investment in Bernas should they wish not to remain as shareholders.

The Second Offer was successfully closed on 1 April 2014 with the Joint Offerors holding approximately 97.42% of the issued and paid-up share capital of Bernas. Subsequently, Bernas Shares were delisted and withdrawn from the Official List of Bursa Securities on 18 April 2014. Since then, Bernas Shares are no longer trading on the Official List of Bursa Securities.

In view of the above, PLSB, together with TWM, are offering the Entitled Shareholders the opportunity to:

- (i) exit the investment should they not wish to remain as shareholders of the Company and continue to hold unlisted Bernas Shares; and
- (ii) realise their investment in Bernas at a premium of approximately 8.11% to the offer price of RM3.70 per Bernas Share that was offered under the Bernas Initial Offer and the Second Offer,

upon successful completion of the Proposed SCR.

The privatisation of Bernas via the Proposed SCR will provide more flexibility for Bernas to undertake any corporate exercise/scheme, which may otherwise require shareholders’ and regulatory approvals under the Act 2016 or other applicable rules and regulations. It will also eliminate the administrative efforts and costs which can be utilised more effectively and efficiently in the core business of Bernas.

5. CONDITIONS TO THE PROPOSED SCR

The details of the conditions to the Proposed SCR are set out in Section 8 of the Circular. Please refer to Section 8 of the Circular for the full details of the conditions to the Proposed SCR.

6. FUTURE PLANS FOR THE BERNAS GROUP AND ITS EMPLOYEES

As at the LPD, the intention of the Non-Entitled Shareholders in respect of the businesses and employees of the Bernas Group after the completion of the Proposed SCR is as follows:

- (i) the Non-Entitled Shareholders intend to continue with the existing businesses of the Bernas Group and do not have any plan or intention to liquidate Bernas;
- (ii) the Non-Entitled Shareholders have no plan or intention to introduce or effect any major change in the business of the Bernas Group, or dispose or re-deploy the fixed assets of the Bernas Group; and
- (iii) the Non-Entitled Shareholders have no plan to dismiss or make redundant the employees of the Bernas Group as a direct consequence of the Proposed SCR, which includes the existing management team of Bernas who will continue to manage the day-to-day operations of Bernas. Nevertheless, there may be measures to further improve the efficiency of operations and constructive measures will be undertaken from time to time to optimise the Bernas Group's staff productivity.

As at the LPD, the Non-Entitled Shareholders have no knowledge of and have not entered into any negotiation or arrangement or understanding with any third party with regards to any significant change to the business of the Bernas Group, assets or shareholding structure of Bernas.

7. UNLISTED STATUS OF BERNAS

Bernas Shares are no longer traded on the Main Market of Bursa Securities as it was removed from the Official List of Bursa Securities with effect from 9.00 a.m. on Friday, 18 April 2014. Therefore, Bernas Shares are no longer trading on the Official List of Bursa Securities.

8. FINANCIAL RESOURCES OF BERNAS

The Proposed SCR will be funded using the internal funds of the Bernas Group.

Having considered the financial position of Bernas, the Board of PLSB has confirmed and Maybank IB is satisfied that the Proposed SCR, once effective, will not fail by reason of insufficient financial capability of Bernas and every Entitled Shareholders will be paid in full.

9. FINANCIAL CONSIDERATIONS

The details of the financial considerations are set out in Section 2.1 of the Circular. Please refer to Section 2.1 of the Circular for the full details of the financial considerations of the Proposed SCR.

10. INFORMATION ON PLSB AND THE PAC

10.1 PLSB

PLSB was incorporated in Malaysia on 27 April 1995 under the Act 1965 as a private limited company. The principal activity of PLSB is investment holding.

As at the LPD, the share capital of PLSB is RM300,002 comprising 300,002 PLSB shares.

Further details on PLSB is set out in Appendix II of this Document.

10.2 TWM

TWM was incorporated in Malaysia on 19 June 1974 under the Act 1965 under the name of Tradewinds (M) Sdn Bhd. On 28 September 1987, it was converted into a public company and assumed its present name. Subsequently on 23 March 1988, TWM was listed on the then Main Board of the Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities), and subsequently delisted on 4 April 2013.

TWM is principally involved in provision of management services and investment holding.

As at the LPD, the share capital of TWM is RM296,470,484 comprising 296,470,484 TWM shares, which is exclusive of the amount standing to the credit of TWM's share premium account.

The substantial shareholders of TWM and their respective shareholding in TWM as at the LPD are as follows:

Name	Country of incorporation/ Nationality	Direct		Indirect	
		No. of TWM shares	%	No. of TWM shares	%
PLSB	Malaysia	296,470,484	100.00	-	-
Restu Jernih	Malaysia	-	-	296,470,484 ⁽¹⁾	100.00
TSSM	Malaysian	-	-	296,470,484 ⁽²⁾	100.00

Notes:

⁽¹⁾ Deemed interest by virtue of its interest in PLSB pursuant to Section 8 of the Act 2016.

⁽²⁾ Deemed interest by virtue of his interest in Restu Jernih pursuant to Section 8 of the Act 2016.

The Directors of TWM as at the LPD are Dato' Mohammad Zainal bin Shaari and Datuk Ooi Teik Huat. None of the Directors of TWM has any interest, direct or indirect, in Bernas Shares.

As at the LPD, TWM holds 341,375,471 Bernas Shares, representing approximately 72.57% of the issued share capital of Bernas.

11. RESPONSIBILITY STATEMENT

This Explanatory Statement has been reviewed and approved by the Board of PLSB who jointly and severally accepts full responsibility for the accuracy of the information contained in this Explanatory Statement. The Board of PLSB confirms that, after having made all reasonable enquiries, to the best of their knowledge, the opinions expressed in this Explanatory Statement has been arrived at after due and careful consideration and there are no other facts not contained in this Explanatory Statement, the omission of which would make any statement in this Explanatory Statement misleading.

12. FURTHER INFORMATION

For further information, please refer to the attached appendices and other parts of this Document.

Yours faithfully
for and on behalf of
MAYBANK INVESTMENT BANK BERHAD

Hidayah Hassan
Director
Head, Corporate Finance

Hood Abdul Aziz
Director
Corporate Finance

PART C

**IAL FROM MERCURY SECURITIES TO THE SHAREHOLDERS (OTHER THAN PLSB AND TWM)
IN RELATION TO THE PROPOSED SCR**

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of this Document, except where the context otherwise requires or where otherwise defined herein. All references to "we", "us" or "our" in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed SCR.

This Executive Summary highlights the salient information of the Proposed SCR. You are advised to read and understand this IAL in its entirety, together with Part A: Circular to the shareholders in relation to the Proposed SCR and Part B: Explanatory Statement by PLSB together with its PAC to the shareholders (*other than the Non-Entitled Shareholders*) in relation to the Proposed SCR as well as the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposed SCR.

You are also advised to carefully consider the recommendations contained in this Document before voting on the special resolution to give effect to the Proposed SCR to be tabled at the forthcoming EGM of the Company.

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

1. INTRODUCTION

On 5 January 2017, Bernas received the Offer Letter, requesting the Company to undertake the Proposed SCR. The details of the Proposed SCR are set out in Section 2, Part A of this Document.

On 12 January 2017, the Board of Bernas (*save for the Interested Directors*) deliberated on the Offer Letter and resolved to table the Proposed SCR to the shareholders of Bernas for their consideration. On even date, Bernas appointed Mercury Securities as the Independent Adviser to advise the Non-Interested Directors and its shareholders (*other than the Non-Entitled Shareholders*) in respect of the Proposed SCR.

The purpose of this IAL is to provide you with an independent evaluation on the Proposed SCR, together with our recommendation on whether the shareholders should vote in favour or against the special resolution to give effect to the Proposed SCR at the forthcoming EGM of the Company.

2. EVALUATION OF THE PROPOSED SCR

In arriving at our opinion and recommendation in respect of the Proposed SCR, we have assessed the fairness and reasonableness of the Proposed SCR in accordance with Paragraphs 1 to 7 under Schedule 2: Part III of the Rules whereby:

- (i) The term "fair and reasonable" should generally be analysed as two (2) distinct criteria, i.e. whether the Proposed SCR is "fair" and whether the Proposed SCR is "reasonable", rather than as a composite term;
- (ii) The Proposed SCR is considered as "fair" if the SCR Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Bernas Shares. However, if the SCR Offer Price is equal to or higher than the market price but is lower than the value of the Bernas Shares, the Proposed SCR is considered as "not fair". In making the assessment, the value of the Bernas Shares is determined based on the assumption that 100% of the equity interest in Bernas is being acquired;
- (iii) In considering whether the Proposed SCR is "reasonable", we have taken into consideration matters other than the valuation of the Bernas Shares; and
- (iv) Generally, the Proposed SCR would be considered "reasonable" if it is "fair".

2.1 FAIRNESS OF THE PROPOSED SCR
(please refer to Section 5 in this IAL for further details)

In assessing the fairness of the Proposed SCR, we have considered the following pertinent factor:

Consideration	
Valuation of the Bernas Shares	<ul style="list-style-type: none"> • In arriving at the fair value of the Bernas Shares, we have adopted the SOPV model as our sole valuation method, in which the fair value of the Bernas Shares will be the aggregate of: <ul style="list-style-type: none"> (i) DCF valuation on the FCFE projected to be generated from the Group's core business of procuring, collecting, processing, importing, exporting, purchasing, storing, packaging, distribution of rice, paddy and other grains, which include activities such as seed production, paddy farming, paddy procurement, paddy processing, rice processing and rice storage, distribution and marketing of rice, research and development of paddy seeds, rice and related products. In addition, it is also involved in other non-rice businesses such as manufacturing and trading of wheat flour, bread manufacturing and bakery. ("Rice and Non-Rice Business"); and (ii) RNAV of other assets of the Group which are not utilised in generating income and/or cash flows for the Group's Rice and Non-Rice Business ("Other Assets"). • We view the SOPV model to be the most appropriate method to estimate the value of the Bernas Shares for the reasons as set out in Section 5 in this IAL. • Based on the SOPV method, we have derived a range of fair value for the entire equity interest in Bernas of between RM1,533.4 million and RM1,768.2 million, which translates into an estimated fair value per Bernas Share of RM3.26 and RM3.76.
Our view	<ul style="list-style-type: none"> • In view that the SCR Offer Price is the highest when compared to the historical trading market prices of the Bernas Shares ranging from RM0.207 to RM3.750 (<i>since listing on 25 August 1997 up to delisting on 18 April 2014 and as extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period</i>) and is also higher than the fair value per Bernas Share derived using the SOPV method, the Proposed SCR is FAIR.

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2.2 REASONABLENESS OF THE PROPOSED SCR
(please refer to Section 6 in this IAL for further details)

In assessing the reasonableness of the Proposed SCR, we have considered the following pertinent factor:

Consideration	
An exit opportunity	<ul style="list-style-type: none"> The Bernas Shares have been delisted and withdrawn from the Official List of Bursa Securities on 18 April 2014. Since then, there is no active market / platform in which the Bernas Shares can be traded; As at the LPD, Bernas has not received any alternative offer for the Bernas Shares or any other offer to acquire its assets and liabilities. In view that the Non-Entitled Shareholders currently hold a controlling stake of more than 90% equity interest in Bernas, any such offer will not be successful unless with the support of the Non-Entitled Shareholders; and The SCR Offer Price is at a premium of approximately 8.11% to the previous offer price of RM3.70 per Bernas Share that was offered in 2013 and 2014.
Our view	<ul style="list-style-type: none"> The Proposed SCR is REASONABLE as it provides an exit opportunity to the shareholders (<i>other than the Non-Entitled Shareholders</i>) to realise their investment in the Bernas Shares in cash at the SCR Offer Price.

3. RECOMMENDATION

Premised on the above and our evaluation as a whole, we are of the view that the Proposed SCR is **FAIR** and **REASONABLE**.

Accordingly, we recommend that the shareholders (*other than the Non-Entitled Shareholders*) **VOTE IN FAVOUR** of the special resolution to give effect to the Proposed SCR to be tabled at the forthcoming EGM of the Company.

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Mercury Securities Sdn. Bhd. (113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Registered office:
Ground, 1st, 2nd, 3rd Floor
Wisma Umno
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

2 March 2017

To: The shareholders of Bernas (*other than the Non-Entitled Shareholders*)

Dear Sir / Madam,

IAL TO THE SHAREHOLDERS OF BERNAS (OTHER THAN THE NON-ENTITLED SHAREHOLDERS) IN RELATION TO THE PROPOSED SCR

This IAL is prepared for inclusion in this Document. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of this Document, except where the context otherwise requires or where otherwise defined herein. All references to "we", "us" or "our" in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed SCR.

1. INTRODUCTION

On 5 January 2017, Bernas received the Offer Letter, requesting the Company to undertake the Proposed SCR. The details of the Proposed SCR are set out in Section 2, Part A of this Document.

On 12 January 2017, the Board of Bernas (*save for the Interested Directors*) deliberated on the Offer Letter and resolved to table the Proposed SCR to the shareholders of Bernas for their consideration. On even date, Bernas appointed Mercury Securities as the Independent Adviser to advise the Non-Interested Directors and its shareholders (*other than the Non-Entitled Shareholders*) in respect of the Proposed SCR.

The purpose of this IAL is to provide you with an independent evaluation on the Proposed SCR, together with our recommendation on whether the shareholders should vote in favour or against the special resolution to give effect to the Proposed SCR at the forthcoming EGM of the Company, subject to the scope and limitations of our role and evaluation specified herein.

The special resolution to give effect to the Proposed SCR to be tabled at the forthcoming EGM of the Company is required to be approved by at least a majority in number of the remaining shareholders other than the Non-Entitled Shareholders and 75% in value of all Bernas Shares held by the remaining shareholders other than the Non-Entitled Shareholders that are cast either in person or by proxy at the EGM. Further, the value of the votes cast against the special resolution in relation to the Proposed SCR must not be more than 10% of all Bernas Shares held by the remaining shareholders other than the Non-Entitled Shareholders.

