



**Terms of Reference for the Proposed
Investment into
SaiKris Dairies (Gua Tempurung) Sdn Bhd**

**SAIKRIS COMMUNITY DEVELOPMENT
COOPERATIVE**

Terms of Reference for the Joint Venture Investment into SaiKris TechDairies Sdn Bhd

1.0 Introduction

This Terms of Reference (TOR) is prepared to be presented to the members during the First Annual General Meeting for approval.

Upon approval, this TOR will be submitted together with all relevant documents to the Suruhanjaya Koperasi Malaysia for approval.

This TOR is specifically for the Joint Venture Investment of Koperasi Pembangunan Masyarakat SaiKris (KopSK) into SaiKris TechDairies Sdn Bhd's dairy farm project.

2.0 The Project Summary

2.1 Project Background

SaiKris TechDairies Sdn Bhd (SKTD) has embarked on a First in Asia, fully robotics dairy farm in Gua Tempurung, Perak. This is being done via SKTD's 100% subsidiary company, SaiKris Dairies (Gua Tempurung) Sdn Bhd (SKGT).

The project capital expenditure is RM62.4 million and has prior to the start of the project, SKTD via its related company, has spent more than RM5.0 million on the feasibility study of the project.

SKTD has secured a 30-year lease from the Perak State government's agriculture development corporation. SKGT has also secured world renowned technical partners/suppliers for the project such as DAX listed GEA of Germany.

SKGT has completed all technical drawings for the project buildings and has secured the relevant quotes for all equipment and animals.

More importantly, SKGT has secured a Multinational Company as an off-taker of all the milk produced at the farm. The offtake is potentially worth over RM200 million over 10 years.

SKGT started the land clearing in 2022 and the project is on-going with the construction of the first barn to commence in November 2022.

The entire project is scheduled to be completed by the last quarter of 2023 with 1000 milking cows.

2.2 Project Delivery Timeline

Full details of the project for the members can be found in our KopSK's website.

Year 0	Feb-22 to Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23
	Land Preparation	Start of Construction (Phase 1)			End of Construction (Phase 1)										
		Deposit Payment for 250 Livestock		Partial Payment for 250 Livestock		Balance Payment for 250 Livestock	Arrival of 250 Cows						Milking Revenue starts (Phase 1)		
	Deposit Payment for 4 robots to GEA				Balance Payment for 4 robots to GEA		Arrival of 4 Robots								
		Deposit payment to all other suppliers		Balance payment to all other suppliers		Arrival of Other Machinery									
		Submission for Bank Loan for Phase 2			Approval of Bank Loan for Phase 2		Release of Bank Loan for Phase 2								
		Start of Phase 2 Construction (30%)			End of Phase 2 Construction (70%)			Start of Phase 2 Construction			End of Phase 2 Construction				
		Deposit Payment for 750 Livestock		Partial Payment for 750 Livestock		Balance Payment for 750 Livestock	Arrival of 750 Cows (Phase 2)	Deposit Payment for 750 Livestock			Partial Payment for 750 Livestock		Milking Revenue starts (Phase 2)	Balance Payment for 750 Livestock	
		Deposit Payment for 12 robots to GEA			Balance Payment for 12 robots to GEA		Arrival of 12 Robots	Deposit Payment for 12 robots to GEA			Balance Payment for 12 robots to GEA	Arrival of 12 Robots			
		Deposit payment to all other suppliers		Balance payment to all other suppliers		Arrival of Other Machinery		Deposit payment to all other suppliers			Balance payment to all other suppliers	Arrival of Other Machinery			
Year 1	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25
	Arrival of 750 Cows (Phase 2)				Milking Revenue starts (Phase 2)										
PHASE 1	PHASE 2 - SOLELY BANK LOAN	PHASE 2 - SHAREHOLDERS ADVANCE													

3.0 Investment Terms

This investment is a strategic investment to joint venture with SKTD to open up to 10 farms around Malaysia. These farms will be the upstream suppliers to the downstream multinational companies.

3.1 Shareholding

It is recommended that KopSK purchases up to 15% of SKTD for a consideration of RM30.0 million.

However, it is recommended that the shareholding be prorated according to the investment amount as below:

Investment Amount	RM30,000,000	RM20,000,000	RM10,000,000	RM5,000,000
Shareholding in SKTD (%)	15%	10%	5%	2.5%

This is in line with the desire and aspirations of the owners of SKTD for the entire Malaysian community to benefit from the project financially and also to inculcate the sense of ownership in such a huge project.

3.2 Buy Back Guarantee

It is recommended that KopSK gets a Buy Back Guarantee from the major shareholder of SKTD, to purchase partially or entirely the shares of KopSK at the original price any time after 2 years of the investment. For avoidance of doubt, after 2 years means after Financial Year Ending 2024.

