

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

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

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**HEXTAR INDUSTRIES BERHAD**  
(Registration No. 201101044580 (972700-P))  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

**PART A**

- (I) PROPOSED DISPOSALS (AS DEFINED HEREIN);**
  - (II) PROPOSED PROPERTIES TENANCIES (AS DEFINED HEREIN); AND**
  - (III) PROPOSED BINTULU TENANCY (AS DEFINED HEREIN)**
- (COLLECTIVELY REFERRED TO AS THE “PROPOSALS”)**

**PART B**

**INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF HEXSTAR INDUSTRIES BERHAD IN RELATION TO THE PROPOSALS**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Principal Adviser**



**MIDF AMANAH INVESTMENT BANK BERHAD**  
(Registration No. 197501002077 (23878-X))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**Independent Adviser**

**MainStreet**

**MAINSTREET ADVISERS SDN BHD**  
(Registration No. 200701032292 (790320-P))

The Notice of Extraordinary General Meeting (“**EGM**”) together with the Proxy Form are enclosed with this Circular. Details of the Company’s EGM which is to be conducted on a virtual basis by way of live streaming and online remote voting through the Remote Participation and Voting (“**RPV**”) facilities via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (Domain Registration No. MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia from the Broadcast Venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor (“**Broadcast Venue**”) are as set out below:

Date and time of the EGM : Friday, 24 January 2025 at 10.00 a.m.  
Last date and time for lodging the Proxy Form : Wednesday, 22 January 2025 at 10.00 a.m.

If you decide to appoint proxy(ies) or corporate representative(s) or attorney(s) to attend, participate, speak and vote on your behalf at the EGM, you are requested to complete, sign and return the Proxy Form in accordance with the instructions contained therein as soon as possible and in the event so as to arrive at the office of the Company’s Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or by electronic lodgement via TIIH Online at <https://tiih.online> on or before the time and the date indicated above should you be unable to attend the EGM. The lodging of the Proxy Form will not preclude you from attending and voting remotely at the EGM should you subsequently wish to do so.

This Circular is dated 20 December 2024

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## DEFINITIONS

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In this Circular and the accompanying appendices, the following words and abbreviations shall have the following meaning unless otherwise stated:

Act	:	Companies Act 2016
Bintulu Property	:	A parcel of land together with the buildings erected thereon held under title no. Lot 3122 Block 26, Kemena Land District, TRN 09-Icls-032-026-03122, Locality of Jalan Kidurong, Division of Bintulu, State of Sarawak
Bintulu Rental Rates	:	The rental rates for the rentback of the Bintulu Property, details of which are set out in Section 2.3, Part A of this Circular
Bintulu Tenancy Agreement	:	Tenancy agreement signed in-escrow between Pacific Trustees and HSSB in relation to the rental of the Bintulu Property, which will commence upon completion of the Proposed Bintulu Disposal
Board	:	Board of Directors of HIB
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
Cheras Property	:	A parcel of land together with the buildings erected thereon held under Title No. HSM 13156, PT 23677, located in the Mukim of Cheras, District of Ulu Langat, State of Selangor
Circular	:	Circular to the Shareholders dated 20 December 2024 in relation to the Proposals
Director(s)	:	The director(s) of HIB or its subsidiaries (as the case may be) and shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director or a chief executive of HIB, or its subsidiaries or holding company
Disposal Consideration	:	Cash consideration of RM45.90 million for the Proposed Disposals
EGM	:	Extraordinary general meeting
EPS	:	Earnings per share
FYE	:	Financial year ended/ending, as the case may be
FPE	:	Financial period ended/ending, as the case may be
Hextar Holdings	:	Hextar Holdings Sdn Bhd (Registration No. 200601002945 (722692-V))
HIB or Company	:	Hextar Industries Berhad (Registration No. 201101044580 (972700-P))
HIB Group or Group	:	Hextar Industries Berhad and its subsidiaries
HIB Share(s) or Share(s)	:	Ordinary share(s) in HIB
HSSB	:	Hextar Solutions Sdn Bhd (Registration No. 199501022522 (351725-K)), an indirect wholly-owned subsidiary of HIB
IAL	:	The independent advice letter dated 20 December 2024 from the Independent Adviser to the non-interested shareholders of HIB in relation to the Proposals, as set out in Part B of this Circular
Interested Director	:	Ong Tzu Chuen

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**DEFINITIONS (CONT'D)**

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Interested Shareholders	Major	:	Collectively, Dato' Ong Choo Meng, Dato' Ong Soon Ho and Hextar Holdings
Interested Parties		:	Collectively, Dato' Ong Choo Meng, Dato' Ong Soon Ho, Hextar Holdings and Ong Tzu Chuen
JLW		:	Jones Lang Wootton (Proprietor: Singham Sulaiman Sdn Bhd (Registration No.198101012087 (78217-X)), an independent valuer appointed to conduct an independent valuation on the Properties
KIP REIT		:	KIP Real Estate Investment Trust
LaurelCap		:	Laurelcap Sdn Bhd (Registration No. 200801005326 (806610-U)), an independent valuer appointed to conduct an independent valuation on the Bintulu Property
Listing Requirements		:	Main Market Listing Requirements of Bursa Securities
LPD		:	3 December 2024, being the latest practicable date prior to the printing of this Circular
MainStreet Independent Adviser	or	:	MainStreet Advisers Sdn Bhd (Registration No. 200701032292 (790320-P))
MIDF Investment or the Principal Adviser		:	MIDF Amanah Investment Bank Berhad (Registration No. 197501002077 (23878-X))
NA		:	Net assets
Pacific Trustees or the Purchaser		:	Pacific Trustees Berhad (Registration No. 199401031319 (317001-A)), being the trustee of KIP REIT
Pasir Gudang Property		:	Remaining unexpired period of a lease created over a parcel of land together with the buildings erected thereon held under Title No. GRN 489953, Lot No. 66247, located in the Mukim of Plentong, District of Johor Bahru, State of Johor
PKF		:	PK Fertilizers Sdn Bhd (Registration No. 199601017167 (389518-W)), an indirect wholly-owned subsidiary of HIB
Properties		:	Collectively, the Cheras Property and Pasir Gudang Property
Properties Rental Rates		:	The rental rates for the rentback of the Properties, details of which are set out in Section 2.2, Part A of this Circular
Properties Agreement(s)	Tenancy	:	Tenancy agreement(s) signed in-escrow between Pacific Trustees and SCH and/or PKF in relation to the Proposed Properties Tenancies, which will commence upon completion of the Proposed Disposals
Proposals		:	Collectively, the Proposed Disposals, Proposed Properties Tenancies and Proposed Bintulu Tenancy
Proposed Disposal	Bintulu	:	Proposed disposal of the Bintulu Property by Teju Logistics to Pacific Trustees
Proposed Tenancy	Bintulu	:	Proposed tenancy by HSSB with Pacific Trustees for the tenancy of Bintulu Property
Proposed Disposal I		:	Proposed disposal by SCH of the Cheras Property to Pacific Trustees for a cash consideration of RM22.60 million

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**DEFINITIONS (CONT'D)**

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Proposed Disposal II	:	Proposed disposal by PKF of the Pasir Gudang Property to Pacific Trustees for a cash consideration of RM23.30 million
Proposed Disposals	:	Collectively, the Proposed Disposal I and Proposed Disposal II
Proposed Properties Tenancies	:	Collectively, the Proposed Tenancy I and Proposed Tenancy II
Proposed Tenancy I	:	Proposed creation of tenancy of Cheras Property by SCH from Pacific Trustees
Proposed Tenancy II	:	Proposed creation of tenancy of Pasir Gudang Property by PKF from Pacific Trustees
RM and sen	:	Ringgit Malaysia and sen, respectively
SCH	:	Sin Chee Heng Sdn Bhd (Registration No. 198301011112 (106431-A)), a wholly-owned subsidiary of HIB
SPA(s)	:	Conditional sale and purchase agreements dated 29 August 2024 entered into between the Vendors and the Purchaser in relation to the Proposed Disposals
sq.ft	:	Square feet
Teju Logistics	:	Teju Logistics Sdn Bhd (Registration No. 200701042749 (800782-M))
Vendors or Tenants	:	Collectively, SCH and PKF

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**DEFINITIONS (CONT'D)**

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All references to “you” in this Circular are to the shareholders of the Company.

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. Any references to persons shall include corporations, unless otherwise specified.

Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated.

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

Any discrepancy in the figures included in this Circular between the amounts stated and the totals thereof are due to rounding.

This Circular includes forward-looking statements. All statements other than statements of historical facts in this Circular including, without limitation, those regarding the Company’s financial position, business strategies, plans and objectives of the Company for future operations, are forward-looking statements. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Group’s plans and objectives will materialise, be fulfilled or be achieved.

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**TABLE OF CONTENTS**

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	<b>PAGE</b>
<b>EXECUTIVE SUMMARY</b>	<b>vi</b>
<b>PART A</b>	
<b>LETTER TO THE SHAREHOLDERS OF HIB IN RELATION TO THE PROPOSALS:</b>	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSALS	2
3. RATIONALE AND BENEFITS FOR THE PROPOSALS	13
4. RISK FACTORS FOR THE PROPOSALS	14
5. INDUSTRY OVERVIEW AND OUTLOOK	15
6. EFFECTS OF THE PROPOSALS	18
7. APPROVALS REQUIRED AND CONDITIONALITY	20
8. HIGHEST PERCENTAGE RATIO	20
9. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM	21
10. TRANSACTIONS WITH THE INTERESTED PARTIES IN THE PAST 12 MONTHS	22
11. DIRECTORS' STATEMENT AND RECOMMENDATION	23
12. AUDIT COMMITTEE' STATEMENT	23
13. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION	23
14. ESTIMATED TIMEFRAME FOR COMPLETION	23
15. INDEPENDENT ADVISER	24
16. EGM	24
17. FURTHER INFORMATION	25
<b>PART B</b>	
<b>IAL FROM MAINSTREET TO THE NON-INTERESTED SHAREHOLDERS OF HIB IN RELATION TO THE PROPOSALS</b>	<b>26</b>
<b>APPENDICES</b>	
I FURTHER INFORMATION	107
II INFORMATION ON THE PROPERTIES	110
III SALIENT TERMS OF THE SPAS	112
IV SALIENT TERMS OF THE PROPERTIES TENANCY AGREEMENTS	121
V SALIENT TERMS OF THE BINTULU TENANCY AGREEMENT	131
VI VALUATION CERTIFICATE FOR THE PROPERTIES	136
<b>NOTICE OF EGM</b>	<b>Enclosed</b>
<b>PROXY FORM</b>	<b>Enclosed</b>

## EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals as set out in Part A of this Circular. You are advised to read and carefully consider the entire contents of this Circular, together with the appendices including the IAL as set out in Part B of this Circular and not rely solely on this Executive Summary in forming a decision on the Proposals before voting on the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