This IAL is prepared solely for the use of the shareholders (*other than the Non-Entitled Shareholders*) to consider the Proposed SCR and should not be used or relied upon by any other party or for any other purposes.

YOU ARE ADVISED TO CAREFULLY CONSIDER THE CONTENTS OF THIS DOCUMENT AS WELL AS THE RECOMMENDATIONS CONTAINED HEREIN BEFORE VOTING ON THE SPECIAL RESOLUTION TO GIVE EFFECT TO THE PROPOSED SCR TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.

Butterworth - Ground, 1st, 2nd & 3rd Floor, Wisma UMNO, Lorong Bagan Luar Dua 12000 Butterworth, Seberang Perai. Tel: 04-3322123 Fax: 04-3231813 / 3312195 E-mail: mercury@mersec.com.my Website: www.mercurysecurities.com.my
Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont' Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my
Melaka - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898
Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118
Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

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

2. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED SCR

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposed SCR. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent advisers as contained in the Rules.

We have evaluated the Proposed SCR and in rendering our advice, we have considered various factors which we believe are of relevance and general importance to an assessment of the terms and conditions as well as implications of the Proposed SCR and would be of general concern to the shareholders (*other than the Non-Entitled Shareholders*).

Our scope as the Independent Adviser is limited to expressing an independent opinion on the terms and conditions of the Proposed SCR as to whether the Proposed SCR is fair and reasonable insofar as the shareholders (*other than the Non-Entitled Shareholders*) are concerned based on information and documents provided to us or which are available to us and making enquiries as were reasonable in the circumstances. In performing our evaluation, we have relied on the following sources of information:

- (i) information contained in the Offer Letter, Part A and Part B of this Document as well as the accompanying appendices attached thereto;
- (ii) audited consolidated financial statements of Bernas from FYE 31 December 2006 to FYE 31 December 2015 as well as the unaudited consolidated financial statements of Bernas for the nine (9)-month FPE 30 September 2016;
- (iii) discussions with and representations by the Board and management of Bernas;
- (iv) other relevant information, documents, confirmations and representations furnished to us by the Board and management of Bernas; and
- (v) other publicly available information which we deem to be relevant.

We have relied on the Board and management of Bernas to take due care to ensure that all information, documents and representations provided by them to facilitate our evaluation of the Proposed SCR are accurate, valid and complete in all material aspects. Nonetheless, we have made enquiries as were reasonable in the circumstances and as at the date hereof, we are satisfied that the information provided to us or which are available to us is sufficient and have no reason to believe that the aforementioned information is unreliable, incomplete, misleading and/or inaccurate.

Our evaluation as set out in this IAL is rendered solely for the benefit of the shareholders (*other than the Non-Entitled Shareholders*) as a whole and not for any specific group of shareholders. Hence, in carrying out our evaluation, we have not taken into consideration any specific investment objectives, financial situation, risk profile or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any shareholder who is in doubt as to the action to be taken in relation to the Proposed SCR in the context of his/her individual investment objectives, financial situation, risk profile or particular needs should consult his/her respective stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Our advice should be considered in the context of the entirety of this IAL. Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. Such conditions may change significantly over a short period of time.

We shall immediately notify the SC in writing and the shareholders (*other than the Non-Entitled Shareholders*) by way of an announcement via press notice if, after despatching this IAL, as guided by Paragraph 11.07(1) of the Rules, we become aware that this IAL:

- (i) contains a material statement which is false or misleading;
- (ii) contains a statement from which there is a material omission; or
- (iii) does not contain a statement relating to a material development.

If circumstances require, we shall send a supplementary IAL to the shareholders in accordance with Paragraph 11.07(2) of the Rules.

3. DETAILS OF THE PROPOSED SCR

The details of the Proposed SCR are as follows:

Consideration for the Proposed SCR :	<p>Subject to the successful completion of the Proposed SCR, the Entitled Shareholders will receive RM4.00 for each Bernas Share held on the Entitlement Date.</p> <p>Please refer to Section 2, Part A of this Document for further details.</p>
Mode and timing of settlement :	<p>The settlement of the SCR Offer Price will be effected via electronic remittance to the eDividend accounts duly registered with Bursa Depository. For the Entitled Shareholders who do not maintain eDividend accounts, the settlement of the SCR Offer Price will be effected via remittance in the form of cheques, banker's drafts and/or cashier's orders which will be despatched by ordinary mail to the Entitled Shareholders (<i>or their designated agents, as they may direct</i>) at the Entitled Shareholders' registered address last maintained with Bursa Depository at their own risk within ten (10) days from the Effective Date.</p> <p>Please refer to Section 3, Part A of this Document for further details.</p>
Conditions to the Proposed SCR :	<p>The Proposed SCR is subject to and conditional upon the following being obtained:</p> <ul style="list-style-type: none"> (i) notification from the SC that it has no further comments to the Circular and Explanatory Statement as well as this IAL which were obtained on 28 February 2017; (ii) approval from the remaining shareholders other than the Non-Entitled Shareholders via a special resolution at the forthcoming EGM to be approved by at least a majority in number of the remaining shareholders other than the Non-Entitled Shareholders and 75% in value of all Bernas Shares held by the remaining shareholders other than the Non-Entitled Shareholders that are cast either in person or by proxy at the EGM, and the value of the votes cast against the special resolution in relation to the Proposed SCR must not be more than 10% of all Bernas Shares held by the remaining shareholders other than the Non-Entitled Shareholders. (iii) consent from relevant creditors / lenders of Bernas, as required; and (iv) the granting of the Order.

	<p>Upon the aforementioned conditions being fulfilled, the Proposed SCR shall be binding on all of the shareholders of Bernas notwithstanding that there may have been some shareholders (<i>other than the Non-Entitled Shareholders</i>) who:-</p> <p>(i) voted against or abstained from voting on the special resolution pertaining to the Proposed SCR to be tabled at the forthcoming EGM; and</p> <p>(ii) opted not to or were unable to attend the EGM.</p> <p>The Proposed SCR is not conditional upon any other corporate exercise / scheme of Bernas.</p> <p>The Proposed SCR will become effective on the Effective Date.</p>
Irrevocable undertaking	: As at the LPD, the Non-Entitled Shareholders have not received any irrevocable undertaking from any shareholder to vote in favour of the Proposed SCR at the forthcoming EGM.
Financial resources for the Proposed SCR	: The Proposed SCR will be funded using the internal funds of the Bernas Group.
	Having considered the financial position of Bernas, the Board of Bernas and the Board of PLSB have confirmed and Maybank IB is satisfied that the Proposed SCR, once effective, will not fail by reason of insufficient financial capability of Bernas and every Entitled Shareholder will be paid in full.

4. EVALUATION OF THE PROPOSED SCR

In arriving at our opinion and recommendation in respect of the Proposed SCR, we have assessed the fairness and reasonableness of the Proposed SCR in accordance with Paragraphs 1 to 7 under Schedule 2: Part III of the Rules whereby:

- (i) The term "fair and reasonable" should generally be analysed as two (2) distinct criteria, i.e. whether the Proposed SCR is "fair" and whether the Proposed SCR is "reasonable", rather than as a composite term;
- (ii) The Proposed SCR is considered as "fair" if the SCR Offer Price is equal to or higher than the market price and is also equal to or higher than the value of the Bernas Shares. However, if the SCR Offer Price is equal to or higher than the market price but is lower than the value of the Bernas Shares, the Proposed SCR is considered as "not fair". In making the assessment, the value of the Bernas Shares is determined based on the assumption that 100% of the equity interest in Bernas is being acquired;
- (iii) In considering whether the Proposed SCR is "reasonable", we have taken into consideration matters other than the valuation of the Bernas Shares; and
- (iv) Generally, the Proposed SCR would be considered "reasonable" if it is "fair".

We have considered the following pertinent factors in our evaluation of the Proposed SCR:

Fairness of the Proposed SCR	Section 5
• Valuation of the Bernas Shares	Section 5
Reasonableness of the Proposed SCR	Section 6
• An exit opportunity	Section 6

5. FAIRNESS OF THE PROPOSED SCR

Valuation of the Bernas Shares

In arriving at the fair value of the Bernas Shares, we have adopted the SOPV model as our sole valuation method, in which the fair value of the Bernas Shares will be the aggregate of:

- (i) DCF valuation on the FCFE projected to be generated from the Group's core business of procuring, collecting, processing, importing, exporting, purchasing, storing, packaging, distribution of rice, paddy and other grains, which include activities such as seed production, paddy farming, paddy procurement, paddy processing, rice processing and rice storage, distribution and marketing of rice, research and development of paddy seeds, rice and related products. In addition, it is also involved in other non-rice businesses such as manufacturing and trading of wheat flour, bread manufacturing and bakery. ("**Rice and Non-Rice Business**"); and
- (ii) RNAV of other assets of the Group which are not utilised in generating income and/or cash flows for the Group's Rice and Non-Rice Business ("**Other Assets**").

We view the SOPV model to be the most appropriate method to estimate the value of the Bernas Shares for the following reasons:

- (i) For the past ten (10) financial years up to the FYE 31 December 2015, the Group has been consistently generating positive cash flows from its operating activities (*save for the FYE 31 December 2008⁽¹⁾ and FYE 31 December 2014⁽²⁾*). In addition, given the stable per capita rice consumption in Malaysia, the stream of future cash flows to be derived from the Group's core business is expected to be predictable.

Notes:

- (1) *For the FYE 31 December 2008, the Group recorded a net cash outflow of RM614.80 million for its operating activities mainly due to the global rice crisis during the year, wherein global rice prices increased sharply leading to higher closing balances for inventories of RM371.50 million (31 December 2007: RM200.07 million) as well as amount receivable from the government for the implementation of Government Subsidy Rice programme of RM273.62 million (31 December 2007: Nil) during the year. As part of its duties as stipulated under the Bernas Agreement, in the interest of the nation to maintain the stability of rice prices and availability of rice in the domestic market, Bernas maintained its imported rice prices at previous level (despite procuring the imported rice at higher prices) as well as continued to produce the controlled grade price of Super Tempatan 15% although both of these decisions were not commercially justifiable.*
- (2) *For the FYE 31 December 2014, the Group recorded a net cash outflow of RM179.56 million for its operating activities mainly due to an increase in working capital requirement of RM309.93 million, with a higher closing balance for inventories as at 31 December 2014. The higher working capital requirement for inventories (which have increased by RM302.70 million) was due to the implementation by the government of a uniform purchase price of paddy at RM1,200 per metric tonne across Peninsular Malaysia. Prior to the said implementation, the purchase price of paddy in certain states is lower than RM1,200 per metric tonne. Assuming there is no change in working capital requirement for the FYE 31 December 2014 as compared to the FYE 31 December 2013, the Group would have recorded a positive net cash inflow of RM130.37 million.*

In view of the above, we view that the DCF valuation model is the most appropriate method to estimate the value of the core business of the Bernas Group. The DCF valuation model considers both the time value of money and the future cash flows generated by the Bernas Group over a specified period of time.

Under the DCF valuation method, the FCFE projected to be generated from the Bernas Group's Rice and Non-Rice Business is discounted at Bernas' cost of equity to derive the present value of all future cash flows from the Group's Rice and Non-Rice Business attributable to the shareholders of Bernas; and

- (ii) As for the Other Assets (*which do not contribute to the future cash flows of the Group's Rice and Non-Rice Business*), the fair values of these Other Assets are assessed separately.

The material Other Assets comprise investment in a unit trust ("**Unit Trust Investment**") and a parcel of vacant industrial land located in Bukit Jelutong ("**Vacant Land**"). We have adopted the RNAV valuation methodology to derive their fair values. This methodology takes into consideration any surplus and/or deficit (*net of tax*) arising from the revaluation of these Other Assets to reflect their market values based on the presumption that they are realisable on a willing-buyer willing-seller basis in the open market.

(A) DCF valuation on the Group's Rice and Non-Rice Business

We have reviewed the Bernas Group's future financial information until the FYE 31 December 2021 ("**Future Financials**"), which was prepared by the management of Bernas based on forecast on a best-effort basis.

We have considered and evaluated the key bases and assumptions adopted in the Future Financials and are satisfied that the key bases and assumptions used in the preparation of the Future Financials are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.

The Future Financials (*together with the bases and assumptions adopted therein*) have been reviewed and approved by the Board of Bernas. The key bases and assumptions adopted in the preparation of the Future Financials are as follows:

- (i) the Bernas Group is a going concern and is expected to sustain its operations in perpetuity;
- (ii) there will not be any significant change in the paddy and rice industry landscape in Malaysia and globally which will affect the supply and demand condition of paddy and rice as well as the market share of the existing millers in Malaysia such as:
 - (a) the Bernas Agreement (*which is expiring on 10 January 2021*) will be renewed into perpetuity and Bernas will continue to be the sole permit holder to import rice from overseas for onward sales to local distributors / wholesalers. Bernas has been the sole rice importer since 1996 (*privatising the roles of its predecessor i.e. the National Paddy and Rice Board which took on the role as the sole rice importer in 1974 following a global rice crisis in 1973*);
 - (b) there will not be any significant change in the global supply / volume of paddy and rice resulting from amongst others, extreme weather conditions or climate change, pests, diseases and natural disasters such as flood;
 - (c) rice will continue to be the main staple food of the country; and
 - (d) in view of Bernas' role to maintain the stability of rice prices in Malaysia, there will not be any significant increase in terms of selling price of local rice and imported white rice;

- (iii) although the nation's self-sufficiency level in terms of rice production is targeted to increase over the future years, Malaysia will remain as a net importer of rice;
- (iv) other than those incurred in the ordinary course of business, there will not be any major capital expenditure incurred to expand the operations of the Group;
- (v) existing and future financing facilities will remain available to the Group;
- (vi) there will not be any significant or material changes in the principal activities of the Bernas Group and the existing group structure of Bernas;
- (vii) there will not be any significant or material changes to the licenses, permits, approvals and regulations governing the business activities of the Group;
- (viii) the current accounting policies adopted by the Group will remain relevant and there will not be any significant changes in the accounting policies of the Group which have a material impact on the financial performance and financial position of the Group; and
- (ix) there will not be any material changes in political, social and economic conditions, monetary and fiscal policies, inflation and regulatory requirements of the paddy and rice industry.