This is to ensure that KopSK can exit the project if it not satisfied with any matter, without suffering any financial loss.

3.3 Dividend Payment

As per the projections, payment of dividend will only start from the end of financial year 2024.

3.4 Dividend Top-up Guarantee

It is recommended that KopSK gets the major shareholder of SKTD to guarantee that it will top up the amount needed to give the KopSK members a minimum dividend of 8% per annum for 10 years.

This amount will be as per KopSK's Projected Annual Budget as presented during the Commencement General Meeting.

This will ensure KopSK is able to meet its promise to its members.

The Projected Annual Budget can be found in KopSK's website.

3.5 Board Representation

It is recommended that KopSK be represented on the Board of SKTD by a nominee of KopSK.

3.6 Internal Audit Representation

It is recommended that 3 nominees of KopSK's Board Members sit on SKTD's Internal Audit Committee. The Internal Audit committee of SKTD **must** meet once a month to review the project progress to report back to KopSK Board.

3.7 Release of Funds for Joint Venture Investment

It is recommended that in order to secure KopSK's shareholding in SKTD, the funds shall be released to SKTD whenever the share capital reaches a minimum of RM50,000 (Ringgit: Fifty Thousand Only).

3.8 Members Share Investment

- (1) Each member must subscribe and pay at least RM 2,000 (Ringgit: Two Thousand Only) which is 1 share as a minimum contribution which must be paid within the period specified in accordance with Clause 59(1) By-law.
 - (a) The maximum share subscription for any individual member is RM500,000 (Ringgit: Five Hundred Thousand Only) which is 250 shares.
 - (b) Subscription by other Cooperatives is subject to a minimum amount of RM100,000 (Ringgit: One Hundred Thousand Only) which is 50 shares and a maximum amount of RM4.0 million (Ringgit: Four Million Only) which is 2000 shares.
- (2) The time frame to settle the share subscriptions according to Clause 59(2) is as follows:
 - (a) The individual who participated in the membership application of this Cooperative or who has signed the minutes of the initial general meeting of the Cooperative, must settle his subscription within 3 months from the date of their membership application is accepted by the Cooperative; and
 - (b) The person who is accepted as a member according to By-law 15 must settle his shares subscription within 14 days from the date of their membership acceptance.
- (3) The shares cannot be redeemed except after the member terminated their membership.
- (4) Each additional share subscription must be in multiples of RM2,000 (Two Thousand Ringgit) up to the maximum level as per 3.7(1).

3.9 Share Transfer

- (1) A member may transfer their shares according to Clause (1) of By-law 60 to another member.
- (2) The transfer of the shares will only take effect after the transfer form is signed by the other member and registered by the Cooperative, according to rule 26 of the Regulation.
- (3) The shares of a deceased member can be transferred to a nominee according to Clause (2) of By-law 18.
- (4) Transfer shares must be made within six months after the death of the member.

4.0 Settlement of Shares Investment

- (1) If the transfer of the shares of a member whose membership has ended for any reason whatsoever cannot be made in accordance with 3.7 above, then the shares described in the TOR may be redeemed subject to Clause 3.8(2).
- (2) Shares may be redeemed from the *Kumpulan Wang Penebusan Syer* and the *Kumpulan Wang Rizab Statutori* subject to the Regulations. The redemption value of these shares must be as shown in the last audited accounts of the Cooperative but cannot exceed the original value.
- (3) Subject to By-law 66(4), the Cooperative may use the *Kumpulan Wang Rizab Statutori* to pay for shares redeemed by members subject to the following conditions:
 - (a) The cooperative shall establish and transfer at least five percent of the current year's net profit every year to the *Kumpulan Wang Penebusan Syer*. If the *Kumpulan Wang Penebusan Syer* has reached fifty percent of the total share capital of members, then the transfer to the *Kumpulan Wang Penebusan Syer* is voluntary. If the *Kumpulan Wang Rizab Statutori* exceeds one hundred percent of the total share capital at any time, then this condition does not apply;
 - (b) The Cooperative must first use the *Kumpulan Wang Penebusan Syer* Fund to repay members' shares redemption;
 - (c) At least fifteen percent of the *Kumpulan Wang Rizab Statutori* shall be represented by safe and secure liquid or readily liquid assets; and
 - (d) The Cooperative must write off its accumulated losses first.
- (4) Shares redeemed pursuant to Clause (2) may be reissued as new shares.

4.1 **Guarantee from Share Vendor**

The Share Vendor to guarantee the return of all monies released as per the Share Sale Agreement if KopSK decides to terminate the joint venture within 2 years of the Share Sale Agreement.