Key information	Description	Reference in Part A of this Circular												
Summary of the Proposals	<p>(i) <b>Proposed Disposals</b></p> <p>The Proposed Disposals entail the disposals of the Properties by SCH and PKF to Pacific Trustees for a total cash consideration of RM45.90 million, free from all encumbrances and subject to the terms and conditions contained in the SPAs. The breakdown is as follows:</p> <table border="1"> <thead> <tr> <th>Subsidiaries</th> <th>Properties to be disposed</th> <th>Disposal consideration (RM'000)</th> </tr> </thead> <tbody> <tr> <td>SCH</td> <td>Cheras Property</td> <td>22,600</td> </tr> <tr> <td>PKF</td> <td>Pasir Gudang Property</td> <td>23,300</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>45,900</b></td> </tr> </tbody> </table>	Subsidiaries	Properties to be disposed	Disposal consideration (RM'000)	SCH	Cheras Property	22,600	PKF	Pasir Gudang Property	23,300	<b>Total</b>		<b>45,900</b>	Sections 1 and 2
	Subsidiaries	Properties to be disposed	Disposal consideration (RM'000)											
	SCH	Cheras Property	22,600											
PKF	Pasir Gudang Property	23,300												
<b>Total</b>		<b>45,900</b>												
<p>(ii) <b>Proposed Properties Tenancies</b></p> <p>The Proposed Properties Tenancies entail SCH and PKF renting the Properties from Pacific Trustees for a total period of 12 years and 15 years, respectively, commencing on the day immediately after the completion of the Proposed Disposals, subject to the terms and covenants in the Properties Tenancy Agreements.</p>														
<p>(iii) <b>Proposed Bintulu Tenancy</b></p> <p>The Proposed Bintulu Tenancy entails HSSB renting the Bintulu Property from Pacific Trustees for a total period of 15 years, commencing on the day immediately after the completion of the Proposed Bintulu Disposal, subject to the terms and covenants in the Bintulu Tenancy Agreement.</p>														
Use of proceeds	The Company intends to use the Disposal Consideration in the following manner:	Section 2.1.5												
	<table border="1"> <thead> <tr> <th>Details of utilisation</th> <th>Estimated timeframe for utilisation from completion of the Proposed Disposals</th> <th>Amount (RM'000)</th> </tr> </thead> <tbody> <tr> <td>Working capital</td> <td>Within 24 months</td> <td>45,200</td> </tr> <tr> <td>Estimated expenses for the Proposals</td> <td>Upon completion</td> <td>700</td> </tr> <tr> <td><b>Total</b></td> <td></td> <td><b>45,900</b></td> </tr> </tbody> </table>	Details of utilisation	Estimated timeframe for utilisation from completion of the Proposed Disposals	Amount (RM'000)	Working capital	Within 24 months	45,200	Estimated expenses for the Proposals	Upon completion	700	<b>Total</b>		<b>45,900</b>	
Details of utilisation	Estimated timeframe for utilisation from completion of the Proposed Disposals	Amount (RM'000)												
Working capital	Within 24 months	45,200												
Estimated expenses for the Proposals	Upon completion	700												
<b>Total</b>		<b>45,900</b>												

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**EXECUTIVE SUMMARY (CONT'D)**

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<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Rationale and benefits for the Proposals</b>	<p>The Proposals are expected to allow the Group to achieve the following:</p> <ul style="list-style-type: none"><li>(i) unlock the value of its investments in the Properties;</li><li>(ii) monetise its investments in the Properties;</li><li>(iii) preserve adequate cash reserves towards meeting the financing requirements of the Group's future plans and strategies;</li><li>(iv) improve the Group's financial position and financial performance; and</li><li>(v) the Proposed Properties Tenancies and Proposed Bintulu Tenancy allow the Group to ensure that its existing business operations (operated in the Properties and Bintulu Property) are not disrupted for periods of next 12 years for Cheras Property and 15 years for Pasir Gudang Property and Bintulu Property, respectively.</li></ul>	Section 3
<b>Risk factors for the Proposals</b>	<p>The risk factors relating to the Proposals include the following:</p> <ul style="list-style-type: none"><li>(i) Completion risk <p>The Proposals are conditional upon the fulfilment of the conditions precedent as stipulated in the SPAs, as well as the sale and purchase agreement in relation to the Proposed Bintulu Disposal. If any of the conditions precedent is not fulfilled or waived, the SPAs, as well as the sale and purchase agreement in relation to the Proposed Bintulu Disposal may lapse and be deemed terminated. Pursuant thereto, HIB will not be able to complete the Proposed Disposals, Proposed Properties Tenancies and/or Proposed Bintulu Tenancy.</p></li><li>(ii) Loss of potentially higher capital value of the Properties <p>The Disposal Consideration is based on the prevailing market values appraised by JLW. Therefore, the Proposed Disposals could result in the Group missing the opportunity to dispose of the Properties at a potential higher price if they are sold at a later time.</p></li><li>(iii) Tenancy risk <p>If the Group is unable to renew its tenancies for the Properties and Bintulu Property beyond the period of 12 years (for Cheras Property) and 15 years (for Pasir Gudang Property and Bintulu Property) respectively or relocate its operations to a suitable alternative location, the Group's operations which are currently being carried out in the Properties and Bintulu Property may be affected. This could have an impact on SCH, PKF and HSSB's long term business sustainability.</p></li></ul>	Section 4



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**EXECUTIVE SUMMARY (CONT'D)**

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<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
<b>Approvals required and conditionality</b>	<p>The Proposals are subject to, among others, the following approvals or consent, as the case may be, being obtained:</p> <ul style="list-style-type: none"><li>(i) non-interested shareholders of the Company at the forthcoming EGM of the Company;</li><li>(ii) non-interested unitholders of KIP REIT at the forthcoming EGM of KIP REIT in respect of its proposed acquisitions and tenancies of the Properties and the Bintulu Property;</li><li>(iii) the relevant State Authority for the transfer of the Cheras Property. As at the date of this Circular, the State Authority's consent to transfer the Cheras Property has been obtained following the issuance of letter of consent dated 18 November 2024 by the State Authority;</li><li>(iv) the lessor of the Pasir Gudang Property to transfer and grant tenancy over the Pasir Gudang Property; and</li><li>(v) any other relevant authorities and/or parties, if required.</li></ul>	Section 7
<b>Interests of Directors, major shareholders and/or persons connected with them</b>	<p>Save as disclosed below, none of the Directors, major shareholders of HIB and/or persons connected with them have any interest, either direct or indirect, in the Proposals:</p> <ul style="list-style-type: none"><li>(i) Dato' Ong Choo Meng is a major shareholder of HIB with direct interest of 0.60% and indirect interest of 51.54% by virtue of his interest and directorship in Hextar Holdings as at the LPD. In addition, Dato' Ong Choo Meng is also a major unitholder of KIP REIT with indirect interest of 11.38% by virtue of his interest and directorship in Hextar Rubber Sdn Bhd as at the LPD. Dato' Ong Choo Meng is also a director and shareholder of Teju Logistics. He is also the son of Dato' Ong Soon Ho and brother of Ong Tzu Chuen;</li><li>(ii) Dato' Ong Soon Ho is a major shareholder of HIB with indirect interest of 51.54% by virtue of his interest and directorship in Hextar Holdings as at the LPD. Dato' Ong Soon Ho is also a director and shareholder of Teju Logistics. He is also the father of Dato' Ong Choo Meng and Ong Tzu Chuen;</li><li>(iii) Ong Tzu Chuen is the Non-Independent Non-Executive Director of HIB. In addition, Ong Tzu Chuen is also the Executive Director and major unitholder of KIP REIT with indirect interest of 11.38% by virtue of her interest in Hextar Rubber Sdn Bhd as at the LPD. She is also the daughter of Dato' Ong Soon Ho and sister of Dato' Ong Choo Meng; and</li></ul>	Section 9

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**EXECUTIVE SUMMARY (CONT'D)**

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<b>Key information</b>	<b>Description</b>	<b>Reference in Part A of this Circular</b>
	(iv) Hextar Holdings is a major shareholder with direct interest of 51.54% in HIB as at the LPD. Dato' Ong Choo Meng and Dato' Ong Soon Ho are shareholders and directors in Hextar Holdings. As such, Hextar Holdings is deemed interested in the Proposals.	
<b>Directors' statement and recommendation</b>	<p>The Board (save for the Interested Director), after having considered all aspects of the Proposals, including the salient terms of the SPAs and Properties Tenancy Agreements and Bintulu Tenancy Agreement, the valuation of the Properties as ascribed by JLW, the basis and justification for the Disposal Consideration, Properties Rental Rates and Bintulu Rental Rates, the rationale and benefits for the Proposals as well as the effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.</p> <p>Accordingly, the Board (save for the Interested Director) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the Company's forthcoming EGM.</p>	Section 11
<b>Audit Committee' Statement</b>	<p>The Audit Committee of the Company, after having considered among others, the preliminary view of the Independent Adviser and all aspects of the Proposals, including the salient terms of the SPAs, Properties Tenancy Agreements and Bintulu Tenancy Agreement, the valuation of the Properties as ascribed by JLW, the basis and justification for the Disposal Consideration, Properties Rental Rates and Bintulu Rental Rates, the rationale and benefits for the Proposals as well as the effects of the Proposals, is of the opinion that the Proposals are:</p> <ul style="list-style-type: none"><li>(i) in the best interest of the Company;</li><li>(ii) fair, reasonable and on normal commercial terms; and</li><li>(iii) not detrimental to the interest of the non-interested shareholders.</li></ul>	Section 12

**PART A**

**LETTER TO THE SHAREHOLDERS OF HIB IN RELATION TO THE PROPOSALS**



**HEXTAR INDUSTRIES BERHAD**  
(Registration No. 201101044580 (972700-P))  
(Incorporated in Malaysia)

**Registered Office:**  
B-21-1, Level 21, Tower B  
Northpoint Mid Valley City  
No. 1, Medan Syed Putra Utara  
59200 Kuala Lumpur

20 December 2024

## Board of Directors

Dato' Chan Choun Sien (*Independent Non-Executive Chairman*)  
Ang Sui Aik (*Group Managing Director*)  
Sham Weng Kong (*Executive Director*)  
Ong Tzu Chuen (*Non-Independent Non-Executive Director*)  
Dato' Sri Chee Hong Leong (*Independent Non-Executive Director*)  
Oon Seow Ling (*Independent Non-Executive Director*)  
Shahjanaz Binti Datuk Kamaruddin (*Independent Non-Executive Director*)

**To: The Shareholders of HIB**

Dear Sir/Madam,

## PROPOSALS

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### 1. INTRODUCTION

On 29 August 2024, MIDF Investment had, on behalf of the Board, announced that HIB, through its subsidiaries, namely SCH and PKF, respectively entered into 2 conditional SPAs with Pacific Trustees on 29 August 2024, for the disposals of the Properties to KIP REIT, for a total cash consideration of RM45.90 million. The breakdown is as follows:

<u>Subsidiaries</u>	<u>Properties to be disposed</u>	<u>Disposal consideration (RM'000)</u>
SCH	Cheras Property	22,600
PKF	Pasir Gudang Property	23,300
<b>Total</b>		<b>45,900</b>

Simultaneously with the execution of the SPAs, SCH and PKF had respectively signed the Properties Tenancy Agreements in-escrow with Pacific Trustees for rental of the Properties from KIP REIT upon the terms and covenants contained therein. The said tenancies will commence upon the completion of the Proposed Disposals. The Proposed Tenancy I and Proposed Tenancy II are conditional upon completion of the Proposed Disposal I and Proposed Disposal II, respectively.

In addition to the above, HIB, through HSSB, signed the Bintulu Tenancy Agreement in-escrow with Pacific Trustees for the rental of the Bintulu Property from KIP REIT upon the terms and covenants contained therein. The said tenancy will commence upon the completion of the Proposed Bintulu Disposal from the current landlord, Teju Logistics to Pacific Trustees, based on a conditional sale and purchase agreement dated 29 August 2024. The Proposed Bintulu Tenancy is conditional upon completion of the Proposed Bintulu Disposal.

The Proposals are deemed as a related party transaction pursuant to Paragraph 10.08(2) of the Listing Requirements, in view of the interests of Interested Major Shareholders and Interested Director as set out in Section 9, Part A of this Circular.

Accordingly, MainStreet has been appointed as the Independent Adviser by the Board (save for the Interested Director) to provide the non-interested Directors and non-interested shareholders with:

- (i) an opinion as to whether the Proposals are fair and reasonable so far as the non-interested Directors and non-interested shareholders are concerned;
- (ii) an opinion as to whether the Proposals are to the detriment of the non-interested shareholders; and
- (iii) a recommendation as to whether the non-interested shareholders should vote in favour of the Proposals.

The details of the Proposals are set out in Section 2, Part A of this Circular.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION OF THE PROPOSALS, TO SET OUT THE VIEWS AND RECOMMENDATIONS OF THE BOARD (SAVE FOR THE INTERESTED DIRECTOR) AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY. THE NOTICE OF THE FORTHCOMING EGM TOGETHER WITH THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND IAL AS SET OUT IN PART A AND PART B OF THIS CIRCULAR, RESPECTIVELY, TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.**

## **2. DETAILS OF THE PROPOSALS**

### **2.1 Details of the Proposed Disposals**

The Proposed Disposals entail the disposals of the Properties by SCH and PKF to Pacific Trustees for the Disposal Consideration, free from all encumbrances and subject to the terms and conditions contained in the SPAs.

Please refer to **Appendix II** of this Circular for information on the Properties.