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In order to derive the fair value of the Group's Rice and Non-Rice Business attributable to the shareholders, we have discounted the FCFE projected to be generated from the said business at the cost of equity of Bernas. Our valuation, together with the key bases and assumptions adopted, are as follows:

No	Key bases and assumptions		Descriptions
(i)	FCFE	Based on the Future Financials for the FYE 31 December 2017 until the FYE 31 December 2021	<p>FCFE is the free cash flows from operations available to the equity holders of a company after taking into consideration all operating expenses, movement in working capital, net investing cash flows and net financing cash flows, if any.</p> <p>We have reviewed the key bases and assumptions adopted in the Future Financials prepared by the management of Bernas in deriving the FCFE and are satisfied that they are reasonable given the prevailing circumstances and significant factors that are known as at the LPD.</p>
(ii)	Cost of equity ("K _e ")	8.00%	<p>Cost of equity represents the rate of return required by an investor on the cash flow streams generated by the Group given, amongst others, the risks associated with the cash flows. In deriving the cost of equity for the Company, we have adopted the Capital Asset Pricing Model and derived an estimated cost of equity of 8.00% with the following inputs:</p> $K_e = R_f + \beta (R_m - R_f)$
(iii)	Risk-free rate of return ("R _f ")	3.99%	<p>Risk-free rate of return represents the expected rate of return from a risk-free investment. The best available approximation of the risk-free rate of return is the yield of ten (10)-year Malaysian Government Securities.</p> <p>As extracted from Bloomberg, the said yield is 3.99% per annum as at 4 January 2017 (<i>being the day prior to the date of the Offer Letter</i>).</p>
(iv)	Expected market rate of return ("R _m ")	10.71%	<p>Expected market rate of return represents the expected rate of return for investing in a portfolio consisting of a weighted sum of assets representing the entire equity market.</p> <p>In our opinion, the historical rate of return for FTSE Bursa Malaysia Top 100 Index is a good indicator of the equity market return in Malaysia. Given the volatility of the stock market and market cycles, we view that a ten (10)-year historical rate of return of the said index is an appropriate estimate of the expected market rate of return as it normalises the year-on-year fluctuations of the stock market and mitigates market bias.</p> <p>Based on the information sourced from the Bloomberg, we have derived an average expected market rate of return in Malaysia of 10.71% per annum for the past ten (10) years.</p>

No	Key bases and assumptions	Descriptions
(v)	Beta ("β") 0.597	<p>Beta is the sensitivity of an asset's returns to the changes in market returns. It measures the correlation of systematic risk between the said asset and the market. A beta of more than one (1) signifies that the asset is riskier than the market and vice versa.</p> <p>As Bernas has been listed on Bursa Securities since 25 August 1997 up to 18 April 2014 ("Listing Period"), its beta is obtainable and represents the best measure for the riskiness of the Bernas Shares. Moreover, there is no listed peer comparable to Bernas.</p> <p>As extracted from Bloomberg, the adjusted three (3)-year beta of the Company up to 18 April 2014 is 0.512, which we view as reasonable and appropriate. For information purposes, adjusted beta is an estimate of a security's future beta. The adjusted beta is derived from historical data, but modified by the assumption that a security's beta moves towards the market average over time and is calculated as follows:</p> <p>Adjusted beta = (0.67 * Historical beta) + (0.33 * 1.0)</p> <p>As the adjusted beta of 0.512 is based on the historical capital structure of Bernas, we have un-levered the adjusted beta and re-levered it based on the present capital structure of Bernas. Based on our computation, the re-levered beta of Bernas is 0.597.</p> <p>Despite that the fair value of the Group is derived from both Rice and Non-Rice Business and Other Assets, we have not made any further adjustments to the abovesaid adjusted beta of Bernas as extracted from Bloomberg given that the Rice and Non-Rice Business constitutes substantially all of the Group's operations.</p>
(vi)	Perpetuity growth rate	<p>For the period beyond the FYE 31 December 2021, we have adopted a range of perpetuity growth rate of 2% to 3% on the Group's FCFE, which we view as reasonable after taking into consideration, amongst others, the increasing total rice consumption in Malaysia as well as improvement in average graded rice recovery rate. As a cross-check, the range of perpetuity growth rate adopted is in line with the inflation in Malaysia which is projected to range between 2% and 3% for 2017 (source: <i>Economic Report 2016/2017, Ministry of Finance Malaysia</i>).</p> <p>Therefrom, we derived the Bernas Group's terminal value (in present terms) of between RM1,108.9 million and RM1,343.7 million.</p>

No	Key bases and assumptions		Descriptions
(vii)	Corporate income tax rate	24%	The corporate income tax rate adopted is based on the latest statutory tax rate of 24%.
Fair value of the Group's Rice and Non-Rice Business attributable to the shareholders (excluding Other Assets)	<p>ranges from approximately RM1,415.2 million to RM1,650.0 million</p> <p><i>(For illustration purposes only, in the event that the Bernas Agreement is not renewed, the range of fair value will be lower at RM881.7 million to RM988.4 million, based on the assumption that the more competitive industry landscape in the future will reduce the Group's FCFE to perpetuity by 30% and the perpetuity growth rate to be between 1% and 2%)</i></p>		<p>The formula used to derive the fair value of the Group's Rice and Non-Rice Business attributable to the shareholders is as follows:</p> <p>Fair value of the Group's Rice and Non-Rice Business attributable to the shareholders = Present value of projected FCFE based on the Future Financials⁽¹⁾ + Present value of terminal value⁽¹⁾</p> <p>Note: (1) Computed based on the following formula:</p> $\text{Present value of FCFE or terminal value} = \frac{\text{FCFE or terminal value}}{(1 + K_e)^n}$ <p>whereby, n represents time, in years into the future.</p>

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(B) RNAV of the Other Assets

Certain major assets of the Group are not utilised to generate income and/or cash flows for the Group's Rice and Non-Rice Business. The material Other Assets comprise Unit Trust Investment and Vacant Land. Hence, for the purpose of appraising the value of the Bernas Shares, we have assessed the fair values of these Other Assets separately.

Unit Trust Investment

Edaran Bernas Nasional Sdn Bhd (*an 80%-owned subsidiary of Bernas*) has an investment in an open-ended wholesale money market fund, PB Cash Plus Fund which is launched and managed by Public Mutual Berhad. Since 2011, Edaran Bernas Nasional Sdn Bhd has a series of investments and disposals in the fund. Based on the net asset value of the fund as at 4 January 2017 (*being the day prior to the date of the Offer Letter*), the market value of the Unit Trust Investment held by Edaran Bernas Nasional Sdn Bhd is RM50.0 million, which translates into an effective portion of RM40.0 million attributable to the shareholders of Bernas.

Vacant Land

In order to compute the estimated RNAV of the Vacant Land, the management of Bernas had appointed Raine & Horne to revalue the Vacant Land.

In the valuation of the Vacant Land, the Valuer has adopted the comparison method of valuation. The comparison method of valuation seeks to determine the value of the property being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity. Due considerations are given for such factors including location, time, plot size, improvements made and surrounding developments, with adjustments made on any dissimilarities to arrive at the value of the subject property.

Based on the valuation conducted by the Valuer, we are of the view that the valuation methodologies adopted by the Valuer are reasonable and consistent with generally applied valuation methodologies. We are satisfied with the key assumptions adopted by the Valuer and have relied upon the Valuer's opinion of the market value of the Vacant Land. Accordingly, the estimated RNAV of the Vacant Land is as set out below:

	RM million
Unaudited net book value as at 30 September 2016	36.0
Add: Net revaluation surplus	42.2
RNAV of the Vacant Land	78.2

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The details of the net revaluation surplus of the Vacant Land are set out below:

Description / Tenure / Land area / Address / Title particulars / Category of land use / Planning details	Registered / Beneficial owner	Estimated market value ⁽¹⁾ / Valuation method		Cost (B)	Unaudited net book value as at 30 September 2016 (C)	Revaluation surplus (D) = (A) – (C)	Deferred taxation (E) = ((A)-(B)) x 5% ⁽²⁾	Net revaluation surplus (F) = (D) – (E)	Date of acquisition / Date of previous revaluation
		RM million (A)	RM million						
Description : A vacant industrial land Tenure : Freehold Land area : 41,937 square metres / 451,405.67 square feet Address : No. 2, Jalan Pasak Bumi, Bukit Jelutong, Seksyen U8, 40150 Shah Alam, Selangor Darul Ehsan Lot No. : Lot 78638, Mukim of Damansara, District of Petaling, Selangor Darul Ehsan Title No. : GRN 204604 Category of land use : Industrial Planning details : Industrial	Bernas	81.3	19.6	36.0	45.3	(3.1)	42.2	<u>Acquisition</u> 26.08.2006 <u>Previous revaluation</u> 01.01.2011	

Notes:

(1) Based on the Valuer's opinion of the market value of the Vacant Land as at 18 January 2017 as stated in its valuation certificate.

(2) Based on an assumed statutory real property gains tax rate of 5%, on the assumption that the Vacant Land is realised in the open market.

(C) SOPV of the Bernas Shares

Based on our computation below, the SOPV for the Bernas Shares ranges from RM1,533.4 million to RM1,768.2 million or a fair value per Bernas Share of RM3.26 to RM3.76.

	Workings	Valuation method	Fair value			
			Low range		High range	
			Total (RM million)	Per Bernas Share ⁽¹⁾ (RM)	Total (RM million)	Per Bernas Share ⁽¹⁾ (RM)
Rice and Non-Rice Business	A	DCF	1,415.2	3.01	1,650.0	3.51
Unit Trust Investment	B	RNAV	40.0	0.08	40.0	0.08
Vacant Land	C	RNAV	78.2	0.17	78.2	0.17
Bernas Group	A + B + C	SOPV	1,533.4	3.26	1,768.2	3.76

Note:

(1) Computed based on the total number of 470,401,500 Bernas Shares as at the LPD.

Comments:

Based on the key valuation parameters above, we have derived a range of fair value per Bernas Share of approximately RM3.26 to RM3.76. The SCR Offer Price of RM4.00 is **higher than** and represents a premium of approximately 6.38% to 22.70% over the abovementioned range of fair value per Bernas Share.

Nevertheless, the shareholders (*other than the Non-Entitled Shareholders*) should note that the SOPV computation above is based on prevailing economic, market and other conditions as at the respective date of the valuation, as well as publicly available information and information provided by Bernas up to the LPD. Events or circumstances occurring subsequent to the respective valuation date and/or the LPD (*especially in relation to the renewal of the Bernas Agreement*) may significantly change the basis and assumptions used which may then materially affect the fair value per Bernas Share, whether favourably or adversely.

Our view on the fairness of the Proposed SCR:

Premised on our evaluation above, in view that the SCR Offer Price is **the highest** when compared to the historical trading market prices of the Bernas Shares ranging from RM0.207 to RM3.750 (*as extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period*) during the Listing Period and is also **higher than** the fair value per Bernas Share derived using the SOPV method, we view the Proposed SCR as **FAIR**.

6. REASONABLENESS OF THE PROPOSED SCR

Our view on the reasonableness of the Proposed SCR:

An exit opportunity

We have considered the rationale for the Proposed SCR as disclosed in Section 4, Part A and Section 4, Part B of this Document.

In our view, the Proposed SCR provides an exit opportunity to the shareholders (*other than the Non-Entitled Shareholders*) to realise their investment in the Bernas Shares in cash at the SCR Offer Price for the following reasons:

- (i) The Bernas Shares have been delisted and withdrawn from the Official List of Bursa Securities on 18 April 2014. Since then, there is no active market / platform in which the Bernas Shares can be traded;
- (ii) As at the LPD, Bernas has not received any alternative offer for the Bernas Shares or any other offer to acquire its assets and liabilities. In view that the Non-Entitled Shareholders currently hold a controlling stake of more than 90% equity interest in Bernas, any such offer will not be successful unless with the support of the Non-Entitled Shareholders; and
- (iii) The SCR Offer Price is at a premium of approximately 8.11% to the previous offer price of RM3.70 per Bernas Share that was offered in 2013 and 2014.

7. FUTURE PLANS FOR THE BERNAS GROUP AND ITS EMPLOYEES

We refer to the future plans for the Bernas Group and its employees as set out in Section 5, Part A and Section 6, Part B of this Document.

We noted that as at the LPD, the Non-Entitled Shareholders have no knowledge of and have not entered into any negotiation or arrangement or understanding with any third party with regards to any significant change to the business of the Bernas Group, assets or shareholding structure of Bernas. The Non-Entitled Shareholders intend to continue with the Bernas Group's existing businesses and operations. Nevertheless, there may be measures to further improve the efficiency of operations and constructive measures will be undertaken from time to time to optimise the Bernas Group's staff productivity.

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

The interests of Directors, major shareholders and/or persons connected to them (*together with their course of actions in relation to the Proposed SCR*) are set out in Section 9, Part A of this Document.

9. DIRECTORS' INTENTION TO VOTE

As at the LPD, the Directors of Bernas do not have any interest (*direct and indirect*) in the Bernas Shares.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Bernas has seen and approved the contents of this IAL. The Directors, collectively and individually, accept full responsibility for the accuracy and completeness of the information contained in this IAL and confirm that, after making all enquiries as were reasonable in the circumstances and to the best of their knowledge and belief:

- (i) no statement and/or information relating to the Bernas Group in this IAL is incomplete, false and/or misleading;
- (ii) there are no other facts and/or information, the omission of which would render any statement and/or information relating to the Bernas Group herein incomplete, false and/or misleading;
- (iii) all material facts and/or information in relation to the Proposed SCR (*including those required under the Rules*) have been accurately and completely disclosed in this IAL or elsewhere in this Document; and
- (iv) opinions expressed by the Board of Bernas in this IAL have been arrived at after due and careful consideration.

