



HEXTAR INDUSTRIES BERHAD
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WAREHOUSE & OPERATION
Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras
Jaya, 43200 Cheras, Selangor Darul Ehsan, Malaysia.

24 January 2025

Minority Shareholders Watch Group

Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Dear Sir/Madam,

Hextar Industries Berhad (“HIB” OR THE COMPANY”)

Extraordinary General Meeting (“EGM”) of HIB to be held on Friday, 24 January 2025

1. “Based on the latest audited financial statements of HIB for the FYE 31 December 2023, HIB Group is expected to realise a pro forma gain (after taking into consideration the impact from the Proposed Properties Tenancies) of approximately RM0.47 million in relation to the Proposed Disposals.” (Page 4 of the Circular)
 - (a) What were the acquisition costs for Cheras Property and Pasir Gudang Property, respectively?
 - (b) How does a pro forma gain of only RM0.47 million from the Proposed Disposals align with the shareholder’s long-term interests and value maximization objectives?

Answer:

- (a) The Cheras and Pasir Gudang properties were initially acquired at RM15.71 million and RM6.94 million respectively. Subsequently, these two (2) properties were respectively revalued to the carrying value of RM21.01 million and RM17.11 million. Therefore, the pro forma gain appeared to be relatively low at RM0.47 million.
- (b) The Board is aware of the general performance of the property industry in Malaysia. There is no guarantee that HIB will be able to source for a buyer in the future and dispose the properties at the higher value. In view of the proposed selling price are currently above the market value appraised by the independent valuer, the Company would like to realise and monetise the properties’ value to fund the working capital requirement of the Company.



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2. It is expected to have interest and cost savings arising from the Proposed Disposals of RM4.65 million. (Page 19 of the Circular)

The cost savings from depreciation of the Properties are non-cash items whereas the payment of rentals to the Purchaser will reduce the cash available to the Company.

- (a) What is the impact on the cash flow of the Company assuming the Proposed Disposals and the Proposed Properties Tenancies were completed as at FYE 31 December 2023?
- (b) How do the long-term costs of leasing compare to ownership, particularly in terms of financial burden and operational flexibility?

Answer:

- (a) The Company cash and bank balance is estimated to improved by RM45.2 million with the net proceed from the disposal. The rental for Cheras and Pasir Gudang properties are tax deductible expenses, annually amounting to RM1.48 million and RM1.76 million respectively. Whereas, the proposed rental for the Bintulu property of RM2.11 million (yearly), slightly lower than the existing rental of RM2.27 million.
- (b) Generally, the long-term cost of leasing is lower than owned the properties principally due the rental are deductible expense for the taxation. Real estate is a non-core asset of the Company. Therefore, selling the properties allow the Company reduce the financial burden and reinvested into business operation that drive the core business growth. There is no major change in the operation from converting the properties' ownership to leasing arrangement.
3. "The Group will be able to utilise the Disposal Consideration of RM45.90 million in the manner set out in Section 2.1.5 of this Circular, which is expected to allow the Group to ease funding requirements from its existing business operations including working capital." (Page 14 of the Circular)

The Group had RM109.63 million and RM107.75 million cash and bank balances as at 31 December 2023 and 30 September 2024 respectively.

In view of the substantial cash held by the Group, why is there a need to allocate RM45.20 million from the Disposal Consideration for working capital, especially given that the Group has yet to identify any suitable and viable investment opportunities?



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Answer:

Real estate is a non-core asset of the Company. The Board wants to adopt an asset-light strategy and conserved the cash for suitable and viable investment opportunities, if any.

4. What criteria was used to identify and evaluate prospective purchasers of the Properties? Was there a competitive bidding process employed to ensure that the highest value is realised for the Properties?

Answer:

The rationale of the transaction is to monetarise the properties value to achieve the asset light strategy. The Company intent to continue occupying to properties through leasing after the disposals. To prevent potential business disruption, a reliable landlord is more important than the purchaser who can offer the highest value from the bidding process.

Having said that, the total disposal consideration of RM45.9 million is higher than the total market value (RM42.2 million) appraised by the independent valuer by 9%.

Yours faithfully
Hextar Industries Berhad

- SIGNED -

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Ang Sui Aik, Benny
Group Managing Director