Please refer to **Appendix III** of this Circular for the salient terms of the SPAs.

### 2.1.1 Basis and justification for the Disposal Consideration

HIB had appointed an independent valuer, namely JLW, a firm which is registered with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia, to conduct an independent valuation on the Properties. The total market value of the Properties, as appraised by JLW, is RM42.20 million. Details are as follows:

<u>Properties to be disposed</u>	<u>Valuation method</u>	<u>Market value (RM'000)</u>
Cheras Property	Income Approach by way of Investment Method	22,300
Pasir Gudang Property	Income Approach by way of Investment Method	19,900

*(Source: JLW's valuation reports dated 28 August 2024)*

Income Approach by way of Investment Method is the capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

The Disposal Consideration was arrived at after taking into account the following:

- (i) The market value of the Properties as appraised by JLW based on the valuation reports dated 28 August 2024;
- (ii) The pro forma gain arising from the Proposed Disposals of approximately RM0.47 million as detailed in Section 2.1.4 of this Circular; and
- (iii) Rationale and benefits for the Proposals as set out in Section 3 of this Circular.

### 2.1.2 Liabilities to be assumed

Save for the monthly rental and security deposits payable pursuant to the Proposed Properties Tenancies, there are no liabilities, including contingent liabilities and guarantees to be assumed by the Group, arising from the Proposed Disposals.

### 2.1.3 Original cost and date of investment

The original cost and date of investment by the Vendors in the Properties are set out below:

<u>Properties to be disposed</u>	<u>Description</u>	<u>Date of investment</u>	<u>Cost of investment (RM'000)</u>
Cheras Property	Land	4 March 2010	4,392
	Building	20 January 2017 <sup>(1)</sup>	11,318
			<b>15,710</b>
Pasir Gudang Property	Land	15 March 1990	2,089
	Building	27 November 1990 <sup>(1)</sup>	4,847
			<b>6,936</b>

**Note:**

- (1) Refers to the completion date of the building construction in the respective Properties.

## 2.1.4 Pro forma gain on the Proposed Disposals

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. The pro forma gain is derived as follows in accordance with Malaysian Financial Reporting Standard 16 Leases (“MFRS16”):

	(A)	(B)	(C)	(D) = ((B - A)/B) x (B - C)
Properties	Net book value as at 31 December 2023 (RM'000)	Market value appraised by JLW (RM'000)	Present value of monthly rental payment (RM'000)	Pro forma gain from the Proposed Disposals (RM'000)
Cheras Property	21,012	22,300	15,353	401
Pasir Gudang Property	17,109	19,900	19,406	70
<b>Total</b>	<b>38,121</b>	<b>42,200</b>	<b>34,759</b>	<b>471</b>

## 2.1.5 Use of Proceeds

The Company intends to use the Disposal Consideration in the following manner:

Details of utilisation	Estimated timeframe for utilisation from completion of the Proposed Disposals	Notes	Amount (RM'000)
Working capital	Within 24 months	(i)	45,200
Estimated expenses for the Proposals	Upon completion	(ii)	700
<b>Total</b>			<b>45,900</b>

### Notes:

- (i) *The Group intends to utilise RM45.20 million to fund its working capital requirements. This includes financing the Group's operating expenses, which shall include, among others, purchase of raw materials such as chemical compounds and organic substances to be used for the fertilisers segment, payment of staff and worker related expenses such as wages and salaries as well as administrative expenses such as rental, utilities, transportation costs, upkeep of the office, factory expenses, as well as repair and maintenance of machinery. However, the actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual administrative requirements of the Group at the relevant time.*

<b>Working capital</b>	<b>RM'000</b>
Purchase of raw materials <sup>(1)</sup>	32,200
Staff and worker related expenses	11,000
Administrative expenses	2,000
<b>Total</b>	<b>45,200</b>

**Note:**

- (1) *The demand for fertiliser is expected to remain strong due to the concerns over food security and the Government's on-going efforts to achieve self-sufficiency in major commodities (as set out in Section 5.3 of this Circular). In order to address these needs, the Group must secure raw materials to mitigate supply chain risks and meet market demand effectively.*

*The actual utilisation may vary and is dependent on the Group's working capital requirements at the relevant point in time.*

- (ii) *The estimated expenses for the Proposals comprise professional fees, authority fees and other ancillary expenses including EGM related expenses. Any surplus or shortfall of the estimated expenses will be adjusted accordingly to or from the portion allocated for the working capital of the Group.*

Pending the use of proceeds from the Proposed Disposals for the above purposes, the proceeds will be placed as deposits with licensed financial institutions or short-term money market instruments. Any interest income earned from such deposits or instruments will be used as working capital of HIB Group.

## **2.1.6 Information on the Vendors**

### **(i) Information on SCH**

SCH was incorporated in Malaysia on 9 September 1983 under the Companies Act, 1965 as a private limited company and is deemed registered under the Act. As at the LPD, the issued share capital of SCH is RM6,000,000 comprising 6,000,000 ordinary shares. The principal activities of SCH are supplying and distributing all kinds of quarry industrial products and quarry machinery, as well as provision of rental services.

As at the LPD, SCH is a wholly-owned subsidiary of HIB.

As at the LPD, the directors of SCH are Wong Kin Seng, Ong Soon Hooi and Ooi Youk Lan.

### **(ii) Information on PKF**

PKF was incorporated in Malaysia on 6 June 1996 under the Companies Act, 1965 as a private limited company and is deemed registered under the Act. As at the LPD, the issued share capital of PKF is RM15,000,000 comprising 60,000,000 ordinary shares. The principal activities of PKF are manufacturing, merchandising, formulation, distribution and trading of a wide range of fertilizers.

As at the LPD, PKF is a wholly-owned subsidiary of Hextar Fertilizers Group Sdn Bhd, which in turn is a wholly-owned subsidiary of HIB.

As at the LPD, the directors of PKF are Ong Soon Hooi and Leong Hin Kieat.

## **2.1.7 Information on KIP REIT**

KIP REIT is a real estate investment trust established in Malaysia on 2 November 2016 under the trust deed dated 2 November 2016 and amended and restated by the restated trust deed dated 12 December 2019, and a supplementary deed dated 29 September 2020, between KIP REIT Management Sdn Bhd and Pacific Trustees. KIP REIT was listed on the Main Market of Bursa Securities on 6 February 2017. As at the LPD, KIP REIT has a fund size of RM730,839,446 comprising 798,629,900 units.



The principal activity of KIP REIT is to invest in a portfolio of income producing real estate used primarily for retail purposes, industrial and commercial real estate such as but not limited to warehousing facilities, logistics facilities and manufacturing sites as well as other real estate assets.

The trustee of KIP REIT is Pacific Trustees, who acts for and on behalf of KIP REIT and KIP REIT is managed by KIP REIT Management Sdn Bhd, which is wholly-owned by KIP Homes Sdn Bhd.

As at the LPD, the directors of KIP REIT Management Sdn Bhd and their respective unitholding in KIP REIT are as follows:

<b>Directors</b>	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of units</b>	<b>%<sup>(1)</sup></b>	<b>No. of units</b>	<b>%<sup>(1)</sup></b>
Datuk Dr Syed Hussain bin Syed Husman, P.J.N. JP	60,000	0.01	-	-
Dato' Ong Kook Liong	71,586,283	8.96	7,488,492 <sup>(2)</sup>	0.94
Datuk Mohamed Arsad bin Sehan	300,000	0.04	-	-
Ong Pui Shan	3,810,000	0.48	-	-
Chiam Tau Meng	-	-	-	-
Ong Tzu Chuen	-	-	90,857,000 <sup>(3)</sup>	11.38

As at the LPD, the substantial unitholders of KIP REIT and their respective unitholding in KIP REIT are as follows:

<b>Substantial unitholders</b>	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of units</b>	<b>%<sup>(1)</sup></b>	<b>No. of units</b>	<b>%<sup>(1)</sup></b>
Hextar Rubber Sdn Bhd	90,857,000	11.38	-	-
Dato' Ong Kook Liong	71,586,283	8.96	7,488,492 <sup>(2)</sup>	0.94
Datin Teoh Siew Chin	36,647,288	4.59	-	-
Dato' Ong Choo Meng	-	-	90,857,000 <sup>(3)</sup>	11.38
Ong Tzu Chuen	-	-	90,857,000 <sup>(3)</sup>	11.38

**Notes:**

- (1) *Based on 798,629,900 KIP REIT units.*
- (2) *Deemed interested by virtue of the interest held through his spouse and daughter.*
- (3) *Deemed interested by virtue of his/her interest in Hextar Rubber Sdn Bhd.*

## **2.1.8 Information on Pacific Trustees**

Pacific Trustees was incorporated in Malaysia on 21 September 1994 and was registered as a trust company on 29 September 1995. As at the LPD, the issued share capital of Pacific Trustees is RM10,100,000 comprising 1,010,000 ordinary shares.

The principal activity of Pacific Trustees is to offer a full range of trust services to both individuals and corporations. Pacific Trustees is a duly registered bond trustee with the Securities Commission Malaysia and is also registered to act as trustee for unit trust funds and Real Estate Investment Trusts.

As at the LPD, the directors of Pacific Trustees are Tan Sri Datuk Amar Shim Lip Kiong, Tan Sri Datuk Seri Panglima Abdul Gani Patail, Wee Choo San, Razak Bin Ahmad, Ong Kim Eng, Edward Cheah Ken-Sze, Cheah Boon Hoe, George Cheah Ken-Lee and Isaac Cheah Ken-Young (Alternate Director to Wee Choo San).

As at the LPD, the shareholders of Pacific Trustees and their respective shareholding in Pacific Trustees are as follows:

<b>Shareholders</b>	<b>Direct</b>		<b>Indirect</b>	
	<b>No. of units</b>	<b>%</b>	<b>No. of units</b>	<b>%</b>
Gei Capital Sdn Bhd	202,000	20.00	-	-
Pacific Trustees (L) Foundation	202,000	20.00	-	-
Pacific Trustees Digital Berhad	202,000	20.00	-	-
Pacific Trustees Group International Sdn Bhd	202,000	20.00	-	-
Quay Capital Sdn Bhd	202,000	20.00	-	-

## 2.2 Details of the Proposed Properties Tenancies

The Proposed Properties Tenancies entail SCH and PKF renting the Properties from Pacific Trustees for a total period of 12 years and 15 years, respectively, commencing on the day immediately after the completion of the Proposed Disposals, subject to the terms and covenants in the Properties Tenancy Agreements with the Properties Rental Rates set out below:

<b>Duration of tenancy</b>	<b>Year</b>	<b>Rental per month (RM'000)</b>	<b>Rental increment per term<sup>(1)</sup> (%)</b>
<b>Cheras Property</b>			
Term 1	1 to 3	123	-
Term 2	4 to 6	138	11.89
Term 3	7 to 9	155	12.08
Term 4	10 to 12	173	12.07
<b>Pasir Gudang Property</b>			
Term 1	1 to 3	146	-
Term 2	4 to 6	163	11.76
Term 3	7 to 9	184	12.63
Term 4	10 to 12	205	11.21
Term 5	13 to 15	231	12.61

**Note:**

- (1) *The rental increment for each term was mutually agreed upon between the parties after taking into consideration, amongst others, the prevailing market rental escalation rates of industrial market rentals. Based on the JLW's analysis, the rental escalation rates of the Properties are within the market range of the comparable properties derived from the analysis.*

The Cheras Property serves as an office and warehouse, while the Pasir Gudang Property functions as an office, factory and warehouse. Due to its nature of use, the Cheras Property is easier to relocate compared to the Pasir Gudang Property. Consequently, the tenancy duration for the Cheras Property is structured to be shorter than that of the Pasir Gudang Property. This arrangement is not expected to have any operational impact on the Group.

For avoidance of doubt, the Proposed Properties Tenancies were mutually agreed upon between parties such that, unless there is a breach on the part or any party, there will be no early termination by either party without just cause. The salient terms of the Properties Tenancy Agreements are disclosed in **Appendix IV** of this Circular.

### 2.2.1 Basis and justification in arriving at the Properties Rental Rates

The Properties Rental Rates were mutually agreed upon between the parties after taking into consideration, amongst others, the prevailing market rental rate of comparable properties. The Properties Rental Rates have been compared against the rental rates of similar properties within the surrounding area of the Properties gathered by JLW.