The responsibility of the Board of Bernas in respect of:

- (i) the information relating to the Non-Entitled Shareholders and the Proposed SCR (*as extracted from the Explanatory Statement in Part B of this Document and other publicly available information*) is to ensure that such information is accurately reproduced in this IAL; and
- (ii) the independent advice and expression of opinion by Mercury Securities in relation to the Proposed SCR as set out herein is to ensure that accurate information in relation to the Bernas Group was provided to Mercury Securities for its evaluation of the Proposed SCR and to ensure that all information in relation to the Bernas Group that are relevant to Mercury Securities' evaluation of the Proposed SCR have been completely disclosed to Mercury Securities and that there is no material fact, the omission of which would make any information provided to Mercury Securities false or misleading.

11. FURTHER INFORMATION

The shareholders (*other than the Non-Entitled Shareholders*) are advised to refer to the views and recommendation of the Non-Interested Directors as set out in Part A of this Document as well as the accompanying appendices and other relevant information in this Document for further details in relation to the Proposed SCR.

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12. CONCLUSION AND RECOMMENDATION

In arriving at our conclusion and recommendation, we have considered the fairness and reasonableness of the Proposed SCR based on all relevant and pertinent factors and summarised below are the pertinent factors which you should carefully consider before voting on the special resolution to give effect to the Proposed SCR to be tabled at the forthcoming EGM of the Company:

Fairness	<p>We view the Proposed SCR as FAIR for the following reasons:</p> <ul style="list-style-type: none">• The SCR Offer Price of RM4.00 is higher than and represents a premium of approximately 6.38% and 22.70% over the range of fair value per Bernas Share derived using the SOPV method of RM3.26 to RM3.76; and• The SCR Offer Price is the highest when compared to the historical trading market prices of the Bernas Shares ranging from RM0.207 to RM3.750 during the Listing Period (<i>as extracted from Bloomberg which have been adjusted for the effects of any dividends and corporate exercises throughout the period</i>).
Reasonableness	<p>Other than our view that the Proposed SCR is fair, we view that the Proposed SCR is REASONABLE as it provides an exit opportunity to the shareholders (<i>other than the Non-Entitled Shareholders</i>) to realise their investment in the Bernas Shares in cash at the SCR Offer Price for the following reasons:</p> <ul style="list-style-type: none">• The Bernas Shares have been delisted and withdrawn from the Official List of Bursa Securities on 18 April 2014. Since then, there is no active market / platform in which the Bernas Shares can be traded;• As at the LPD, Bernas has not received any alternative offer for the Bernas Shares or any other offer to acquire its assets and liabilities. In view that the Non-Entitled Shareholders currently hold a controlling stake of more than 90% equity interest in Bernas, any such offer will not be successful unless with the support of the Non-Entitled Shareholders; and• The SCR Offer Price is at a premium of approximately 8.11% to the previous offer price of RM3.70 per Bernas Share that was offered in 2013 and 2014.

Premised on the above, Mercury Securities views that the Proposed SCR is **FAIR** and **REASONABLE**. Accordingly, we recommend that the shareholders (*other than the Non-Entitled Shareholders*) **VOTE IN FAVOUR** of the special resolution to give effect to the Proposed SCR to be tabled at the forthcoming EGM of the Company.

The advice of Mercury Securities as contained in this IAL is addressed to the shareholders (*other than the Non-Entitled Shareholders*) at large and not to any particular shareholder. Accordingly, in providing this advice, we have not taken into consideration any specific investment objectives, financial situation, risk profile and particular needs of any individual shareholder or any specific group of shareholders. We recommend that any shareholder who may require advice in the context of his/her investment objectives, financial situation, risk profile and particular needs should consult his/her respective stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Yours faithfully,
for and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

DENIS LIM
Director / Head of Corporate Finance

INFORMATION ON BERNAS

1. HISTORY AND PRINCIPAL ACTIVITIES

Bernas was incorporated in Malaysia on 14 April 1994 under the Act 1965 as a public company under the name of Syarikat Padiberas Nasional Berhad. On 30 March 1995, the Company assumed its current name and was listed on the Main Board of the Kuala Lumpur Stock Exchange (*now known as the Main Market of Bursa Securities*) on 25 August 1997. Subsequently, pursuant to the unconditional take-over offer in 2014, the Company was delisted and withdrawn from the Official List of Bursa Securities on 18 April 2014.

The principal activities of Bernas are procuring, collecting, processing, importing, exporting, purchasing, storing, packaging, distribution of rice, paddy and other grains, which include activities such as seed production, paddy farming, paddy procurement, paddy processing, rice processing and rice storage, distribution and marketing of rice, research and development of paddy seeds, rice and related products and investment holding.

The principal activities of its subsidiaries and associated companies are set out in Section 5 of this Attachment I.

2. SHARE CAPITAL

2.1 Issued share capital

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

Issued share capital	No. of shares	Amount RM
Bernas Shares	470,401,500	477,486,090 ⁽¹⁾
Special Share	1	1

Note:

(1) Inclusive of the entire share capital premium account of Bernas of RM7,084,590, which shall become part of the share capital of Bernas pursuant to Section 618(2) of the Act 2016.

As at the LPD, there are two (2) classes of shares in Bernas i.e. the Bernas Shares and the Special Share.

All the Bernas Shares rank *pari passu* in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions (*including any capital distributions*) which may be declared, made or paid to shareholders.

The Special Share may only be held by or transferred to the Minister of Finance (Incorporated) or its successors or any Minister representative or any person acting on behalf of the Government of Malaysia. The Special Share shall carry no right to vote and has no entitlements to any dividends, rights, allotments and/or distributions (*save and except for capital distribution in a winding up*) which may be declared, made or paid to shareholders.

In a distribution of capital in a winding up of the Company, the holder of the Special Share shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other shareholders. The holder of the Special Share has the right to require the Company to redeem the Special Share at par at any time. In addition, the holder of the Special Share has the right to veto any resolution proposed to be passed by the Board or the shareholders of the Company which concerns the national interest and security of Malaysia or any matter relating to the Special Share or the rights attaching to the Special Share.

INFORMATION ON BERNAS (cont'd)
2.2 Changes in the issued share capital

Since the end of the FYE 31 December 2015 up to the LPD, there is no change in Bernas' issued share capital, save for the inclusion of the entire share capital premium account of Bernas of RM7,084,590 as part of the share capital of Bernas pursuant to Section 618(2) of the Act 2016.

2.3 Convertible securities

As at the LPD, Bernas does not have any convertible securities.

3. SUBSTANTIAL SHAREHOLDERS

The shareholders of Bernas holding 5% or more of the total number of Bernas Shares and their shareholdings in Bernas based on the Register of Substantial Shareholders as at the LPD are as follows:

Name	Direct		Indirect	
	No. of Bernas Shares	% ⁽¹⁾	No. of Bernas Shares	% ⁽¹⁾
TWM	341,375,471	72.57	-	-
PLSB	119,332,194	25.37	341,375,471 ⁽²⁾	72.57
Restu Jernih	-	-	460,707,665 ⁽³⁾	97.94
TSSM	-	-	460,707,665 ⁽⁴⁾	97.94

Notes:

(1) Computed based on the total number of 470,401,500 Bernas Shares as at the LPD.

(2) Deemed interested by virtue of its interest in TWM pursuant to Section 8 of the Act 2016.

(3) Deemed interested by virtue of its interest in PLSB pursuant to Section 8 of the Act 2016.

(4) Deemed interested by virtue of his interest in Restu Jernih pursuant to Section 8 of the Act 2016.

4. DIRECTORS

As at the LPD, the Directors of Bernas (*all Malaysians*) are as follows:

Name	Designation	Address
Tan Sri Ab. Aziz bin Kasim	Chairman	No 1, Jalan Kelab Golf 13/6G, Seksyen 13, 40100 Shah Alam, Selangor
Dato' Mohammad Zainal bin Shaari	Director	No. A-19-03 Tower A, MARC Service Residence, No.3, Jalan Pinang, 50450 Kuala Lumpur
Datuk Ooi Teik Huat	Director	No. 2, Lorong Aminuddin Baki Empat, Taman Tun Dr Ismail, 60000 Kuala Lumpur
Dato' Khodijah binti Abdullah	Director	No. 78, Jalan Kekwa Satu, Nilai Impian, 71800 Nilai, Negeri Sembilan
Datuk Seri Dr. Ismail bin Haji Bakar	Director	No. 48, Jalan Wangsa Siaga 1, Wangsa Melawati, 53300 Kuala Lumpur
Shamsuddin bin Ismail	Alternate Director to Datuk Seri Dr. Ismail bin Haji Bakar	104, Lot 1329, Kampung Bukit Temiang, 70200 Seremban, Negeri Sembilan

None of the Directors of Bernas holds any Bernas Shares as at the LPD.

INFORMATION ON BERNAS (cont'd)
5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The details of the subsidiaries of Bernas as at the LPD are as follows:

Name of company	Country of incorporation	Ownership interest held %	Principal activities
<u>Subsidiaries of the Company</u>			
Bernas Production Sdn Bhd	Malaysia	100	Rice processing
Era Bayam Kota Sdn Bhd	Malaysia	60	Trader, distributor and supplier of rice
Syarikat Faiza Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
Consolidated Bernas United Distributors Sdn Bhd	Malaysia	100	Investment holding
Jasmine Food Corporation Sdn Bhd	Malaysia	61	Trader, distributor and supplier of rice
YHL Holding Sdn Bhd	Malaysia	51	Investment holding
Bernas Seed Pro Sdn Bhd	Malaysia	100	Paddy seed production
Bernas Agrotech Sdn Bhd	Malaysia	100	Investment holding
Beras Corporation Sdn Bhd	Malaysia	100	Processing and trading of rice
Bernas Dominals Sdn Bhd	Malaysia	100	Investment holding
Edaran Bernas Nasional Sdn Bhd	Malaysia	80	Trader, distributor and supplier of rice
Bernas Overseas (L) Limited	Malaysia	100	Labuan offshore investment holding company
Bernas Logistic Sdn Bhd	Malaysia	100	Provision of logistic services
Bernas Engineering & Technology Sdn Bhd	Malaysia	100	Dormant
P.B. Construction & Supplies Sdn Bhd	Malaysia	100	Dormant
Bernas Utama Sdn Bhd	Malaysia	100	Dormant
Bernas Perdana Sdn Bhd	Malaysia	100	Dormant
Bernas (Sabah) Sdn Bhd	Malaysia	100	Dormant
Bernas (Sarawak) Sdn Bhd	Malaysia	100	Dormant
Bernas Project & Development Sdn Bhd	Malaysia	100	Dormant
Subur Majubumi Sdn Bhd	Malaysia	100	Investment holding
Bernas Sdn Bhd	Malaysia	100	Trader, distributor and supplier of rice

INFORMATION ON BERNAS (cont'd)

Name of company	Country of incorporation	Ownership interest held %	Principal activities
Bernas International Trading Co., Ltd	Thailand	95	Dormant
<u>Subsidiary of Consolidated Bernas United Distributors Sdn Bhd</u>			
Machind Realty Sdn Bhd	Malaysia	100	Dormant
<u>Subsidiaries of Jasmine Food Corporation Sdn Bhd</u>			
Jasmine Food (Ipoh) Sdn Bhd	Malaysia	61	Trader, distributor and supplier of rice
Jasmine Food (Alor Setar) Sdn Bhd	Malaysia	61	Trader, distributor and supplier of rice
Jasmine Food (Johor Bahru) Sdn Bhd	Malaysia	61	Trader, distributor and supplier of rice
JS Jasmine Sdn Bhd	Malaysia	31	Trader, distributor and supplier of rice
Jasmine Food (Seremban) Sdn Bhd	Malaysia	61	Trader, distributor and supplier of rice
Jasmine Food (Prai) Sdn Bhd	Malaysia	61	Trader, distributor and supplier of rice
Jasmine Rice Mill (Tunjang) Sdn Bhd	Malaysia	61	Rice miller and rice trader
Jasmine Food (Kuantan) Sdn Bhd	Malaysia	61	Trader, distributor and supplier of rice
<u>Subsidiaries of YHL Holding Sdn Bhd</u>			
YHL Trading (KL) Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
YHL Trading (Johor) Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
YHL Trading (Segamat) Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
YHL Trading (Kedah) Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
YHL Trading (Melaka) Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
YHL Trading (Terengganu) Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
YHL (Kuantan) Sdn Bhd	Malaysia	51	Dormant

INFORMATION ON BERNAS (cont'd)

Name of company	Country of incorporation	Ownership interest held %	Principal activities
<u>Subsidiary of Jasmine Food (Alor Setar) Sdn Bhd</u>			
Jasmine Khidmat & Harta Sdn Bhd	Malaysia	61	Letting of properties
<u>Subsidiary of Jasmine Rice Mill (Tunjang) Sdn Bhd</u>			
Jasmine Rice Products Sdn Bhd	Malaysia	61	Manufacturing and sale of vermicelli
<u>Subsidiary of Bernas Agrotech Sdn Bhd</u>			
Padi Gedong Sdn Bhd	Malaysia	100	Dormant
<u>Subsidiaries of Subur Majubumi Sdn Bhd</u>			
Berkat Beringin Sdn Bhd	Malaysia	100	Rice miller
Warisan Bayumas Sdn Bhd	Malaysia	100	Investment holding
<u>Subsidiaries of Beras Corporation Sdn Bhd</u>			
Sazarice Sdn Bhd	Malaysia	95	Trader, distributor and supplier of rice
Dayabest Sdn Bhd	Malaysia	100	Investment holding
Sabarice Sdn Bhd	Malaysia	100	Trader, distributor and supplier of rice
Liansin Trading Sdn Bhd	Malaysia	60	Wholesale and trading of rice and rice related products
Belikmat Corporation Sdn Bhd	Malaysia	100	Dormant
Bernas Agrogreen Sdn Bhd	Malaysia	100	Dormant
<u>Subsidiaries of Dayabest Sdn Bhd</u>			
Hock Chiong Foodstuff Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
Ban Say Tong Sdn Bhd	Malaysia	51	Trader, distributor and supplier of rice
<u>Subsidiary of Bernas Dominals Sdn Bhd</u>			
Bernas Chaff Products Sdn Bhd	Malaysia	51	Dormant

INFORMATION ON BERNAS (cont'd)

Name of company	Country of incorporation	Ownership interest held %	Principal activities
<u>Subsidiaries of Liansin Trading Sdn Bhd</u>			
Liangtye Trading Sdn Bhd	Malaysia	60	General trading and rice wholesaler
Liansin Trading (Miri) Sdn Bhd	Malaysia	60	Dormant
Tong Seng Huat Rice Trading Sdn Bhd	Malaysia	31	Trader, distributor and supplier of rice
<u>Subsidiary of Tong Seng Huat Rice Trading Sdn Bhd</u>			
Tong Seng Huat (Bintulu) Sdn Bhd (formerly known as Liansin Trading (Bintulu) Sdn Bhd)	Malaysia	31	Dormant

The details of the associated companies of Bernas as at the LPD are as follows:

Name of company	Country of incorporation	Ownership interest held %	Principal activities
<u>Associates of the Company</u>			
Gardenia Bakeries (KL) Sdn Bhd	Malaysia	50	Bread manufacturing and bakery
Ban Heng Bee Holdings Sdn Bhd	Malaysia	49	Rice miller
OEL Realty Holdings Sdn Bhd	Malaysia	30	Investment holding
United Malayan Flour (1996) Sdn Bhd	Malaysia	45	Manufacturing and trading of wheat flour
<u>Associate of Bernas Production Sdn Bhd</u>			
Kilang Beras Fajar Sdn Bhd	Malaysia	49	Dormant
<u>Subsidiaries of Ban Heng Bee Holdings Sdn Bhd</u>			
Ban Heng Bee Rice Mill (1952) Sdn Bhd	Malaysia	49	Rice miller
KBBS Enterprise Sdn Bhd	Malaysia	34	Investment holding
Kelang Beras Sin Tong Seng Sendirian Berhad	Malaysia	39	Rice miller
Kemboja Lambaian Sdn Bhd	Malaysia	49	Investment holding
Twenty-Twenty Food Industry Sdn Bhd	Malaysia	29	Rice vermicelli manufacturing & distributor

INFORMATION ON BERNAS (cont'd)

Name of company	Country of incorporation	Ownership interest held %	Principal activities
Serba Wangi Sdn Bhd	Malaysia	49	Trader, distributor and supplier of rice
<u>Subsidiaries of OEL Realty Holdings Sdn Bhd</u>			
OEL Distribution (Kedah) Sdn Bhd	Malaysia	30	Trader, distributor and supplier of rice
OEL Distribution (Perak) Sdn Bhd	Malaysia	30	Trader, distributor and supplier of rice
OEL Origin (Kedah) Sdn Bhd	Malaysia	30	Trader, distributor and supplier of rice
OEL Distribution (Penang) Sdn Bhd	Malaysia	30	Trader, distributor and supplier of rice
OEL Distribution (Johor) Sdn Bhd	Malaysia	30	Trader, distributor and supplier of rice
OEL Distribution (Selangor) Sdn Bhd	Malaysia	18	Trader, distributor and supplier of rice
OEL Distribution (KL) Sdn Bhd	Malaysia	18	Trader, distributor and supplier of rice
OEL Food Manufacturing Sdn Bhd	Malaysia	30	Manufacturing of health drinks
OEL Distribution (East Coast) Sdn Bhd	Malaysia	21	Trader, distributor and supplier of rice
OEL Distribution (NS) Sdn Bhd	Malaysia	18	Trader, distributor and supplier of rice
Kilang Beras Teik Guan Sdn Bhd	Malaysia	30	Rice miller
<u>Subsidiaries of Gardenia Bakeries (KL) Sdn Bhd</u>			
Gardenia Sales & Distribution Sdn Bhd	Malaysia	50	Distribution of bakery products
Everyday Bakery & Confectionery Sdn Bhd	Malaysia	50	Ceased operation
<u>Associate of Bernas Overseas (L) Limited</u>			
Irfan Noman Bernas (Private) Limited	Pakistan	20	Rice trading

INFORMATION ON BERNAS (cont'd)
6. PROFIT AND DIVIDEND RECORD

A summary of the Group's results based on the audited consolidated financial statements of Bernas for the FYE 31 December 2013, 31 December 2014 and 31 December 2015 as well as the unaudited consolidated financial statements of Bernas for the nine (9)-month FPE 30 September 2016 is as follows:

	Unaudited for the nine (9)-month FPE 30 September 2016 (RM'000)	Audited for the FYE 31 December		
		2015 (RM'000)	2014 (RM'000)	2013 (RM'000)
Revenue	3,188,223	4,225,704	3,713,020	3,698,164
PBT	90,854	130,047	110,562	233,722
Income tax expense	(18,033)	(47,174)	(42,355)	(77,116)
PAT	72,821	82,873	68,207	156,606
PAT attributable to:				
- owners of the Company	62,101	67,397	59,299	147,023
- non-controlling interests	10,720	15,476	8,908	9,583
	72,821	82,873	68,207	156,606
Weighted average number of Bernas Shares ('000)	470,402	470,402	470,402	470,402
Basic EPS (sen) ⁽¹⁾	13.2	14.3	12.6	31.3
Net dividend per Bernas Share (sen)	-	-	-	-

Note:

(1) The Company does not have any dilutive potential ordinary shares. Accordingly, the diluted EPS is not presented.

There is no exceptional item in the audited consolidated financial statements of Bernas for the past three (3) financial years up to the FYE 31 December 2015 and the unaudited consolidated financial statements of Bernas for the nine (9)-month FPE 30 September 2016.

Management commentaries on the results of the Bernas Group for the period under review are as set out below:

9-month FPE 30 September 2016 as compared to 9-month FPE 30 September 2015

The Group recorded revenue of RM3,188.2 million for the nine (9)-month FPE 30 September 2016, which represents an increase of 3.1% as compared to the previous corresponding period of RM3,092.1 million, mainly due to higher revenue recorded for rice and non-rice products. The sales of rice increased by 0.7% to RM2.55 billion as compared to the previous corresponding period due to the abolishment of Government Subsidy Rice programme on 1 January 2016, which has enabled Bernas to sell rice at the prevailing market prices. As for the non-rice business, its revenue recorded an increase of 14.2% which was mainly attributable to higher sales of paddy to rice millers under the Bumiputera Rice Millers Scheme as compared to the previous corresponding period. Coupled with foreign exchange gain due to the strengthening of RM against United States Dollar, the Group's PAT increased by 18.8% to RM72.8 million as compared to the previous corresponding period of RM61.3 million.

INFORMATION ON BERNAS (cont'd)
FYE 31 December 2015 as compared to FYE 31 December 2014

The Group recorded revenue of RM4,225.7 million for the FYE 31 December 2015, which represents an increase of 13.8% as compared to the revenue of RM3,713.0 million for the previous financial year. This was mainly attributable to higher volume of rice sold at 1.63 million metric tonne as compared to 1.46 million metric tonne for the previous financial year, which represents an increase of 11.6%. In addition, the revenue for non-rice business recorded an increase of 18.7% which was mainly attributable to higher sales of paddy to rice millers under the Bumiputera Rice Millers Scheme as compared to the previous financial year. Correspondingly, the Group's PAT increased by 21.5% to RM82.87 million as compared to RM68.2 million for the previous financial year.

FYE 31 December 2014 as compared to FYE 31 December 2013

The Group recorded revenue of RM3,713.0 million for the FYE 31 December 2014, which represents an increase of 0.40% as compared to the revenue of RM3,698.2 million for the previous financial year. The increase was mainly attributable to higher sales of paddy. Despite higher revenue, the Group's PAT decreased by 56.4% to RM68.2 million as compared to the RM156.6 million as a result of higher cost to sales due to the implementation by the government of a uniform purchase price of paddy at RM1,200 per metric tonne across Peninsular Malaysia. Prior to the said implementation, the purchase price of paddy in certain states is lower than RM1,200 per metric tonne.

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of Bernas based on its audited consolidated financial statements for the FYE 31 December 2015 as well as the unaudited consolidated financial statements for the nine (9)-month FPE 30 September 2016 are as follows:

	Unaudited as at 30 September 2016 (RM'000)	Audited as at 31 December	
		2015 (RM'000)	2014 (RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment	431,328	465,024	464,073
Investment in associated companies	489,941	369,167	354,215
Other investment	50,376	39,897	30,042
Intangible assets	20,745	24,382	29,230
Other receivables	613,858	456,260	-
Deferred tax assets	56,773	56,561	59,127
Total non-current assets	1,663,021	1,411,291	936,687
Current assets			
Inventories	1,231,826	1,107,074	1,105,529
Trade and other receivables	1,071,778	1,299,008	1,404,082
Amount owing from associated companies	4,784	-	-
Tax recoverable	2,578	28,339	4,462
Derivative financial assets	4,917	13,113	-
Cash and bank balances	349,791	247,863	318,819
Total current assets	2,665,674	2,695,397	2,832,892
TOTAL ASSETS	4,328,695	4,106,688	3,769,579

INFORMATION ON BERNAS (cont'd)

	Unaudited as at 30 September 2016 (RM'000)	Audited as at 31 December	
		2015 (RM'000)	2014 (RM'000)
EQUITY AND LIABILITIES			
Share capital	470,402	470,402	470,402
Reserves	969,420	907,290	836,563
Equity attributable to owners of the Company	1,439,822	1,377,692	1,306,965
Non-controlling interests	124,570	113,899	99,903
TOTAL EQUITY	1,564,392	1,491,591	1,406,868
Non-current liabilities			
Retirement benefit obligations	79,038	99,082	93,008
Long-term borrowings	168,425	226,497	226,065
Deferred tax liabilities	19,615	17,138	17,606
Total non-current liabilities	267,078	342,717	336,679
Current liabilities			
Retirement benefit obligations	2,454	253	302
Short-term borrowings	1,960,056	1,961,077	1,751,515
Trade and other payables	525,985	276,697	265,891
Amount owing to associated companies	405	-	-
Dividend payable	-	-	659
Derivative financial liabilities	863	2,303	-
Tax payable	7,462	32,050	7,665
Total current liabilities	2,497,225	2,272,380	2,026,032
TOTAL LIABILITIES	2,764,303	2,615,097	2,362,711
TOTAL EQUITY AND LIABILITIES	4,328,695	4,106,688	3,769,579

As at the LPD, save for those disclosed in Section 3, Appendix IV of this Document, there is no known material change in the financial position of Bernas subsequent to the latest audited consolidated financial statements for the FYE 31 December 2015.

8. ACCOUNTING POLICIES

Based on the audited consolidated financial statements of Bernas for the FYE 31 December 2013, 31 December 2014 and 31 December 2015, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for Bernas' financial statements for the respective years under review.

Save for additional disclosures, there is no change in the accounting standards adopted by Bernas which would result in a material variation to the comparable figures for the audited consolidated financial statements of Bernas for the FYE 31 December 2013, 31 December 2014 and 31 December 2015.

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INFORMATION ON BERNAS (cont'd)

9. BORROWINGS AND CONTINGENT LIABILITIES

As at 30 November 2016, which is not more than three (3) months preceding the LPD, the Bernas Group has total outstanding borrowings of approximately RM2,225.3 million, all of which are interest bearing, as follows:

Borrowings	RM'000
<u>Current</u>	
<u>Secured</u>	
- Term loans	74,080
- Hire purchase and finance lease payables	7,412
- Factoring	110,000
	191,492
<u>Unsecured</u>	
- Bank overdrafts	1,224
- Bankers' acceptances	1,618,444
- Revolving credit	248,448
	1,868,116
	2,059,608
<u>Non-current</u>	
<u>Secured</u>	
- Term loans	162,551
- Hire purchase and finance lease payables	3,175
	165,726
Total borrowings	2,225,334

As at 30 November 2016, the Bernas Group does not have any contingent liabilities, which upon becoming enforceable, may have a material impact on the profits and/or NA of the Bernas Group.

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FURTHER INFORMATION

1. DISCLOSURE OF INTERESTS AND DEALINGS IN SHARES**1.1 By Bernas****(i) Disclosure of interests in the Non-Entitled Shareholders**

Bernas does not have any interest, whether direct or indirect, in any voting shares or convertible securities of the Non-Entitled Shareholders as at the LPD.

(ii) Dealing in the securities of the Non-Entitled Shareholders

Bernas has not dealt, directly or indirectly, in any voting shares or convertible securities of the Non-Entitled Shareholders during the period commencing six (6) months before the date of the Offer Letter and ending on the LPD.

(iii) Dealing in the securities of Bernas

Bernas has not dealt, directly or indirectly, in any voting shares or convertible securities of Bernas during the period commencing six (6) months before the date of the Offer Letter and ending on the LPD.

1.2 By the Directors of Bernas**(i) Disclosure of interests in the Non-Entitled Shareholders**

The Directors of Bernas do not have any interest, whether direct or indirect, in any voting shares or convertible securities of the Non-Entitled Shareholders as at the LPD.

(ii) Dealing in the securities of the Non-Entitled Shareholders

The Directors of Bernas have not dealt, directly or indirectly, in any voting shares or convertible securities of the Non-Entitled Shareholders during the period commencing six (6) months before the date of the Offer Letter and ending on the LPD.

(iii) Disclosure of interests in Bernas

The Directors of Bernas do not have any interest, whether direct or indirect, in any voting shares or convertible securities of Bernas as at the LPD.

(iv) Dealing in the securities of Bernas

The Directors of Bernas have not dealt, directly or indirectly, in any voting shares or convertible securities of Bernas during the period commencing six (6) months before the date of the Offer Letter and ending on the LPD.

1.3 By the persons with whom Bernas or any persons acting in concert with it has any arrangement

As at the LPD, there is no person with whom Bernas or any persons acting in concert with it has entered into any arrangement involving rights over shares, any indemnity arrangement, and any agreement or understanding, formal or informal, of whatever nature, relating to relevant securities which may be an inducement to deal or to refrain from dealing.

FURTHER INFORMATION *(cont'd)*

1.4 By the persons with whom Bernas or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom Bernas or any persons acting in concert with it has borrowed or lent any voting shares or convertible securities of Bernas.