The Properties Rental Rates were arrived at after taking into consideration of, among others, the following:

- (i) the industrial market rental rate of comparable properties vide the comparable rent analysis conducted by JLW, as detailed below; and

#### (a) Cheras Property

<u>Rental comparables</u>	<u>Property details</u>	<u>Floor area (sq.ft)</u>	<u>Rental rate per month (per sq.ft)</u>
Property 1	An industrial premises located within Cheras, Selangor Darul Ehsan	32,500	RM2.62
Property 2	An industrial premises located within Cheras, Selangor Darul Ehsan	40,000	RM2.13
Property 3	An industrial premises located within Cheras, Selangor Darul Ehsan	37,178	RM1.86

*(Source: Valuation report of Cheras Property dated 28 August 2024)*

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In arriving at the reversionary rental rate, the considerations were given for the differences in, among others, market/time factor, location, size, design/building condition, tenancy terms (tenant is responsible for all outgoings including structural repairs) and negotiation. The details are set out below:

<b>Rental comparables</b>	<b>Property 1</b>	<b>Property 2</b>	<b>Property 3</b>
<b>Upward adjustment</b>	<b>Design/Building condition</b> <i>The subject property is better</i>	<b>Location</b> <i>The subject property is better</i>	<b>Market/Time factor</b> <i>Property market has improved</i>
		<b>Design/Building condition</b> <i>The subject property is better</i>	<b>Location</b> <i>The subject property is better</i>
<b>Downward adjustment</b>	<b>Negotiation</b> <i>The asking rental price is open to negotiation</i>	<b>Negotiation</b> <i>The asking rental price is open to negotiation</i>	<b>Size</b> <i>The subject property is bigger</i>
	<b>Size</b> <i>The subject property is bigger</i>	<b>Size</b> <i>The subject property is bigger</i>	<b>Tenancy terms</b> <i>Tenant (of the subject property) is responsible for all outgoings including structural repairs</i>
	<b>Tenancy terms</b> <i>Tenant (of the subject property) is responsible for all outgoings including structural repairs</i>	<b>Tenancy terms</b> <i>Tenant (of the subject property) is responsible for all outgoings including structural repairs</i>	

**(b) Pasir Gudang Property**

<b>Rental comparables</b>	<b>Property details</b>	<b>Floor area (sq.ft)</b>	<b>Rental rate per month (per sq.ft)</b>
Property 1	An industrial premises located within Pasir Gudang, Johor Darul Takzim	147,214	RM1.50
Property 2	An industrial premises located within Pasir Gudang, Johor Darul Takzim	118,798	RM1.55
Property 3	An industrial premises located within Pasir Gudang, Johor Darul Takzim	100,000	RM1.46

*(Source: Valuation report of Pasir Gudang Property dated 28 August 2024)*

In arriving at the reversionary rental rate, the considerations were given for the differences in, among others, market/time factor, location, size, design/building condition and tenancy terms (tenant is responsible for all outgoings including structural repairs). The details are set out below:

<b>Rental comparables</b>	<b>Property 1</b>	<b>Property 2</b>	<b>Property 3</b>
<b>Upward adjustment</b>	<b>Market/Time factor</b> <i>Property market has improved</i>	<b>Market/Time factor</b> <i>Property market has improved</i>	<b>Market/Time factor</b> <i>Property market has improved</i>
	<b>Location</b> <i>The subject property is better</i>		<b>Location</b> <i>The subject property is better</i>
<b>Downward adjustment</b>	<b>Size</b> <i>The subject property is bigger</i>	<b>Size</b> <i>The subject property is bigger</i>	<b>Size</b> <i>The subject property is bigger</i>
	<b>Design/Building condition</b> <i>The comparable is better</i>	<b>Tenancy terms</b> <i>Tenant (of the subject property) is responsible for all outgoings including structural repairs</i>	<b>Design/Building condition</b> <i>The comparable is better</i>
	<b>Tenancy terms</b> <i>Tenant (of the subject property) is responsible for all outgoings including structural repairs</i>		<b>Tenancy terms</b> <i>Tenant (of the subject property) is responsible for all outgoings including structural repairs</i>

The comparison between the agreed Properties Rental Rates between parties and reversionary rental rates adopted by JLW are as follows:

<b>Properties</b>	<b>Agreed Properties Rental Rate per month between the parties (per sq.ft)</b>	<b>Reversionary rental rate per month adopted by JLW (per sq.ft)</b>
<b>Cheras Property</b>	RM1.85 to RM2.60	RM2.00
<b>Pasir Gudang Property</b>	RM0.79 to RM1.25	RM1.20

- (ii) rationale and benefits of the Proposed Properties Tenancies as set out in Section 3 of this Circular.

## 2.3 Details of the Proposed Bintulu Tenancy

The Proposed Bintulu Tenancy entails HSSB renting the Bintulu Property from Pacific Trustees for a total period of 15 years, commencing on the day immediately after the completion of the Proposed Bintulu Disposal, subject to the terms and covenants in the Bintulu Tenancy Agreement with Bintulu Rental Rates set out below:

Duration of tenancy	Year	Rental per month (RM'000)	Rental increment per term <sup>(1)</sup> (%)
<b>Bintulu Property</b>			
Term 1	1 to 3	176	-
Term 2	4 to 6	197	11.76
Term 3	7 to 9	222	12.63
Term 4	10 to 12	247	11.21
Term 5	13 to 15	278	12.61

**Note:**

- (1) *The rental increment for each term was mutually agreed upon between the parties after taking into consideration, amongst others, the prevailing market rental escalation rates of industrial market rentals. Based on the LaurelCap's analysis, the rental escalation rates of the Bintulu Property are within the market range of the comparable properties derived from the analysis.*

For information, HSSB has been renting the Bintulu Property for its operations since year 2020. Based on its latest tenancy agreement dated 24 July 2023 with Teju Logistics and subsequent extension, its current monthly rental rate is RM189,000 per month. On 29 August 2024, Teju Logistics entered into a sale and purchase agreement with Pacific Trustees to dispose of the Bintulu Property. It is the intention of HSSB to continue renting the Bintulu Property for its operations. Pursuant thereto, HSSB has signed the Bintulu Tenancy Agreement in-escrow with Pacific Trustees, being the new owner, subject to the successful completion of the sale and purchase agreement for the Bintulu Property.

For avoidance of doubt, the Proposed Bintulu Tenancy were mutually agreed upon between parties such that, unless there is a breach on the part or any party, there will be no early termination by either party without just cause. The salient terms of the Bintulu Tenancy Agreement are disclosed in **Appendix V** of this Circular.

Please refer to Sections 2.1.7 and 2.1.8 of this Circular for the information on KIP REIT and Pacific Trustees, respectively.

### 2.3.1 Information on HSSB

HSSB was incorporated in Malaysia on 18 July 1995 under the Companies Act, 1965 as a private limited company and is deemed registered under the Act. As at the LPD, the issued share capital of HSSB is RM15,000,000 comprising 666,745 ordinary shares. The principal activities of HSSB are manufacturing and marketing of a wide range of fertilisers.

As at the LPD, HSSB is a wholly-owned subsidiary of Hextar Fertilizers Group Sdn Bhd, which in turn is a wholly-owned subsidiary of HIB.

As at the LPD, the directors of HSSB are Ooi Youk Lan and Sham Weng Kong.

### 2.3.2 Basis and justification in arriving at the Bintulu Rental Rates

The Bintulu Rental Rates were mutually agreed upon between the parties after taking into consideration, amongst others, the prevailing market rental rate of comparable properties. The Bintulu Rental Rates have been compared against the rental rates of similar properties within the surrounding area of the Bintulu Property gathered by an independent valuer, namely LaurelCap, a firm which is registered with the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia.

The Bintulu Rental Rates were arrived at after taking into consideration of, among others, the following:

- (i) the industrial market rental rate of comparable properties vide the comparable rent analysis conducted by LaurelCap, as detailed below; and

<u>Rental comparables</u>	<u>Property details</u>	<u>Floor area (sq.ft)</u>	<u>Rental rate per month (per sq.ft)</u>
Property 1	A semi-detached factory/warehouse located within Bintulu, Sarawak	2,022.77	RM1.63
Property 2	A detached factory/warehouse located within Bintulu, Sarawak	10,268.86	RM0.97
Property 3	A semi-detached factory/warehouse located within Bintulu, Sarawak	3,091.42	RM0.87

*(Source: Rental valuation letter of the Bintulu Property dated 28 August 2024)*

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In arriving at the reversionary rental rate, the considerations were given to the differences in location, access, size and type of property. The details are set out below:

<b>Rental comparables</b>	<b>Property 1</b>	<b>Property 2</b>	<b>Property 3</b>
<b>Upward adjustment</b>	<b>Location</b> <i>The subject property is better</i>	<b>Access</b> <i>The subject property is better</i>	<b>Location</b> <i>The subject property is better</i>
	<b>Access</b> <i>The subject property is better</i>		<b>Access</b> <i>The subject property is better</i>
	<b>Type of property</b> <i>The subject property is a detached factory, offering complete autonomy, a customizable layout, and higher market prestige, whereas the comparable is a semi-detached factory/warehouse</i>		<b>Type of property</b> <i>The subject property is a detached factory, offering complete autonomy, a customizable layout, and higher market prestige, whereas the comparable is a semi-detached factory/warehouse</i>
<b>Downward adjustment</b>	<b>Size</b> <i>The subject property is bigger</i>	<b>Size</b> <i>The subject property is bigger</i>	<b>Size</b> <i>The subject property is bigger</i>
<b>No adjustment</b>		<b>Location</b> <i>Similar for both subject property and the comparable</i>	
		<b>Type of property</b> <i>Similar for both subject property and the comparable</i>	

The comparison between the agreed Bintulu Rental Rates between parties and reversionary rental rates adopted by LaurelCap is as follows:

<b>Properties</b>	<b>Agreed Bintulu Rental Rate per month between the parties (per sq.ft)</b>	<b>Reversionary rental rate per month adopted by LaurelCap (per sq.ft)</b>
<b>Bintulu Property</b>	RM0.85 to RM1.34	RM0.99

- (ii) rationale and benefits of the Proposed Bintulu Tenancy as set out in Section 3 of this Circular.

### 3. RATIONALE AND BENEFITS FOR THE PROPOSALS

The Proposals are expected to allow the Group to achieve the following:

- (i) unlock the value of its investments in the Properties from being tied up in long term assets, and at the same time allowing the Group with flexibility in respect of financial planning for its operational requirements. In this respect, the Group is expected to record a pro forma gain on disposals of RM0.47 million as set out in Section 2.1.4 of this Circular;



- (ii) monetise its investments in the Properties. 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. This is a strategic move that aligns with HIB Group's current objectives and business plans to focus on its manufacturing and distribution of fertilisers, turnkey products for the quarry and mining industry, and equipment rental and lifting solutions;
- (iii) preserve adequate cash reserves towards meeting the financing requirements of the Group's future plans and strategies. This will allow the Group to capitalise on suitable and viable investment opportunities as and when the need arises, potentially generating positive returns to the Group and increasing shareholder value;
- (iv) improve the Group's financial position and financial performance. The pro forma gain of disposals of RM0.47 million is expected to increase the NA and earnings of the Group. The Disposal Consideration of RM45.90 million to be utilised in the manner set out in Section 2.1.5 of this Circular also allows the Group to conserve its internally generated funds to strengthen its financial position; and
- (v) the Proposed Properties Tenancies and Proposed Bintulu Tenancy allow the Group to ensure that its existing business operations (operated in the Properties and Bintulu Property) are not disrupted for periods of next 12 years for Cheras Property and 15 years for Pasir Gudang Property and Bintulu Property, respectively.

## **4. RISK FACTORS FOR THE PROPOSALS**

### **4.1 Completion risk**

The Proposals are conditional upon the fulfilment of the conditions precedent as stipulated in the SPAs, as well as the sale and purchase agreement in relation to the Proposed Bintulu Disposal. If any of the conditions precedent is not fulfilled or waived, the SPAs, as well as the sale and purchase agreement in relation to the Proposed Bintulu Disposal may lapse and be deemed terminated. Pursuant thereto, HIB will not be able to complete the Proposed Disposals, Proposed Properties Tenancies and/or Proposed Bintulu Tenancy.