1.5 By Mercury Securities and funds whose investments are managed by Mercury Securities on a discretionary basis (“Discretionary Funds”)**(i) Disclosure of interests in Bernas**

Mercury Securities and its Discretionary Funds do not have any interest, whether direct or indirect, in any voting shares or convertible securities of Bernas as at the LPD.

(ii) Dealing in the securities of Bernas

Mercury Securities and its Discretionary Funds have not dealt, directly or indirectly, in the Bernas Shares during the period commencing six (6) months before the date of the Offer Letter and ending on the LPD.

2. ARRANGEMENT AFFECTING DIRECTORS

- (i) As at the LPD, no payment or other benefit will be made or given to any Director of Bernas as compensation for loss of office or otherwise in connection with the Proposed SCR.
- (ii) As at the LPD, there is no agreement or arrangement between any Director of Bernas and any other person which is conditional on or dependent upon the outcome of the Proposed SCR or otherwise connected with the outcome of the Proposed SCR.
- (iii) As at the LPD, the Non-Entitled Shareholders have not entered into any material contract in which any Director of Bernas has a material personal interest.

3. SERVICE CONTRACTS

As at the LPD, Bernas, its subsidiaries and its associated companies do not have any service contracts with any Directors or proposed Directors of Bernas, which have been entered into or amended within six (6) months before the date of the Offer Letter or which are fixed term contracts with more than twelve (12) months to run.

For the purpose of this section, the term “service contracts” excludes those expiring or determinable by the employing company without payment of compensation within twelve (12) months from the date of this IAL.

PERSPECTIVE LANE (M) SDN. BHD.**(Company N o. 341856-W)****No 110 Jalan Maarof Bangsar Baru 59000 Kuala Lumpur****Tel No. 03-20932255 Fax No. 03-20958811**

5 January 2017

Board of Directors
Padiberas Nasional Berhad
 Level 3, Menara HLA
 No. 3, Jalan Kia Peng
 50450 Kuala Lumpur

Dear Sirs,

PADIBERAS NASIONAL BERHAD ("BERNAS" OR "COMPANY")**PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF
BERNAS UNDER SECTIONS 60(2) AND 64 OF THE COMPANIES ACT, 1965 ("ACT")
("PROPOSED SCR")****1. INTRODUCTION**

We, Perspective Lane (M) Sdn Bhd ("**PLSB**") together with our person acting in concert, Tradewinds (M) Berhad ("**TWM**") (collectively referred to as "**Non-Entitled Shareholders**"), are writing to request the Company to undertake a selective capital reduction and repayment exercise under Sections 60(2) and 64 of the Act which will result in the Non-Entitled Shareholders holding the entire issued and paid-up share capital of Bernas upon completion of the Proposed SCR.

As at 30 December 2016, the issued and paid-up share capital of Bernas is RM470,401,500 comprising 470,401,500 ordinary shares of RM1.00 each ("**Bernas Shares**"). The Non-Entitled Shareholders collectively hold 460,707,665 Bernas Shares, representing approximately 97.94% of the issued and paid-up share capital of Bernas.

2. DETAILS OF THE PROPOSED SCR

- 2.1 The Proposed SCR involves Bernas undertaking a selective capital reduction and a corresponding capital repayment to the shareholders of Bernas (other than the Non-Entitled Shareholders) whose names appear in the record of depositors of the Company as at the close of business on a date to be determined ("**Entitled Shareholders**") and disclosed later by the Board of Directors of Bernas ("**Board**") ("**Entitlement Date**").

As at 30 December 2016, the Entitled Shareholders hold 9,693,835 Bernas Shares, representing approximately 2.06% of the issued and paid-up share capital of Bernas.

Pursuant to the Proposed SCR, the Entitled Shareholders will receive, in aggregate, a capital repayment of RM38,775,340 or equivalent to RM4.00 for each Bernas Share ("**SCR Offer Price**") held on the Entitlement Date.

In this respect, the Non-Entitled Shareholders will waive their entitlements to be repaid under the Proposed SCR.

OFFER LETTER (Cont'd)

- 2.2 The Proposed SCR will be effected via the following:
- (i) the reduction of the issued and paid-up share capital of Bernas from RM470,401,500 comprising 470,401,500 Bernas Shares to RM438,710,750 comprising 438,710,750 Bernas Shares by way of cancelling a total of 31,690,750 Bernas Shares comprising 9,693,835 Bernas Shares held by the Entitled Shareholders and 21,996,915 Bernas Shares held by the Non-Entitled Shareholders; and
 - (ii) the reduction of the entire share premium account of Bernas of RM7,084,590.

Upon successful completion of the Proposed SCR, all Bernas Shares held by the Entitled Shareholders and part of the Bernas Shares held by the Non-Entitled Shareholders will be cancelled. The Non-Entitled Shareholders will collectively hold 438,710,750 Bernas Shares, representing the remaining Bernas Shares not cancelled. The said Bernas Shares will amount to the entire issued and paid-up share capital of Bernas which will result in Bernas being entirely owned by the Non-Entitled Shareholders.

- 2.3 The SCR Offer Price was arrived at after taking into consideration, among others, the following:
- (i) offer price of RM3.70 per Bernas Share made pursuant to the unconditional take-over offer by us, together with Kelana Ventures Sdn Bhd, Seaport Terminal (Johore) Sdn Bhd and Acara Kreatif Sdn Bhd (collectively referred to as the "**Joint Offerors**") vide the offer document dated 25 February 2014 to acquire all the Bernas Shares not held by the Joint Offerors and TWM then, which closed on 1 April 2014 ("**Bernas Offer**");
 - (ii) Bernas Shares market price on 20 March 2014, being the last full day of trading prior to its suspension on 21 March 2014 and subsequent delisting from the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 18 April 2014 of RM3.69;
 - (iii) price-to-earnings ratio of approximately 31.75 times and 27.97 times based on the audited consolidated earnings per Bernas Share of 12.6 sen and 14.3 sen for the financial years ended 31 December 2014 and 31 December 2015 respectively; and
 - (iv) price-to-book ratio of approximately 1.44 times and 1.37 times based on the audited consolidated net assets per Bernas Share of RM2.78 and RM2.93 as at 31 December 2014 and 31 December 2015 respectively.

- 2.4 The shareholdings of the Non-Entitled Shareholders in Bernas based on the record of depositors of the Company as at 30 December 2016 are set out below:

	Direct		Indirect	
	No. of Bernas Shares	%	No. of Bernas Shares	%
PLSB	119,332,194	25.37	341,375,471 ⁽¹⁾	72.57
TWM	341,375,471	72.57	-	-

Note:

⁽¹⁾ Deemed interest by virtue of its interest in TWM pursuant to Section 6A of the Act.

OFFER LETTER (*Cont'd*)

- 2.5 We propose that the Proposed SCR be funded through the internal funds of Bernas and its subsidiaries ("**Bernas Group**") and/or financing facilities obtained by the Company from financial institutions.

3. RATIONALE FOR THE PROPOSED SCR

Subsequent to the completion of the Bernas Offer, Bernas was delisted and withdrawn from the Official List of Bursa Securities on 18 April 2014. Since then, there has been no liquidity for Bernas Shares.

In view of the above, PLSB, together with TWM, are offering the Entitled Shareholders:

- (i) an opportunity to exit the investment should they not wish to remain as shareholders of the Company and continue to hold unlisted Bernas Shares; and
- (ii) realise their investment in Bernas at a premium of approximately 8.11% to the offer price of RM3.70 per Bernas Share that was offered under the Bernas Offer,

upon successful completion of the Proposed SCR.

4. CONDITIONS TO THE PROPOSED SCR

- 4.1 The Proposed SCR is subject to and conditional upon the following being obtained:
- (i) notification from the Securities Commission Malaysia ("**SC**") that it has no further comments to the circular, explanatory statement and independent advice letter to be issued to the shareholders of Bernas;
 - (ii) approval from the Entitled Shareholders via a special resolution at an extraordinary general meeting to be convened ("**EGM**") which is required to be approved by at least a majority in number of the Entitled Shareholders and 75% in value of all Bernas Shares held by the Entitled Shareholders that are cast either in person or by proxy at the EGM, and the value of the votes cast against the Proposed SCR must not be more than 10% of the votes attaching to all Bernas Shares held by the Entitled Shareholders;
 - (iii) granting of an order from the High Court of Malaya approving the reduction of the issued and paid-up share capital and share premium account of Bernas pursuant to Sections 60(2) and 64 of the Act ("**Order**");
 - (iv) consent from relevant creditors / lenders of Bernas, if required; and
 - (v) consent from any other regulatory authorities and/or third parties, if required.
- 4.2 The Proposed SCR will become effective upon filing of an office copy of the Order with the Companies Commission of Malaysia pursuant to Section 64(6) of the Act.

5. OTHER MATTERS

In view that the Proposed SCR is at our request, we wish to confirm the following:

- (i) the nominated directors of PLSB and TWM in Bernas are deemed interested in the Proposed SCR ("**Interested Directors**"). As such, the Interested Directors will abstain from all deliberations and voting at the relevant Board meetings of Bernas in respect of the Proposed SCR, and together with

OFFER LETTER (Cont'd)

persons connected with them, if any, abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the resolution pertaining to the Proposed SCR to be tabled at the EGM; and

- (ii) the Non-Entitled Shareholders are interested in the Proposed SCR. As such, the Non-Entitled Shareholders, together with persons connected with them, if any, will abstain from voting in respect of their direct and/or indirect shareholdings, if any, in the Company on the resolution pertaining to the Proposed SCR to be tabled at the EGM.

We trust the above is sufficient for the Board's consideration and look forward to your favourable reply.

Yours faithfully
For and on behalf of
PERSPECTIVE LANE (M) SDN BHD

.....
Name : AZMAN HANAFI BIN ABDULLAH
Designation : Company Director

OFFER LETTER (Cont'd)

TO: PERSPECTIVE LANE (M) SDN BHD

PADIBERAS NASIONAL BERHAD ("BERNAS" OR "COMPANY")

**PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF
BERNAS UNDER SECTIONS 60(2) AND 64 OF THE COMPANIES ACT, 1965
("PROPOSED SCR")**

We, **Padiberas Nasional Berhad**, hereby agree to and accept the terms of your letter as set out above.

Yours faithfully
For and on behalf of
PADIBERAS NASIONAL BERHAD



.....
Name : DATUK SERI DR. ISMAIL BIN HJ. BAKAR
Designation : Company Director

1 2 JAN 2017

INFORMATION ON PLSB

1. HISTORY AND PRINCIPAL ACTIVITIES

PLSB was incorporated in Malaysia on 27 April 1995 under the Act 1965 as a private limited company. The principal activity of PLSB is investment holding.

2. SHARE CAPITAL

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

Ordinary shares	No. of PLSB shares	RM
Issued share capital	300,002	300,002

3. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of PLSB and their respective shareholding in PLSB as at the LPD are as follows:

Name	Country of incorporation/ Nationality	Direct		Indirect	
		No. of PLSB shares	%	No. of PLSB shares	%
Restu Jernih	Malaysia	300,002	100.00	-	-
TSSM	Malaysian	-	-	300,002	100.00 ⁽¹⁾

Note:

⁽¹⁾ Deemed interest by virtue of his interest in Restu Jernih pursuant to Section 8 of the Act 2016.

4. DIRECTORS

The Directors of PLSB and their respective shareholding in PLSB as at the LPD are as follows:

Name	Nationality	Direct		Indirect	
		No. of PLSB shares	%	No. of PLSB shares	%
TSSM	Malaysian	-	-	300,002	100.00 ⁽¹⁾
Tan Sri Dato' Sri Haji Mohd Khamil bin Jamil	Malaysian	-	-	-	-
Azman Hanafi bin Abdullah	Malaysian	-	-	-	-

Note:

⁽¹⁾ Deemed interest by virtue of his interest in Restu Jernih pursuant to Section 8 of the Act 2016.

INFORMATION ON PLSB (Cont'd)

5. SUBSIDIARIES AND ASSOCIATED COMPANY

The direct subsidiaries of PLSB as at the LPD are as follows:

Name of company	Place of incorporation	Direct equity interest	Principal activities
Direct subsidiaries of PLSB			
		(%)	
TWM	Malaysia	100.00	Provision of management services and investment holding
Tradewinds Corporation Berhad	Malaysia	100.00	Investment holding, provision of management services, commercial property investment and property development
Sindyan Properties Sdn Bhd <i>(formerly known as Oxbridge Development Sdn Bhd)</i>	Malaysia	100.00	Property development

Bernas is a subsidiary of PLSB which is held directly and indirectly via TWM. As at the LPD, PLSB does not have any associated company that it holds directly.

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INFORMATION ON PLSB (Cont'd)
6. PROFIT AND DIVIDEND RECORD

The profit and dividend record of PLSB based on its audited consolidated financial statements for the past 3 FYEs 31 December 2013 to 31 December 2015 are as follows:

	Audited		
	FYE 31 December		
	2013	2014	2015
	(RM'000)	(RM'000)	(RM'000)
Revenue	6,029,541	7,693,450	7,892,803
PBT	458,324	19,637	49,661
Taxation	(134,327)	(149,390)	(136,817)
PAT/(Loss after taxation)	323,997	(129,753)	(87,156)
Profit/(Loss) attributable to:			
- Equity holder of the company	286,064	(133,786)	(77,262)
- Non-controlling interest	37,933	4,033	(9,894)
	323,997	(129,753)	(87,156)
No. of PLSB shares in issue ('000)	300	300	300
Weighted average number of PLSB shares ('000)	300	300	300
Basic EPS/(Loss per PLSB share) (RM) ⁽¹⁾	953.55	(445.95)	(257.54)

Note:

⁽¹⁾ Based on weighted average number of PLSB shares.

There are no exceptional items in the audited consolidated financial statements of PLSB for the past 3 FYEs 31 December 2013 to 31 December 2015.

No dividend has been paid, declared or proposed by PLSB in the past 3 FYEs 31 December 2013 to 31 December 2015.