Notwithstanding this, HIB will take all reasonable steps to ensure the fulfilment of the conditions precedent, including obtaining the approvals/consents required which are within its control to complete the Proposals.

Nonetheless, if the Proposed Disposals do not materialise, the Group will continue to own the Properties and benefit from such ownership, either for own use and/or by renting the Properties to external tenants. Further, if the Proposed Bintulu Disposal does not materialise, the Group will continue to rent from Teju Logistics.

### **4.2 Loss of potentially higher capital value of the Properties**

The Disposal Consideration is based on the prevailing market values appraised by JLW. Therefore, the Proposed Disposals could result in the Group missing the opportunity to dispose of the Properties at a potential higher price if they are sold at a later time.

Nonetheless, the Proposed Disposals are undertaken for the rationale as set out in Section 3 above. There is also no guarantee that the Group can source for ready buyers for the Properties in the future and may not be able to dispose of the Properties at a higher value.

### 4.3 Tenancy risk

The Proposed Properties Tenancies and Proposed Bintulu Tenancy allow the Group to ensure that its existing business operations (operated in the Properties and Bintulu Property) are not disrupted. Post completion of the Proposed Disposals and Proposed Bintulu Disposal, the Group may continue to occupy and utilise the Properties and Bintulu Property throughout the aggregate tenure of the tenancies. However, pursuant to the Properties Tenancy Agreements and the Bintulu Tenancy Agreement, there is no provision for the renewal of the tenancies beyond the period of 12 years (for Cheras Property) and 15 years (for Pasir Gudang Property and Bintulu Property), respectively.

If the Group is unable to renew its tenancies for the Properties and Bintulu Property beyond the period of 12 years (for Cheras Property) and 15 years (for Pasir Gudang Property and Bintulu Property) respectively or relocate its operations to a suitable alternative location, the Group's operations which are currently being carried out in the Properties and Bintulu Property may be affected. This could have an impact on SCH, PKF and HSSB's long term business sustainability.

Notwithstanding this, the Group will use its best endeavour to take all reasonable steps to mitigate the aforesaid risk by, among others, commencing early negotiations to renew the tenancies beyond the period of 12 years (for Cheras Property) and 15 years (for Pasir Gudang Property and Bintulu Property) respectively or source for suitable alternative locations to minimise the disruptions to its operations.

## 5. INDUSTRY OVERVIEW AND OUTLOOK

The Group's manufacturing and distribution of fertilisers segment primarily caters to the plantation industry. Therefore, the performance of the HIB Group will highly dependent on the performance and prospects of the Malaysian economy as well as the manufacturing and plantation industries in Malaysia, as outlined below.

### 5.1 Overview and outlook of the Malaysian economy

The global economy is projected to remain steady in 2024 and 2025 as growth in most major economies stabilises. Inflation continues to track downwards as energy prices moderate and the labour market softens. International trade is expected to strengthen despite an increase in trade tensions and policy uncertainties.

Malaysia's economy continued its growth momentum, supported by favourable economic performance, amid persistent challenges in the external environment. This signifies the country's strong fundamentals and diversified economic activities as well as investor confidence in the domestic market, anchored by sound Government policies. Furthermore, the Ekonomi MADANI framework, which focuses on restructuring and reforming Malaysia's economic agenda, coupled with the implementation of key policy plans such as the National Energy Transition Roadmap and New Industrial Master Plan 2030, have started to yield positive results. During the first half of 2024, the economy posted a commendable growth of 5.1% driven by robust domestic demand, combined with further expansion in exports as well as positive growth in all economic sectors. Growth is forecast to continue its momentum in the second half of the year, albeit at a moderate pace. Overall, real gross domestic product ("**GDP**") in 2024 is revised upward, ranging between 4.8% and 5.3%, surpassing the initial target of 4% to 5%.

For 2025, the economy is projected to grow between 4.5% and 5.5%. On the supply side, the services sector continues to uphold its position as the main driver of growth contributed by tourism activities, sustained exports and acceleration of Information and Communication Technology (“ICT”)-related activities. Tourism-related industries, particularly food & beverages, accommodation and retail trade segments, are expected to increase further, while the wholesale trade as well as air and water transportations segments will benefit from sustained trade-related activities. Industries such as the utilities and professional services are anticipated to rise in tandem with the acceleration of ICT development, particularly in data centres. The manufacturing sector is projected to expand further attributed to better performance in export-oriented industries, primarily the electrical and electronic (“E&E”) segment, as external demand for semiconductors continues to increase. Additionally, the domestic-oriented industries is anticipated to remain favourable in line with higher domestic consumption and investment. The construction sector is expected to rise attributed to growth in all subsectors. Prospects for the agriculture sector remain positive supported by higher production of crude palm oil (“CPO”) and demand from food-related industries. On the contrary, the mining sector is forecast to decline marginally due to scheduled plants shutdown for maintenance purposes.

The growth in 2025 is projected between 4.5% and 5.5%, supported by a resilient external sector, benefitting from improved global trade and stronger demand for E&E goods, leveraging the country’s strategic position within the semiconductor supply chain. Additionally, robust domestic demand, fuelled by strong private sector expenditure, will support the expansion, through continued implementation of key national master plans and ongoing initiatives. A pertinent initiative which is Government-linked Enterprises Activation and Reform Programme, will synergise efforts across government-linked entities to catalyse growth in high growth sectors, encompassing energy transition, advanced manufacturing, food security, healthcare, Islamic finance and biopharmaceuticals. The potential investment from this initiative is expected to amount to RM120 billion over the span of five years. On the production side, most sectors are expected to expand, highlighting the resilience and agility of Malaysia’s economy.

*(Source: Economic Outlook 2025, Ministry of Finance Malaysia)*

The Malaysian economy expanded by 5.3% in the third quarter of 2024 (2Q 2024: 5.9%), driven by strong investment activity and continued improvement in exports. Investment activity was underpinned by strong spending on structures and machinery and equipment, while household spending sustained its expansion amid positive labour market conditions and policy support. In the external sector, exports continued to strengthen on the back of recovering external demand and positive spillovers from the global tech upcycle. Meanwhile, imports also grew at a faster pace, following strong demand for capital and intermediate goods to support rising investments and trade. On the supply side, most sectors remained supportive of growth. In particular, the improvement in the manufacturing sector was driven by export-oriented clusters. However, growth was partly offset by maintenance activities in the mining sector. On a quarter-on-quarter, seasonally-adjusted basis, growth momentum moderated to 1.8% (2Q 2024: 2.9%). Overall, the Malaysian economy expanded by 5.2% in the first three quarters of 2024.

During the quarter, both headline and core inflation remained stable at 1.9% (2Q 2024: 1.9%). Higher inflation was observed for diesel (20.1%; 2Q 2024: 5.3%) and vehicle insurance (0.8%; 2Q 2024: -0.1%), which was offset by broader moderation in inflation for food and beverages (1.6%; 2Q 2024: 1.9%), particularly food away from home, cereals, and fresh vegetables. On the whole, the share of Consumer Price Index items recording monthly price increases was lower at 38.9% during the quarter (2Q 2024: 49.4%).

*(Source: Economic and Financial Developments in Malaysia in the Third Quarter of 2024, 15 November 2024, Bank Negara Malaysia)*

## 5.2 Overview and outlook of manufacturing industry in Malaysia

The manufacturing sector plays a critical role in Malaysia's economic development by attracting investments that contribute to growth and innovation. The Government continues to support the sector's shift away from traditional manufacturing activities to more advanced and technology-driven production as part of the broader move to elevate the socio-economic well-being of Malaysians through the creation of high-value jobs. The sector's move up the value chain and diversification also help ensure the economy's resilience at a time of heightened uncertainties and challenges.

On a national level, Malaysian manufacturers experienced a challenging year amidst multiple influences that subdued the domestic, regional, and global demand outlook due to economic uncertainties. Malaysia's Industrial Production Index, which slipped by 0.1 per cent in December 2023, was affected by the manufacturing sector's negative growth of 1.4 per cent, despite the steady increase in performance of domestic-oriented industries of 4.2 per cent during the same period.

Contributing 23.4 per cent to Malaysia's total GDP in 2023, the manufacturing sector continues to be a highly strategic one for Malaysia's economy, offering employment opportunities to nearly 2.4 million employees in December 2023.

*(Source: Malaysia Investment Performance Report 2023, Malaysian Investment Development Authority)*

The manufacturing sector expanded by 3.3% during the first half of 2024 on the back of higher growth of domestic-oriented industries and a stronger performance of export-oriented industries. The domestic-oriented industries saw a steady growth of 5.9%, fuelled by rising demand, mainly in non-metallic mineral products, basic metal and fabricated products subsector, backed by robust performance in construction activities. Meanwhile, export-oriented industries recorded a growth of 2.1%, supported by an upturn in demand of the E&E segment, attributed to positive market momentum in the global semiconductor industry.

The sector is projected to grow by 4.9% in the second half of 2024, owing to strengthening domestic demand and improving performance of the external sector. Within the domestic-oriented industries, growth is expected to remain resilient propelled by consumer-related activities, particularly in food and beverages as well as transportation segments resulting from flourishing tourism activities. In addition, output for construction-related materials such as metals and cement is anticipated to rise, following acceleration of ongoing infrastructure projects and upcoming development activities. Meanwhile, within the export-oriented industries, the E&E segment is expected to further improve in line with the uptrend in global electronics demand, supported by evolving innovation as well as improvement in the consumer electronics market. In addition, increasing demand for AI chips, data centres, next-generation computing and high-performance computing application will further boost Malaysia's semiconductor industry. Overall, the manufacturing sector is forecast to register a strong growth of 4.1% in 2024.

*(Source: Economic Outlook 2025, Ministry of Finance Malaysia)*

## 5.3 Overview and outlook of plantation industry in Malaysia

The Malaysian oil palm industry experienced mixed performance in 2023 compared to the preceding year. Despite a marginal reduction in planted area partly attributed to ongoing site preparation activities for replanting initiatives within the industry, CPO production saw a modest increase of 0.5% to reach 18.55 million tonnes as against 18.45 million tonnes in 2022 attributed to an improved labour supply, particularly in harvesters and FFB collectors. Similarly, fresh fruit bunches (FFB) yield of oil palm estates and oil extraction rate (OER) in 2023 witnessed increases by 1.9% to 15.79 tonnes/hectare and 0.8% to 19.86 percent compared to the 15.49 tonnes/hectare and 19.70 percent in 2022, respectively.

Meanwhile, a decline in exports of palm oil due to reduced demand by major importing countries had resulted in higher palm oil stock. Exports of palm oil stood at 15.13 million tonnes in 2023 compared to 15.71 million tonnes in 2022. India maintained its position as the largest Malaysian palm oil export market in 2023 for the tenth year consecutively since 2014, with 2.84 million tonnes or 18.8% of total Malaysian palm oil exports. This was followed by China at 1.47 million tonnes (9.7%), the EU 1.07 million tonnes (7.1%), Kenya 0.92 million tonnes (6.1%), Türkiye 0.88 million tonnes (5.8%), Japan 0.55 million tonnes (3.6%) and Pakistan 0.50 million tonnes (3.3%). These seven (7) major markets combined accounted for 8.23 million tonnes or 54.4% of total Malaysian palm oil exports in 2023.

*(Source: Overview of the Malaysian Oil Palm Industry in 2023, Malaysian Palm Oil Board)*

Overall, the agriculture sector is projected to increase by 2% in 2024, as all subsectors are poised to record positive growths except for forestry and logging. The oil palm subsector, which contributes more than 36% of the agriculture sector, is estimated to expand, largely supported by improvements in labour supply and better fertiliser application as well as strong performance recorded during the first half. Despite the expected increase in the CPO production, it remains below potential level due to the impact of dry weather and increase in percentage of ageing oil palm areas following low replanting rates. In terms of prices, the CPO is projected to record an average of between RM3,800 and RM4,300 per tonne due to constraints in global palm oil supply. The rubber subsector is anticipated to record marginal growth supported by stable natural rubber production as recovery in rubber prices encourages tapping activities by smallholders. Moreover, initiatives undertaken by the Government, such as the improvement of the Latex Production Incentive and Rubber Production Incentive, will provide additional support to the subsector's growth.