INFORMATION ON PLSB (Cont'd)

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of PLSB based on its audited consolidated statement of financial position as at 31 December 2014 and 31 December 2015 are as follows:

	2014	2015
	(RM'000)	(RM'000)
ASSETS		
Non-current assets		
Property, plant and equipment	3,715,599	3,932,610
Prepaid operating lease	7,483	6,567
Biological assets	1,591,312	1,639,912
Investment properties	613,980	706,166
Land held for property development	749,433	797,494
Interests in associated companies	428,057	441,712
Investment in joint ventures	32,039	32,681
Other investments	61,810	76,209
Intangible assets	649,141	601,881
Deferred tax assets	77,288	76,120
Trade and other receivables	605,235	420,000
Total non-current assets	8,531,377	8,731,352
Current assets		
Inventories	1,858,473	1,663,045
Trade and other receivables	1,498,723	1,978,734
Amount due from associated companies	26,578	98,208
Amount due from joint venture	1,237	19,105
Derivatives	15	13,425
Tax assets	52,966	82,765
Other investments	4,819	25,931
Deposits, cash and bank balances	855,241	792,133
Non-current assets held for sale	297,839	298,292
Total current assets	4,595,891	4,971,638
TOTAL ASSETS	13,127,268	13,702,990
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	300	300
Reserves	695,440	741,136
	695,740	741,436
Non-controlling interests	1,098,042	913,925
Total equity	1,793,782	1,655,361
LIABILITIES		
Non-current liabilities		
Borrowings	3,469,048	3,562,795
Retirement benefit obligations	96,932	104,562
Deferred tax liabilities	427,568	400,767
Trade and other payables	18,431	13,975
Total non-current liabilities	4,011,979	4,082,099

INFORMATION ON PLSB (Cont'd)

	<u>2014</u>	<u>2015</u>
	(RM'000)	(RM'000)
Current liabilities		
Trade and other payables	2,482,282	2,707,518
Amount due to holding company	444,268	699,268
Amount due to associated companies	4,352	4,431
Borrowings	4,335,751	4,482,283
Retirement benefit obligations	12,596	16,764
Derivative	1,237	2,303
Tax liabilities	41,021	52,963
	<u>7,321,507</u>	<u>7,965,530</u>
TOTAL LIABILITIES	<u>11,333,486</u>	<u>12,047,629</u>
TOTAL EQUITY AND LIABILITIES	<u>13,127,268</u>	<u>13,702,990</u>

8. MATERIAL CHANGES IN FINANCIAL POSITION

To the best knowledge of PLSB, as at the LPD, there is no material change in the financial position of PLSB subsequent to 31 December 2015, being the date of its latest audited consolidated financial statements.

9. ACCOUNTING POLICIES

The audited consolidated financial statements of PLSB for the FYEs 31 December 2013, 31 December 2014 and 31 December 2015 give a true and fair view of the financial information in accordance with the Financial Reporting Standards and the requirements of the Act 1965.

There is no change in the accounting policies which would result in a material variation to the comparable figures for the audited consolidated financial statements of PLSB for the FYEs 31 December 2013, 31 December 2014 and 31 December 2015.

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DISCLOSURE OF INTERESTS AND DEALINGS IN BERNAS SHARES

1. DISCLOSURE OF INTERESTS IN BERNAS SHARES

1.1 By the Non-Entitled Shareholders

Save as disclosed below, the Non-Entitled Shareholders do not have any interest, direct or indirect, in Bernas Shares as at the LPD:

Name	Direct		Indirect	
	No. of Bernas Shares	%	No. of Bernas Shares	%
TWM	341,375,471	72.57	-	-
PLSB	119,332,194	25.37	341,375,471 ⁽¹⁾	72.57

Note:

⁽¹⁾ Deemed interest by virtue of its interest in TWM pursuant to Section 8 of the Act 2016.

1.2 By the Directors of the Non-Entitled Shareholders

Save as disclosed below, none of the Directors of PLSB has any interest, direct or indirect, in Bernas Shares as at the LPD:

Name	Direct		Indirect	
	No. of Bernas Shares	%	No. of Bernas Shares	%
TSSM	-	-	460,707,665 ⁽¹⁾	97.94

Note:

⁽¹⁾ Deemed interest by virtue of his interests in Restu Jernih, PLSB and TWM pursuant to Section 8 of the Act 2016.

None of the Directors of TWM has any interest, direct or indirect, in Bernas Shares.

1.3 By persons who have irrevocably undertaken to vote in favour of the Proposed SCR

As at the LPD, the Non-Entitled Shareholders have not received any irrevocable undertaking from any Entitled Shareholder to vote in favour of the Proposed SCR at the forthcoming EGM.

1.4 By persons who have any arrangement with the Non-Entitled Shareholders

As at the LPD, the Non-Entitled Shareholders have not entered into any arrangement including any arrangement involving rights over shares, any indemnity arrangement and any agreement or understanding, formal or informal, of whatever nature, relating to Bernas Shares held by the Entitled Shareholders which may be an inducement to deal or to refrain from dealing with Bernas Shares held by the Entitled Shareholders.

1.5 Borrowing or lending of Bernas Shares held by the Entitled Shareholders

As at the LPD, the Non-Entitled Shareholders have not borrowed or lent any Bernas Shares held by the Entitled Shareholders from or to any Entitled Shareholders.

DISCLOSURE OF INTERESTS AND DEALINGS IN BERNAS SHARES (Cont'd)

2. DEALINGS IN BERNAS SHARES

The Non-Entitled Shareholders and their Directors have not dealt in Bernas Shares during the 6 months prior to the date of the Offer Letter and up to the LPD.

3. MATERIAL CHANGES IN THE FINANCIAL POSITION OR PROSPECTS OF BERNAS

To the best knowledge of the Non-Entitled Shareholders, as at the LPD, there has been no material change in the financial position or prospects of the Bernas Group since 31 December 2015, being the date of the last audited consolidated statement of financial position of Bernas laid before the Bernas' shareholders at its general meeting.

4. GENERAL DISCLOSURES

- (i) As at the LPD, there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of Bernas as compensation for loss of office or otherwise in connection with the Proposed SCR.
- (ii) As at the LPD, there is no agreement, arrangement or understanding between the Non-Entitled Shareholders and any of the existing directors or recent directors of Bernas (being such person who was, during the period of 6 months prior to the date of the Offer Letter, a director of Bernas), or any of the existing shareholders or recent shareholders of Bernas (being such person who was, during the period of 6 months prior to the date of the Offer Letter, a shareholder) having any connection with or dependence upon the Proposed SCR.
- (iii) As at the LPD, there is no agreement, arrangement or understanding where any Bernas Shares acquired pursuant to the Proposed SCR will be transferred to any other person(s).

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ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

This Document (save for the Explanatory Statement as set out in Part B of this Document) has been reviewed and approved by the Board of Bernas who jointly and severally accepts full responsibility for the accuracy of the information contained in this Document (save for the Explanatory Statement as set out in Part B of this Document). The Board of Bernas confirms that, after having made all reasonable inquiries, to the best of their knowledge, the opinions expressed in this Document (save for the Explanatory Statement as set out in Part B of this Document) have been arrived at after due and careful consideration and there are no other facts not contained in this Document (save for the Explanatory Statement as set out in Part B of this Document), the omission of which would make any statement herein misleading.

Information relating to the Non-Entitled Shareholders in this Document (save for the Explanatory Statement as set out in Part B of this Document) was obtained from publicly available information and/or provided by the management of the Non-Entitled Shareholders. The Board of Bernas accepts no further or other responsibility in respect of the accuracy of such information only to the extent that such information has been accurately reproduced in this Document (save for the Explanatory Statement as set out in Part B of this Document).

Maybank IB acknowledges that, based on all available information, this Document (save for the IAL as set out in Part C of this Document) constitutes a full and true disclosure of all material facts concerning the Proposed SCR.

2. CONSENTS AND CONFLICT OF INTEREST**2.1 Maybank IB**

Maybank IB, being the Principal Adviser to Bernas for the Proposed SCR, has given and has not subsequently withdrawn its written consent to the inclusion of its name in the form and context in which it appears in this Document.

Maybank IB and its related and associated business ("**Maybank Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, assets and funds management and credit transaction services businesses. The Maybank Group has engaged and may in the future, engage in transactions with and perform services for the Company and/or its affiliates, in addition to the roles set out in this Circular. In addition, in the ordinary course of business, any member of the Maybank Group may at any time offer or provide its services to or engage in any transaction (on its own account or otherwise) with any member of the Bernas Group, the shareholders, and/or its affiliates and/or any other entity or person, hold long or short positions in securities issued by the Company and/or its affiliates, and may trade or otherwise effect transactions for its own account or the account of its other customers in debt or equity securities or senior loans of any member of the Bernas Group and/or its affiliates. This is a result of the businesses of the Maybank Group generally acting independently of each other and accordingly, there may be situations where parts of the Maybank Group and/or its customers now have or in the future, may have interest or take actions that may conflict with the interest of the Bernas Group. Nonetheless, the Maybank Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

ADDITIONAL INFORMATION (Cont'd)

As at the LPD, the Maybank Group has extended credit facilities to the Bernas Group. Notwithstanding this, Maybank IB has confirmed that the aforesaid relationship would not give rise to a conflict of interest situation in its capacity as Principal Adviser to Bernas for the Proposed SCR as:

- (i) the extension of credit facilities arose in the ordinary course of business of the Maybank Group;
- (ii) the conduct of the Maybank Group in its banking business is strictly regulated by the Financial Services Act, 2013, Islamic Financial Services Act, 2013 and the Maybank Group's own internal controls and checks; and
- (iii) the total outstanding amount owed by the Bernas Group is not material when compared to the audited NA of the Maybank Group as at 31 December 2015 of RM61.7 billion.

Maybank IB has also been appointed as the Adviser to PLSB for the Proposed SCR. The Board of Bernas is fully informed of and is aware of the roles of Maybank IB as the Principal Adviser to Bernas and Adviser to PLSB for the Proposed SCR. Nevertheless, Bernas has appointed Mercury Securities as the Independent Adviser to advise the Non-Interested Directors and the Entitled Shareholders in relation to the Proposed SCR.

Save as disclosed above, Maybank IB confirms that as at the LPD, there is no other conflict of interest situation that exists or is likely to exist in its capacity as Principal Adviser to Bernas for the Proposed SCR.

2.2 Mercury Securities

Mercury Securities, being the Independent Adviser in relation to the Proposed SCR, has given and has not subsequently withdrawn its written consent to the inclusion of its name and its IAL and all references thereto, in the form and context in which they appear in this Document.

Mercury Securities confirms that as at the LPD, there is no conflict of interest situation that exists or is likely to exist in its capacity as Independent Adviser in relation to the Proposed SCR.

2.3 Raine & Horne

Raine & Horne, being the Valuer in relation to the Proposed SCR, has given and has not subsequently withdrawn its written consent to the inclusion of its name and its valuation certificate/report and all references thereto, in the form and context in which they appear in this Document.

Raine & Horne confirms that as at the LPD, there is no conflict of interest situation that exists or is likely to exist in its capacity as Valuer in relation to the Proposed SCR.

ADDITIONAL INFORMATION (Cont'd)

3. MATERIAL CONTRACTS

Save as disclosed below, the Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the past 2 years immediately preceding the LPD:

- (i) On 24 February 2016, Bernas entered into a sale and purchase agreement with QAF Limited ("**QAF**") for the purchase of 13,714,286 ordinary shares of RM1.00 each in Gardenia Bakeries (KL) Sdn Bhd ("**GBSB**") ("**Sale Shares**") from Gardenia International (S) Pte. Ltd. ("**GIPL**") whereby QAF has agreed to procure that GIPL sells to Bernas the Sale Shares, representing 20% of the entire issued and paid-up ordinary share capital of GBSB for a total purchase consideration of RM90 million ("**Purchase Price**"). The acquisition of the Sale Shares was completed on 6 April 2016 ("**Completion Date**"). The Purchase Price for the Sale Shares will be paid in 3 tranches. The 1st tranche of RM30 million was paid by Bernas on the Completion Date. The 2nd tranche of RM40 million was paid by Bernas on 18 October 2016 and the 3rd and final tranche of RM20 million is to be paid by Bernas within 1 year from the Completion Date;
- (ii) Upon completion of the acquisition of the Sale Shares by Bernas, Bernas and GIPL both owned 50% of issued and paid-up capital of GBSB. On 6 April 2016, Bernas entered into a shareholder agreement with QAF, the holding company of GIPL, to govern their respective rights as the shareholders of GBSB and to regulate the affairs and management of GBSB following the completion of the purchase of the Sale Shares. On 6 April 2016, Machind Realty Sdn Bhd ("**MRB**") , an indirect wholly-owned subsidiary of Bernas also entered into a sale and purchase agreement with GBSB for the disposal of a freehold land held under Geran 31295, Lot 3802 located in Mukim Klang, Daerah Klang, Negeri Selangor ("**Property**") to GBSB for a total purchase consideration of RM36 million. The disposal of the Property by MRB was completed on 28 September 2016; and
- (iii) On 6 May 2015, Jasmine Food Corporation Sdn Bhd, a subsidiary of Bernas entered into a sale and purchase agreement with Pelangi Warehousing Sdn Bhd ("**PWSB**") in relation to the purchase of a warehouse located on an industrial land in particular Geran 3122236, Lot 82073, Bandar Shah Alam, Daerah Klang, Negeri Selangor ("**Warehouse**") from PWSB for a purchase consideration of RM26.5 million. The acquisition of the Warehouse was completed on 25 August 2015.

4. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the Board of Bernas is not aware of any proceeding, pending or threatened against the Group, or of any fact likely to give rise to any proceeding which may materially or adversely affect the financial position or business of the Group:

4.1 Kuala Lumpur High Court (Civil Suit No. 22NCVC-559-10/2015), brought by Fantasy Ruby Sdn Bhd ("FRSB**" or "**Plaintiff**") against Bernas ("**Defendant**")**

By a writ of summons dated 19 October 2015, FRSB had commenced the above legal proceeding against Bernas for, amongst others, the general damages and costs for losses purportedly due to the unlawful termination by Bernas the contract for the importation of broken rice dated 20 April 2011 via its termination letter dated 20 November 2013. In addition, the Plaintiff has claimed for an order of specific performance for the Defendant to enter into a new agreement for 10 years. Bernas is contesting the claim.