Similarly, exports of agriculture goods are estimated to grow by 4%, buoyed by higher exports of palm oil and palm oil based agriculture products as well as natural rubber at 2.9% and 15.9%, respectively. Increasing demand, particularly from India, Bangladesh, Germany, Iran and the Philippines, is expected to raise exports of palm oil by 2.3%. Furthermore, exports of mining goods are projected to edge up by 2.8%, attributed to higher global demand for crude petroleum and liquefied natural gas by 10.1% and 2.4%, respectively.

The agriculture sector will also be strengthened through innovation and reengineering along the agrofood value chain, maximising resource efficiency and minimizing waste, thereby contributing to the nation's food security. The Government will enhance water irrigation infrastructure as well as encourage the adoption of technology and sustainable agriculture practices to increase crop yield and resilience. Continuous efforts to increase preparedness in facing natural disasters will be undertaken to reduce the risk on farmers. Furthermore, improved infrastructure and supply chains, such as better roads and storage facilities, will enhance the distribution and marketing of agricultural products. In addition, regional and international cooperation will be leveraged to intensify the sharing of knowledge, resources, and technologies, making the agriculture sector more robust and less vulnerable to global market fluctuations. These combined efforts will help Malaysia achieve greater food security and self-sufficiency.

*(Source: Economic Outlook 2025, Ministry of Finance Malaysia)*

## **6. EFFECTS OF THE PROPOSALS**

The effects as set out below are in relation to the Proposals. For information purposes, the Proposals are not expected to result in HIB Group becoming a Cash Company or a Practice Note 17 listed issuer as defined in the Listing Requirements.

### **6.1 Issued share capital and substantial shareholders' shareholdings**

The Proposals will not have any effect on HIB's issued share capital as well as its substantial shareholders' shareholdings as the Proposals do not involve any issuance of HIB Shares.

## 6.2 NA, NA per Share and gearing

Based on the latest audited consolidated statements of financial position of HIB Group as at 31 December 2023 and assuming that the Proposals had been effected on that date, the pro forma effects of the Proposals on the NA, NA per Share and gearing of the Group are as follows:

	<b>Audited as at 31 December 2023 (RM'000)</b>	<b>After the Proposals (RM'000)</b>
Share capital	671,443	671,443
Revaluation reserve	35,322	20,256 <sup>(1)</sup>
Merger deficit reserve	(559,301)	(559,301)
Retained earnings	190,149	211,723 <sup>(2)</sup>
<b>Total equity attributable to shareholders of the Company / NA</b>	<b>337,613</b>	<b>344,121</b>
Non-controlling interests	2,028	2,028
<b>Total equity</b>	<b>339,641</b>	<b>346,149</b>
No. of Shares in issue ('000)	2,747,342	2,747,342
NA per Share (RM)	0.12	0.13
Total borrowings (RM'000)	219,872	219,872
Gearing <sup>(3)</sup> (times)	0.65	0.64

### Notes:

- (1) After accounting for the reversal of revaluation reserve of approximately RM15.07 million.
- (2) After accounting for the pro forma gain on disposal of approximately RM0.47 million, the reversal of revaluation reserve of approximately RM15.07 million, the reversal of deferred tax liabilities arising from the revaluation of properties of approximately RM5.44 million, gain on lease modification of approximately RM1.40 million arising from the termination of the lease of the Bintulu Property which is in accordance with MFRS 16, interest and cost savings of approximately RM4.65 million arising from the Proposed Disposals and after deducting the impact of MFRS16 of approximately RM4.75 million and estimated expenses of approximately RM0.70 million for the Proposals.
- (3) Based on total borrowings over NA.

## 6.3 Earnings and EPS

Based on the latest audited financial statements of HIB for the FYE 31 December 2023 and assuming that the Proposals had been effected on 1 January 2023, being the beginning of the FYE 31 December 2023, the pro forma effects of the Proposals on the earnings and EPS of the Group are as follows:

	<b>Amount (RM'000)</b>	<b>Basic EPS<sup>(1)</sup> (sen)</b>
Profit after tax attributable to owners of the Company for the FYE 31 December 2023	41,906	1.52
Add:		
Pro forma gain from the Proposed Disposals	471	0.02
Interest and cost savings arising from the Proposed Disposals <sup>(2)</sup>	4,652	0.17
Gain on lease modification	1,397	0.05
Less:		
Estimated expenses for the Proposals	(700)	(0.03)
Depreciation and finance charges (Impact of MFRS16)	(4,747)	(0.17)
<b>Pro forma profit after tax attributable to owners of the Company for the FYE 31 December 2023</b>	<b>42,979</b>	<b>1.56</b>



**Notes:**

- (1) *Based on the weighted average number of HIB Shares in issue of 2,747,342,000 for the FYE 31 December 2023.*
- (2) *Assuming interest savings of approximately RM2.71 million, cost savings from depreciation of the Properties of approximately RM1.03 million and estimated tax savings of approximately RM0.91 million from the aforementioned net tax-deductible expenses. The abovementioned interest savings arise on the assumption that the Group uses the proceeds from the Proposed Disposal of RM45.20 million (excluding estimated expenses for the Proposals) instead of obtaining bank borrowing of the same amount at a financing interest rate of 6.00% per annum, the Group would have the interest savings of approximately RM2.71 million.*

**6.4 Convertible securities**

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

**7. APPROVALS REQUIRED AND CONDITIONALITY**

The Proposals are subject to, among others, the following approvals or consent, as the case may be, being obtained:

- (i) non-interested shareholders of the Company at the forthcoming EGM of the Company;
- (ii) non-interested unitholders of KIP REIT at the forthcoming EGM of KIP REIT in respect of its proposed acquisitions and tenancies of the Properties and the Bintulu Property;
- (iii) the relevant State Authority for the transfer of the Cheras Property. As at the date of this Circular, the State Authority's consent to transfer the Cheras Property has been obtained following the issuance of letter of consent dated 18 November 2024 by the State Authority;
- (iv) the lessor of the Pasir Gudang Property to transfer and grant tenancy over the Pasir Gudang Property; and
- (v) any other relevant authorities and/or parties, if required.

The Proposed Disposal I and Proposed Tenancy I are inter-conditional. Similarly, the Proposed Disposal II and Proposed Tenancy II are inter-conditional. The Proposed Bintulu Disposal and Proposed Bintulu Tenancy are also inter-conditional. The Proposed Disposal I and Proposed Disposal II are not inter-conditional with each other. Similarly, the Proposed Tenancy I, Proposed Tenancy II and Proposed Bintulu Tenancy are not inter-conditional with each other. The Proposals are not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

**8. HIGHEST PERCENTAGE RATIO**

The highest percentage ratio applicable for the Proposals pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 41.72%, calculated based on the Disposal Consideration and the total rental for the tenure of the Properties and the Bintulu Property, over the latest audited NA of the Group as at 31 December 2023 of RM337.61 million.

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

Save as disclosed below, none of the Directors, major shareholders of HIB and/or persons connected with them have any interest, either direct or indirect, in the Proposals:

- (i) Dato' Ong Choo Meng is a major shareholder of HIB with direct interest of 0.60% and indirect interest of 51.54% by virtue of his interest and directorship in Hextar Holdings as at the LPD. In addition, Dato' Ong Choo Meng is also a major unitholder of KIP REIT with indirect interest of 11.38% by virtue of his interest and directorship in Hextar Rubber Sdn Bhd as at the LPD. Dato' Ong Choo Meng is also a director and shareholder of Teju Logistics. He is also the son of Dato' Ong Soon Ho and brother of Ong Tzu Chuen;
- (ii) Dato' Ong Soon Ho is a major shareholder of HIB with indirect interest of 51.54% by virtue of his interest and directorship in Hextar Holdings as at the LPD. Dato' Ong Soon Ho is also a director and shareholder of Teju Logistics. He is also the father of Dato' Ong Choo Meng and Ong Tzu Chuen;
- (iii) Ong Tzu Chuen is the Non-Independent Non-Executive Director of HIB. In addition, Ong Tzu Chuen is also the Executive Director and major unitholder of KIP REIT with indirect interest of 11.38% by virtue of her interest in Hextar Rubber Sdn Bhd as at the LPD. She is also the daughter of Dato' Ong Soon Ho and sister of Dato' Ong Choo Meng; and
- (iv) Hextar Holdings is a major shareholder with direct interest of 51.54% in HIB as at the LPD. Dato' Ong Choo Meng and Dato' Ong Soon Ho are shareholders and directors in Hextar Holdings. As such, Hextar Holdings is deemed interested in the Proposals.

The details of the Interested Parties and their respective shareholding in HIB as at the LPD are as follows:

	Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>
Dato' Ong Choo Meng	16,432,700	0.60	1,416,063,297 <sup>(2)</sup>	51.54
Dato' Ong Soon Ho	-	-	1,416,063,297 <sup>(2)</sup>	51.54
Ong Tzu Chuen	-	-	-	-
Hextar Holdings	1,416,063,297	51.54	-	-

### Notes:

- (i) Based on 2,747,342,000 HIB Shares.
- (ii) Deemed interest by virtue of his interest in Hextar Holdings.

The Interested Director has abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in relation to the Proposals.

The Interested Parties will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolutions pertaining to the Proposals at the forthcoming EGM of the Company.

Further, the Interested Parties will also ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings, if any, on the resolutions pertaining to the Proposals at the forthcoming EGM of the Company.



**10. TRANSACTIONS WITH THE INTERESTED PARTIES IN THE PAST 12 MONTHS**

Save as disclosed below and the recurrent related party transactions which have been tabled and approved at the 12<sup>th</sup> annual general meeting of HIB on 21 May 2024, there were no transactions entered into between the Company and the Interested Parties for the past 12 months preceding the LPD:

<b>Related party</b>	<b>Related party within the Group</b>	<b>Nature of transaction</b>	<b>Value transacted (12 months up to the LPD) (RM'000)</b>	<b>Interested Major Shareholders and Connected Person</b>	<b>Nature of relationships</b>
Hexstar Holdings	HIB	HIB had on 15 December 2023 entered into a share sale agreement with Hexstar Holdings for the acquisition of 70.00% equity interest of Hexstar Mitai Sdn Bhd for a cash consideration of RM4.55 million. The acquisition was completed on 15 December 2023.	4,551	Dato' Ong Soon Ho, Dato' Ong Choo Meng, Hexstar Holdings	(i) Dato' Ong Choo Meng is a major shareholder of HIB with direct interest of 0.60% and indirect interest of 51.54% by virtue of his interest and directorship in Hexstar Holdings as at the LPD. He is also the son of Dato' Ong Soon Ho.  (ii) Dato' Ong Soon Ho, is a major shareholder of HIB with indirect interest of 51.54% by virtue of his interest and directorship in Hexstar Holdings as at the LPD. He is also the father of Dato' Ong Choo Meng.  (iii) Hexstar Holdings is a major shareholder of HIB with direct interest of 51.54% in HIB as at the LPD. Dato' Ong Choo Meng and Dato' Ong Soon Ho are shareholders and directors in Hexstar Holdings.

## 11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board (save for the Interested Director), after having considered all aspects of the Proposals, including the salient terms of the SPAs and Properties Tenancy Agreements and Bintulu Tenancy Agreement, the valuation of the Properties as ascribed by JLW, the basis and justification for the Disposal Consideration, Properties Rental Rates and Bintulu Rental Rates, the rationale and benefits for the Proposals as well as the effects of the Proposals, is of the opinion that the Proposals are in the best interest of the Company.

Accordingly, the Board (save for the Interested Director) recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the Company's forthcoming EGM.

## 12. AUDIT COMMITTEE' STATEMENT

The Audit Committee of the Company, after having considered among others, the preliminary view of the Independent Adviser and all aspects of the Proposals, including the salient terms of the SPAs, Properties Tenancy Agreements and Bintulu Tenancy Agreement, the valuation of the Properties as ascribed by JLW, the basis and justification for the Disposal Consideration, Properties Rental Rates and Bintulu Rental Rates, the rationale and benefits for the Proposals as well as the effects of the Proposals, is of the opinion that the Proposals are:

- (i) in the best interest of the Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders.

## 13. CORPORATE EXERCISE ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there is no other corporate exercise which has been announced by the Company but not yet completed as at the date of this Circular.

## 14. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to the fulfilment of all conditions precedent as stipulated in the SPAs and subject to all required approvals being obtained from the relevant authorities and/or parties, the Proposals are expected to be completed in the first half of 2025.

The estimated timeframe for the Proposals is as follows:

<u>Date</u>	<u>Events</u>
January 2025	<ul style="list-style-type: none"><li>• Company's EGM for the Proposals</li></ul>
1 <sup>st</sup> half of 2025	<ul style="list-style-type: none"><li>• Fulfilment of all the conditions precedent of the SPAs</li><li>• Completion of the Proposed Disposals and Proposed Bintulu Disposal</li><li>• Commencement of the tenancy under the Properties Tenancy Agreements and Bintulu Tenancy Agreement</li></ul>

## 15. INDEPENDENT ADVISER

As the Proposals are deemed as related party transactions pursuant to the Listing Requirements, MainStreet has been appointed as the Independent Adviser for the Proposals to undertake the following:

- (i) comment as to whether the Proposals are:
  - (a) fair and reasonable so far as the non-interested shareholders of the Company are concerned; and
  - (b) to the detriment of the non-interested shareholders of the Company,  
and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) advise the non-interested shareholders of the Company on whether they should vote in favour of the Proposals; and
- (iii) take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subparagraphs (i) and (ii) above.

Please refer to the IAL as set out in Part B of this Circular.

## 16. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted on a virtual basis by way of live streaming and online remote voting through the Remote Participation and Voting (“RPV”) facilities via TIIH Online website at <https://tiih.online> or <https://tiih.com.my> (“**Online Meeting Platform**”) (Domain Registration No. MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd (“**Share Registrar**”, “**Tricor**” or “**TIIH**”) in Malaysia from the Broadcast Venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor (“**Broadcast Venue**”) on Friday, 24 January 2025 at 10.00 a.m. or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions, with or without modifications, to give effect to the Proposals.

Members/proxies/corporate representatives/attorneys will not be allowed to attend the EGM in person on the day of the meeting. Members/proxies/corporate representatives/attorneys are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “**participate**”) remotely at the EGM via RPV provided by TIIH via its Online Meeting Platform. Please refer to the “Procedures for RPV” provided in the Administrative Guide for the EGM for further information on how to participate remotely via RPV.

If you decide to appoint proxy(ies) to attend, participate, speak and vote at the EGM, the Proxy Form should be completed and deposited at the Share Registrar’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on or Wednesday, 22 January 2025 at 10.00 a.m..

The proxy appointment may also be lodged electronically via Tricor’s TIIH Online website at <https://tiih.online> no later than Wednesday, 22 January 2025 at 10.00 a.m.. For further information on the electronic lodgement of the Proxy Form, kindly refer to the Administrative Guide for the EGM. The lodging of the Proxy Form will not preclude you from attending and voting remotely at the meeting if you subsequently wish to do so.

**17. FURTHER INFORMATION**

The shareholders of HIB are requested to refer to Part B of this Circular and the appendices set out in this Circular for further information.

Yours faithfully  
For and on behalf of the Board  
**HEXTAR INDUSTRIES BERHAD**

**ANG SUI AIK**  
Group Managing Director

**PART B**

**INDEPENDENT ADVICE LETTER FROM MAINSTREET ADVISERS SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF HIB IN RELATION TO THE PROPOSALS**

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## EXECUTIVE SUMMARY

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All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL.

All references to “you” or “your” in this IAL are references to the non-interested shareholders of HIB, whilst references to “we”, “us” or “our” in this IAL are references to MainStreet, being the Independent Adviser for the Proposals.

**THIS EXECUTIVE SUMMARY SUMMARISES THIS IAL. YOU ARE ADVISED TO READ AND UNDERSTAND THIS IAL IN ITS ENTIRETY, TOGETHER WITH THE LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSALS IN PART A OF THE CIRCULAR AND THE ACCOMPANYING APPENDICES FOR OTHER RELEVANT INFORMATION AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING AN OPINION ON THE PROPOSALS.**

**YOU ARE ALSO ADVISED TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

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

### 1. INTRODUCTION

On 29 August 2024, HIB through its subsidiaries, namely SCH and PKF, respectively entered into 2 conditional SPAs with Pacific Trustees (the trustee of KIP REIT) for the disposals of the Properties to KIP REIT, for a total cash consideration of RM45.90 million, breakdown as follows:

Subsidiaries	Properties to be disposed	Disposal consideration (RM'000)
SCH PKF	Cheras Property Pasir Gudang Property	22,600
		23,300
		<b>45,900</b>

Simultaneously with the execution of the SPAs, SCH and PKF had respectively signed the Properties Tenancy Agreements in-escrow with Pacific Trustees for the rental of the Cheras Property and Pasir Gudang Property from KIP REIT for 12 years and 15 years respectively. The said tenancies will commence on the day immediately upon the completion of the Proposed Disposals. The Proposed Properties Tenancies are conditional upon completion of the Proposed Disposals. The Proposed Tenancy I and Proposed Tenancy II are conditional upon completion of the Proposed Disposal I and Proposed Disposal II, respectively.

In addition, Teju Logistics (the current landlord of the Bintulu Property) had on 29 August 2024, entered into a conditional sale and purchase agreement with Pacific Trustees for the Proposed Bintulu Disposal. In this regard, HIB through its indirect wholly-owned subsidiary, HSSB, signed the Bintulu Tenancy Agreement in-escrow with Pacific Trustees for the rental of the Bintulu Property from KIP REIT for 15 years. The said tenancy will commence on the day immediately upon the completion of the Proposed Bintulu Disposal. The Proposed Bintulu Tenancy is conditional upon the completion of the Proposed Bintulu Disposal.

The Proposals are deemed as related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements, in view of the interests of the Interested Major Shareholders and Interested Director as set out in Section 9, Part A of the Circular.

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**EXECUTIVE SUMMARY (CONT'D)**

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Pursuant thereto, MainStreet has been appointed as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of HIB in relation to the Proposals.

Further details of the Proposals are set out in Section 2, Part A of the Circular.

The purpose of this IAL is for us to provide the non-interested shareholders of HIB with an independent evaluation on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company together with our recommendation on whether they should vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.

## 2. EVALUATION OF THE PROPOSALS

Section in the IAL	Consideration factors	Our evaluation
3.1	Rationale and benefits of the Proposals	<p>The Proposed Disposals present an opportunity for HIB Group to monetise its investment in the Properties at market value. With these disposals, the Group would also be able to concentrate on developing its existing business segments as well as new business ventures.</p> <p>Upon completion of the Proposed Disposals, the Group is expected to recognise a one-off estimated gain on disposals of approximately RM0.47 million.</p> <p>As the Disposal Consideration is to be satisfied entirely in cash and is mainly used for the Group's working capital requirements, this will enable the Group to reduce the need for bank borrowings to fund working capital. Further, this provides the Group with flexibility in terms of allocating financial resources for its business operations.</p> <p>In addition, the Proposed Properties Tenancies will enable the Group to retain the use of the Properties and ensure that its existing operations are not disrupted for 12 years at the Cheras Property and 15 years at the Pasir Gudang Property. Similarly, the Proposed Bintulu Tenancy will enable the Group to achieve the same objective for its existing operations at the Bintulu Property after the Proposed Bintulu Disposal.</p> <p>Premised on the above, we view that the rationale and benefits of the Proposals are <b><u>reasonable</u></b>.</p>
3.2	Use of proceeds from the Proposed Disposals	<p>The utilisation of proceeds as working capital will ease the Group's funding requirements and reduce the need for bank borrowings to fund working capital, which may otherwise incur interest expense and the commitment to repay such borrowings.</p> <p>Hence, we are of the view that the use of proceeds from the Proposed Disposals is <b><u>reasonable</u></b>.</p>

**EXECUTIVE SUMMARY (CONT'D)**

Section in the IAL	Consideration factors	Our evaluation
3.3	Basis and justification for the Disposal Consideration and the rental rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy	<p><b><u>Evaluation of the Disposal Consideration</u></b></p> <p>The Disposal Consideration was arrived at after taking into consideration the market value of the Properties ascribed by JLW of RM42.20 million.</p> <p>In the valuation of the Properties, JLW has adopted the following valuation approaches:</p> <ul style="list-style-type: none"> <li>(i) Income approach by way of investment method (primary approach); and</li> <li>(ii) Cost approach (cross check approach).</li> </ul> <p>The methodologies applied by JLW are reasonable and consistent with generally applied valuation methodologies. We have reviewed and are satisfied with the bases and assumptions used by JLW in deriving the valuation for the Properties. As such, we are satisfied with and have relied on the valuation for the purposes of evaluating the Disposal Consideration.</p> <p>The Disposal Consideration represents a premium of 8.77% against the market value of the Properties.</p> <p>Hence, we are of the view that the Disposal Consideration is <b><u>fair</u></b>.</p> <p><b><u>Evaluation of the rental rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy</u></b></p> <p>The starting rental rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy are below market rental rates, which are considered favourable to HIB.</p> <p>However, the rental rates are gradually increasing each term over the tenure of the Proposed Properties Tenancies and Proposed Bintulu Tenancy.</p> <p>Based on the analysis of JLW (for the Proposed Properties Tenancies) and LaurelCap (for the Proposed Bintulu Tenancy), the rental escalation rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy are within the market range.</p> <p>As such, we are of the view that the rental rates are <b><u>fair</u></b>.</p>



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**EXECUTIVE SUMMARY (CONT'D)**


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Section in the IAL	Consideration factors	Our evaluation
3.4	Salient terms of the SPAs, Properties Tenancy Agreements and Bintulu Tenancy Agreement	Based on our review of the salient terms of the SPAs, Properties Tenancy Agreements and Bintulu Tenancy Agreement, we are of the view that the terms are <b>reasonable</b> and <b>not detrimental</b> to the non-interested shareholders of HIB.
3.5	Effects of the Proposals	<p>The pro forma effects of the Proposals (kindly refer to Section 6, Part A of the Circular and Section 3.5 of this IAL for further detail) are as follows:</p> <ul style="list-style-type: none"> <li>(i) will not have any effect on HIB's issued share capital and its substantial shareholders' shareholdings as the Proposals do not involve any issuance of new HIB Shares;</li> <li>(ii) will result in an increase in the consolidated NA from RM337.61 million to RM344.12 million;</li> <li>(iii) the gearing of the Group will improve from 0.65 times (as at 31 December 2023) to 0.64 times (after completion of the Proposals); and</li> <li>(iv) the EPS will improve from 1.52 sen to 1.56 sen.</li> </ul>
3.6	Risk factors of the Proposals	<ul style="list-style-type: none"> <li>(i) <b>Completion risk</b> If any conditions precedent is not fulfilled / waived or the necessary approval is not obtained within the stipulated time period, the SPAs may be terminated. In such an event, the benefits arising from the Proposals will not be realised.</li> <li>(ii) <b>Loss of potentially higher capital value of the Properties</b> By disposing the Properties at this juncture, the Group may lose out on any potential increase in capital value of the Properties in the future.</li> <li>(iii) <b>Tenancy risk</b> There is no certainty that the Group will be able to occupy the aforesaid properties after the end of tenancy and at fair rental rates.</li> </ul>

**3. CONCLUSION AND RECOMMENDATION**

We have assessed and evaluated the Proposals. Based on our evaluation in Section 3 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposals are **fair and reasonable** and **not detrimental** to the non-interested shareholders of HIB.

Accordingly, we recommend that the non-interested shareholders of HIB **vote in favour** of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.

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20 December 2024

**To: The non-interested shareholders of Hextar Industries Berhad**

Dear Sir / Madam,

**HEXTAR INDUSTRIES BERHAD (“HIB” OR THE “COMPANY”)**

**INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSALS**

This IAL is prepared for inclusion in the Circular to the shareholders of HIB. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to MainStreet, being the Independent Adviser for the Proposals.