ADDITIONAL INFORMATION (*Cont'd*)

The matter was fixed for trial on 9 and 11 August 2016. During the cross examination of the Plaintiff's witnesses, it was admitted that the Plaintiff did not pay for the custom duties for the importation of broken rice ("**said Issue**"), however the said Issue was objected by the Plaintiff's counsels as it was not pleaded in the Defendant's Statement of Defence. Similarly, the High Court Judge ruled that the Defendant could not raise the said Issue as it is not pleaded in the Statement of Defence.

On 7 September 2016, Bernas filed an application to amend its Statement of Defence ("**said Application**") which the High Court Judge dismissed the said Application. The Defendant had on 10 November 2016 filed an appeal to the Court of Appeal against the decision of the High Court on the dismissal of the said Application. The High Court vacated the hearing date fixed for 24 November 2016 and 25 November 2016 and fixed 8 December 2016 for hearing of Bernas' application for interim stay of proceeding pending the disposal of the appeal. On 8 December 2016, the case came up for hearing on Bernas' application for stay of proceeding pending appeal. FRSB agreed to Bernas' application and the parties recorded a consent judgment. The appeal fixed for hearing on 23 February 2017 was dismissed. The High Court has fixed 28 February 2017 as the next case management date, to fix a date for the trial.

The counsels acting for Bernas in the above suit are of the view that the Defendant has a fair chance of having the FRSB's claim dismissed.

4.2 **Kuala Lumpur High Court (Civil Suit No. 22NCVC-85-02/2014), brought by Bernas ("Plaintiff") against Kilang Beras Kubang Menerong Sdn Bhd ("Kubang Menerong" or "Defendant"), Maufuzah Binti Md Radzi ("Maufuzah") and Musonnef Bin Md Radzi ("Musonnef") (Maufuzah and Musonnef being the guarantors of Kubang Menerong are collectively referred to as the "Guarantors")**

By a writ of summons dated 25 February 2014, Bernas had commenced the above legal proceeding against Kubang Menerong and the Guarantors for, amongst others, the sum of RM6,453,418.74 ("**said Sum**") due to the previous paddy advances made by Bernas to Kubang Menerong.

On 1 April 2014, a judgment of default ("**JID**") was entered by the Plaintiff against the Defendant and the Guarantors for their non-appearance of the hearing for the said Sum, interest at the rate of 5% per annum on the said Sum from 31 March 2014 until the full settlement of the said Sum, together with the cost of RM2,144. The refusal to pay the judgment sum by the Defendant and the Guarantors has led the Plaintiff in enforcing the JID by commencing a winding up proceeding against the Defendant and the Guarantors ("**said Application**") where the said Application was filed in the Alor Setar High Court with petition no. 28-26-09/2014. On 22 January 2015, the counsels of Bernas were however instructed by Bernas to withdraw the said Application with a liberty to file afresh as the Plaintiff, the Defendant and the Guarantors were negotiating for a settlement of the case. Unfortunately, the Plaintiff and Defendant failed to reach a settlement which led to the commencement of the said winding up proceeding.

A second winding up petition was filed in Alor Setar High Court via Suit No. 28-24-08/2016 against the Defendant which the Defendant responded by filing a notice to oppose the second winding up petition ("**said Notice**") on the ground that there are 3 defendants in the JID, hence the recovered judgment sum by the Plaintiff should be divided into 3 with the Plaintiff entitling to enforce 1/3 of the JID against the Defendant. The said Notice was dismissed by the Alor Setar High Court on 5 January 2017 with the cost of RM1,000 to be paid by the Defendant to the Plaintiff. The hearing of the winding up petition fixed on 7 February 2017 was vacated and the Alor Setar High Court has fixed 14 March 2017 as the new hearing date. The counsels acting for Bernas are of the view that Bernas stands a good chance in obtaining the winding up order against Kubang Menerong as all cause papers are in order.

ADDITIONAL INFORMATION (Cont'd)

The bankruptcy proceeding against Musonnef was filed under Alor Setar High Court Bankruptcy No. 29-1042-07/2014. An application to set aside the bankruptcy notice and was filed by Musonnef. The Senior Assistant Registrar had on 23 June 2016 dismissed the application. Musonnef has filed an appeal to the Judge in Chambers which was fixed for decision on 19 January 2017. The Judge in Chambers dismissed Musonnef's appeal to set aside the bankruptcy petition filed against him and the Alor Setar High Court has fixed 28 February 2017 as the hearing date for the bankruptcy petition. The counsels acting for Bernas are of the view that Bernas stands a good chance of obtaining the winding up order against Musonnef as they believe that all cause papers are in order.

4.3 Kuala Lumpur High Court (Civil Suit No. 22NCC-331-04/2013), brought by Illustrasi Hikmat Sdn Bhd ("Plaintiff") against TSSM ("First Defendant"), TWM ("Second Defendant"), Bernas ("Third Defendant") and Budaya Generasi Sdn Bhd ("Fourth Defendant") (the First, Second, Third and Fourth Defendant are collectively referred to as the "Defendants")

By a writ of summons dated 8 April 2013, the Plaintiff commenced the above legal proceeding against the Defendants for a breach of representations vide the mandatory general offer of 2009 and 2013 ("**MGO 2009**" and "**MGO 2013**", respectively) with respect to Bernas by the First Defendant. The Plaintiff alleged that the First Defendant had breached such representations vide the MGO 2009 issued by the Second Defendant and by the Joint Offerors vide the MGO 2013. The Plaintiff is now seeking a declaration that such representations were made and that they were breached by the First Defendant.

Additionally, the Plaintiff further alleged that the entry of the Novation Agreement (as defined herein) by the Government of Malaysia ("**Government**"), the Fourth Defendant and the Second Defendant dated 30 December 2009 ("**Novation Agreement**") on the novation of all rights, liabilities, benefits, interests, duties and obligations of the Fourth Defendant under a Privatisation Agreement dated 18 January 1996 was done in breach of Section 131 and 131A of the Act 1965 and is now seeking a declaration that the Novation Agreement is null and void. The Privatisation Agreement was entered between the Government and the Fourth Defendant in connection to the privatisation of "The Lembaga Padi Dan Beras Negara".

On 28 November 2013, the Plaintiff's suit was struck out pursuant to an application by the First, Second and Third Defendant made under Order 18 Rule 19(1)(b) and (c) of the Rules of Court 2012. An appeal was lodged by the Plaintiff on 13 December 2013 against the said decision. The Plaintiff's appeal was allowed by the Court of Appeal on 30 April 2014, whereby the Plaintiff's claim was reinstated to be disposed of at a full trial. The Third Defendant filed an application for leave to appeal to the Federal Court which was subsequently dismissed on 18 January 2016. As a result of the said dismissal, the suit reverts to the High Court for a full trial. An application to amend the statement of claim was filed by the Plaintiff. However, it was objected to by the Defendants but allowed by the High Court, which the Defendants appealed against that said decision. The next case management before the High Court was fixed on 10 February 2017 and the appeal to the Court of Appeal was fixed for hearing on 18 April 2017. Subsequently, the High Court has fixed another case management date on 21 April 2017 for the purposes of recording the outcome of the appeal.

The Third Defendant's counsels are of the opinion that the legal proceeding instituted by the Plaintiff was frivolous and vexatious action, as all steps taken by the Third Defendant were in accordance with the law.

ADDITIONAL INFORMATION (Cont'd)

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of Bernas at Level 3, Menara HLA, No. 3 Jalan Kia Peng, 50450 Kuala Lumpur during normal business hours from Mondays to Fridays (except public holidays) from the date of this Document up to and including the date of the forthcoming EGM:

- (i) Memorandum and Articles of Association of Bernas;
- (ii) Offer Letter;
- (iii) audited consolidated financial statements of Bernas for the past 3 FYEs 31 December 2013 to 2015 as well as the latest unaudited consolidated financial statements for the FPE 30 September 2016;
- (iv) valuation certificate referred to in Section 5, Part C of this Document;
- (v) letters of consent referred to in Section 2 of this Appendix;
- (vi) material contracts referred to in Section 3 of this Appendix; and
- (vii) relevant cause papers in respect of the material litigation referred to in Section 4 of this Appendix.



BERNAS

PADIBERAS NASIONAL BERHAD

(Company No. 295514-U)

(Incorporated in Malaysia under the Companies Act, 1965)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (“EGM”) of Padiberas Nasional Berhad (“Bernas” or “Company”) will be held at Grand BlueWave Hotel Shah Alam, Rebana Hall, Level 1, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 24 March 2017 at 10.00 a.m. or any adjournment thereof for the purpose of considering and if thought fit, passing the following resolution with or without modifications:

SPECIAL RESOLUTION

PROPOSED SELECTIVE CAPITAL REDUCTION AND REPAYMENT EXERCISE OF BERNAS (“PROPOSED SCR”)

“THAT, subject to the confirmation by the High Court of Malaya pursuant to Section 116 of the Companies Act, 2016 (“Act 2016”), as amended from time to time and any re-enactment thereof, and requisite approvals/consent being obtained from the relevant authorities and other parties (where required), approval be and is hereby given for the Company to undertake and effect the Proposed SCR pursuant to Section 116 of the Act 2016 via the reduction of the share capital of Bernas from RM477,486,090 comprising 470,401,500 ordinary shares of the Company (“Bernas Shares”) to RM438,710,750 comprising 438,710,750 Bernas Shares by way of cancelling a total of 31,690,750 Bernas Shares comprising:

- (i) 9,693,835 Bernas Shares held by the shareholders of the Company other than the Non-Entitled Shareholders (as defined below) (“Entitled Shareholders”); and
- (ii) 21,996,915 Bernas Shares held by Perspective Lane (M) Sdn Bhd (“PLSB”) and Tradewinds (M) Berhad (“TWM”) (“Non-Entitled Shareholders”);

which is in accordance with the Offer Letter dated 5 January 2017 from PLSB together with TWM, requesting the Company to undertake the Proposed SCR. In conjunction therewith, the Non-Entitled Shareholders will waive their entitlements to be repaid under the Proposed SCR;

And forthwith after the said reductions, the entire credit arising from the said reductions shall be applied by the Company towards a cash capital repayment to the Entitled Shareholders at the entitlement date to be determined by the Board of Directors of the Company (“Board”) and announced later (“Entitlement Date”) on which the names of the Entitled Shareholders must be registered in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed SCR, the payment of a cash sum of RM4.00 per Bernas Share held by the Entitled Shareholders as at the Entitlement Date;

THAT, approval and authority be and are given to the Directors of the Company, with full power to take all such steps and exercise all such discretion as they may deem necessary:

- (i) to determine the Entitlement Date;
- (ii) to assent to any condition, stipulation, modification, variation, amendment or requirement imposed or permitted by any relevant regulatory authority and/or by the High Court of Malaya; and
- (iii) to lodge an office copy of the order of the High Court of Malaya referred to in this resolution with the Companies Commission of Malaysia on such date as the Directors may determine in their sole discretion (subject to the terms of the said order of the High Court of Malaya);

AND FURTHER THAT the Board be and is hereby authorised to take such steps, execute such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as it may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and/or give effect to the Proposed SCR as may be deemed by the Board to be necessary, appropriate, expedient and/or incidental in the best interest of the Company to give full effect to the Proposed SCR.”

BY ORDER OF THE BOARD

SITI SARINA BINTI MD IDRIS (LS0008347)

Company Secretary

Kuala Lumpur

2 March 2017

Notes:

1. *Members whose names appear in the Record of Depositors as at 20 March 2017 shall be entitled to attend this EGM or appoint a proxy to attend/vote on their behalf.*
2. *The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.*
3. *The instrument appointing a proxy must be deposited at the office of Share Registrar, Shareworks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than 48 hours before the time set for holding this meeting.*



BERNAS
 PADIBERAS NASIONAL BERHAD
 (Company No. 295514-U)

(Incorporated in Malaysia under the Companies Act, 1965)

FORM OF PROXY

CDS Account No.	
Number of shares held	

I/We* _____ (Full Name in Block Letters)

NRIC no./Passport no./Company no.* _____

of _____ (Address)

being a member/members of **PADIBERAS NASIONAL BERHAD** (“COMPANY”), hereby appoint

Mr/Ms* _____

NRIC no./Passport no.* _____

of (Address) _____

Mr/Ms* _____

NRIC no./Passport no.* _____

of (Address) _____

or failing *him/*her/*them, the Chairman of the Extraordinary General Meeting (“EGM”) as *my/our *proxy/proxies to attend and vote for *me/us on *my/our behalf, at the EGM of the Company to be held at Grand BlueWave Hotel Shah Alam, Rebana Hall, Level 1, Persiaran Perbandaran, Seksyen 14, 40000 Shah Alam, Selangor Darul Ehsan on Friday, 24 March 2017 at 10.00 a.m. and any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the special resolution to be proposed at the meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, *my/our *proxy/proxies may vote or abstain from voting at his/her discretion.

* Delete if not applicable

	For#	Against#
SPECIAL RESOLUTION – PROPOSED SCR		

Please indicate your vote “For” or “Against” with an “X” within the box provided.

Signed thisday of....., 2017

 Signature/Common Seal of Shareholder(s)

Notes:

- Members whose names appear in the Record of Depositors as at 20 March 2017 shall be entitled to attend this EGM or appoint a proxy to attend/vote on their behalf.
- The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly appointed under a power of attorney or if such appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly appointed under a power of attorney.
- The instrument appointing a proxy must be deposited at the office of Share Registrar, Shareworks Sdn Bhd at No. 2-1, Jalan Sri Hartamas 8, Sri Hartamas, 50480 Kuala Lumpur not less than 48 hours before the time set for holding this meeting.



Fold this flap for sealing

Then fold here

AFFIX
STAMP

PADIBERAS NASIONAL BERHAD

C/O SHARE REGISTRAR
SHAREWORKS SDN BHD
NO. 2-1, JALAN SRI HARTAMAS 8,
SRI HARTAMAS
50480 KUALA LUMPUR

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