**1. INTRODUCTION**

On 29 August 2024, HIB through its subsidiaries, namely SCH and PKF, respectively entered into 2 conditional SPAs with Pacific Trustees (the trustee of KIP REIT) for the disposal of the Properties to KIP REIT, for a total cash consideration of RM45.90 million, breakdown as follows:

<b>Subsidiaries</b>	<b>Properties to be disposed</b>	<b>Disposal consideration (RM'000)</b>
SCH PKF	Cheras Property	22,600
	Pasir Gudang Property	23,300
		<b>45,900</b>

Simultaneously with the execution of the SPAs, SCH and PKF had respectively signed the Properties Tenancy Agreements in-escrow with Pacific Trustees for the rental of the Cheras Property and Pasir Gudang Property from KIP REIT for 12 years and 15 years respectively. The said tenancies will commence on the day immediately upon the completion of the Proposed Disposals. The Proposed Tenancy I and Proposed Tenancy II are conditional upon completion of the Proposed Disposal I and Proposed Disposal II, respectively.

In addition, Teju Logistics (the current landlord of the Bintulu Property) had on 29 August 2024, entered into a conditional sale and purchase agreement with Pacific Trustees for the Proposed Bintulu Disposal. In this regard, HIB through HSSB (an indirect wholly-owned subsidiary), signed the Bintulu Tenancy Agreement in-escrow with Pacific Trustees for the rental of the Bintulu Property from KIP REIT for 15 years. The said tenancy will commence on the day immediately upon the completion of the Proposed Bintulu Disposal. The Proposed Bintulu Tenancy is conditional upon the completion of the Proposed Bintulu Disposal.

The Proposals are deemed as related party transactions pursuant to Paragraph 10.08(2) of the Listing Requirements, in view of the interests of the Interested Major Shareholders and Interested Director as set out in Section 9, Part A of the Circular.

Pursuant thereto, MainStreet has been appointed as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders of HIB in relation to the Proposals.

Further details of the Proposals are set out in Section 2, Part A of the Circular.

The purpose of this IAL is for us to provide the non-interested shareholders of HIB with an independent evaluation on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of the Company together with our recommendation on whether they should vote in favour of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.

Nonetheless, the non-interested shareholders of HIB should rely on their own evaluation of the merits of the Proposals before deciding on the course of action to be taken at the forthcoming EGM.

This IAL is prepared solely for the use of the non-interested shareholders of HIB to consider the Proposals and should not be used or relied upon by any other party for any other purposes whatsoever.

**YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO SHAREHOLDERS OF HIB IN RELATION TO THE PROPOSALS AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

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

## **2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSALS**

MainStreet was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the Proposals. The terms of reference of our appointment as the Independent Adviser are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters ("**IAL Guide**") issued by Bursa Securities.

Our scope as the Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposals and whether the Proposals are detrimental to the non-interested shareholders of HIB, together with our recommendation on whether the non-interested shareholders of the Company should vote in favour of the Proposals, based on information and documents made 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 Part A of the Circular and the accompanying appendices;
- (ii) the SPAs;
- (iii) the Properties Tenancy Agreements and Bintulu Tenancy Agreement;
- (iv) the valuation certificate and valuation reports prepared by the independent valuer, JLW dated 28 August 2024 in respect of the Properties;
- (v) commentary letter on rental escalation of the Properties prepared by JLW dated 28 August 2024;
- (vi) rental valuation letter of the Bintulu Property prepared by LaurelCap dated 28 August 2024;
- (vii) the annual reports and audited consolidated financial statements of HIB for FYE 31 August 2021, 16-month FPE 31 December 2022 and FYE 31 December 2023 as well as the latest unaudited consolidated financial statements of HIB for the 9-month FPE 30 September 2024;
- (viii) other relevant information, documents, confirmations and representations furnished to us by the Directors, management and/or representatives of HIB; and
- (ix) other relevant publicly available information.

We have relied on the Directors, management and/or representatives of HIB to take due care in ensuring that all information, documents, confirmations and representations provided to us to facilitate our evaluation of the Proposals and which had been used, referred to and/or relied upon in this IAL, are accurate, valid and complete in all material aspects.

The Board has seen, reviewed and accepted this IAL. The Board, individually and collectively, accepts full responsibility for the accuracy of the information contained in this IAL (save for the assessment, evaluation and opinion of MainStreet) and confirms that, after having made all reasonable enquiries, that to the best of their knowledge, there are no false or misleading statements and/or other facts not contained in this IAL, the omission of which would make any information in this IAL false or misleading.

The Board has confirmed that all material facts and information required for the purpose of our evaluation of the Proposals and preparation of this IAL have been disclosed to MainStreet and there are no material facts or information, the omission of which would make any information, confirmation and document supplied to us misleading, or would materially affect the evaluation, view and recommendation of MainStreet in this IAL.

We are satisfied that sufficient information has been disclosed to us for us to formulate our recommendation. After making all reasonable enquiries and to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and important to an assessment of the implications of the Proposals and are of general concern to the non-interested shareholders of HIB to consider and form their views thereon. Notwithstanding this:

- (i) it is not within our terms of reference to express any opinion on the legal, accounting and taxation issues relating to the Proposals; and

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- (ii) we have not given consideration to the specific investment objectives, risk profiles, financial situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders. We recommend that any individual non-interested shareholder or group of non-interested shareholders who is/are in doubt as to the action to be taken or require advice in relation to the Proposals in the context of their investment objectives, risk profiles, financial situations and particular needs should consult their respective stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Our opinion 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. It is also based on the assumption that the parties to the respective transactions are able to fulfil their respective obligations thereto in accordance with the terms and conditions therein. Such conditions may change significantly over a short period of time after the date of this IAL.

Further, we have also relied on information obtained from independent sources, where applicable, in formulating our evaluation and opinion. In addition, it should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

We shall immediately notify the non-interested shareholders of HIB by way of an announcement if, after despatching this IAL and until the date of the EGM, we:

- (i) become aware of significant change affecting the information contained herein;
- (ii) have reasonable grounds to believe that a material statement in this IAL is false, misleading or deceptive; or
- (iii) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, we shall send a supplementary IAL to the non-interested shareholders of the Company.

The following are disclosures made pursuant to the IAL Guide:

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposals;
- (ii) Save for the current appointment as the Independent Adviser for the Proposals, we did not have any professional relationship with HIB in the past 2 years; and
- (iii) We are a corporate finance advisory firm licensed by the Securities Commission Malaysia to carry out the regulated activity of advising on corporate finance under the Capital Markets and Services Act 2007. Our team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on the fairness and reasonableness of acquisitions, disposals and take-over offers.

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Our experience and credentials as independent adviser in 2024 include the following:

- (a) independent adviser to the non-interested shareholders and redeemable convertible preference shares (“**RCPS**”) holder of WMG Holdings Bhd (“**WMG**”) in relation to the unconditional mandatory take-over offer by Exsim Borneo Sdn Bhd (“**WMG Offeror**”) to acquire all the remaining ordinary shares in WMG (“**WMG Shares**”) not already held by the WMG Offeror, the joint ultimate offerors and person acting in concert with them including any new WMG Shares that may be issued and allotted prior to the closing date of the take-over offer arising from the conversion of the outstanding RCPS in WMG and all the RCPS in WMG, whereby our independent advice circular was issued on 11 November 2024;
- (b) independent adviser to the non-interested unitholders of AME Real Estate Investment Trust in relation to the proposed acquisitions of 4 factories together with the lands located in Johor Bahru, Johor, involving the interest of related parties, whereby our independent advice letter was issued on 17 October 2024;
- (c) independent adviser to the non-interested shareholders of Paragon Union Berhad in relation to the proposed acquisition 51% equity interest in Metahub Industries Sdn Bhd, involving interest of related parties, whereby our independent advice letter was issued on 15 October 2024;
- (d) independent adviser to the non-interested shareholders of Kelington Group Berhad in relation to the proposed acquisition of the remaining 9.29% equity interest in Ace Gases Sdn Bhd, involving interest of related parties, whereby our independent advice letter was issued on 8 October 2024;
- (e) independent adviser to the non-interested shareholders of Carlo Rino Group Berhad (“**CRG**”) in relation to the unconditional voluntary take-over offer by Dato’ Sri Chiang Fong Yee, Chiang Sang Sem and Freeway Team Sdn Bhd (collectively, the “**CRG Joint Offerors**”) to acquire all the remaining ordinary shares in CRG not already held by the CRG Joint Offerors, whereby our independent advice circular was issued on 23 September 2024;
- (f) independent adviser to the shareholders of Grand Central Enterprises Bhd (“**Grand Central**”) in relation to the proposed voluntary withdrawal of Grand Central from the Main Market of Bursa Securities, whereby our independent advice letter was issued on 22 August 2024;
- (g) independent adviser to the non-interested shareholders of Grand Central in relation to the conditional voluntary take-over offer by Tan Chee Hoe & Sons Sdn Bhd and Hotel Grand Central Limited (“**Grand Central Joint Offerors**”) to acquire all the remaining ordinary shares in Grand Central not already held by the Grand Central Joint Offerors, whereby our independent advice circular was issued on 22 August 2024;
- (h) independent adviser to the non-interested shareholders of Ewein Berhad (now known as SkyGate Solutions Berhad) in relation to the proposed acquisition of a parcel of industrial land located in Seberang Perai Utara, Pulau Pinang and proposed acquisition of VS Solution Services Sdn Bhd involving the interests of related parties, whereby our independent advice letter was issued on 13 June 2024;

- (i) independent adviser to the non-interested shareholders of SEG International Bhd (“**SEGi**”) in relation to the unconditional mandatory take-over offer by EduEdge Equities Sdn Bhd (“**SEGi Offeror**”) to acquire all the remaining ordinary shares in SEGi (“**SEGi Shares**”) not already held by the SEGi Offeror and the ultimate offeror and any new SEGi Shares that may be issued and allotted prior to the closing date of the take-over offer arising from the exercise of the outstanding options granted under the long term incentive plan of SEGi, whereby our independent advice circular was issued on 31 May 2024;
- (j) independent adviser to the shareholders of ICT Zone Asia Berhad (“**ICT Zone**”) in relation to (i) the proposed voluntary withdrawal of ICT Zone from the LEAP Market of Bursa Securities; (ii) the proposed listing of ICT Zone on the ACE Market of Bursa Securities; (iii) the proposed amendments to the constitution of ICT Zone; and (iv) the proposed pre-conditional voluntary general take-over offer on all the remaining ordinary shares and irredeemable convertible preference shares in ICT Zone not already held by Datuk Seri Ng Thien Phing and ICT Zone Holding Sdn Bhd, whereby our independent advice letter was issued on 27 May 2024; and
- (k) independent adviser to the non-interested shareholders of Rexit Berhad (“**Rexit**”) in relation to the unconditional mandatory take-over offer by Dato Seow Gim Shen, Metaco Asset Holdings Sdn Bhd and Bemas Holdings Sdn Bhd (collectively, the “**Rexit Joint Offerors**”) to acquire all the remaining ordinary shares in Rexit not already held by the Rexit Joint Offerors, whereby our independent advice circular was issued on 19 February 2024.

### 3. EVALUATION OF THE PROPOSALS

In arriving at our conclusion and recommendation, we have assessed and evaluated the Proposals based on the following pertinent factors:

Consideration factors	Section
(i) Rationale and benefits of the Proposals	3.1
(ii) Use of proceeds from the Proposed Disposals	3.2
(iii) Basis and justification for the Disposal Consideration and the rental rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy	3.3
(iv) Salient terms of the SPAs, Properties Tenancy Agreements and Bintulu Tenancy Agreement	3.4
(v) Effects of the Proposals	3.5
(vi) Risk factors of the Proposals	3.6

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## 3.1 Rationale and benefits of the Proposals

We take cognisance of the rationale and benefits of the Proposals as set out in Section 3, Part A of the Circular and our commentaries are as follows:

### Our commentaries

HIB Group focuses on the following 2 key business segments:

Segment	Principal activities
Fertiliser	Manufacturing and trading of fertilisers primarily for the palm oil industry
Industrial and consumer	<ul style="list-style-type: none"> <li>(i) Heavy equipment – supplies of tools and parts for the quarry industry such as vertical-shaft impact crushers, mobile crushers, crawler drills, breakers, rippers and others;</li> <li>(ii) Equipment rental – rental of air conditioning and cooling systems, power generating equipment and tent for events; supplies of forklifts, lighting fixture and related accessories;</li> <li>(iii) Engineering solutions – one-stop project management including design customisation, fabrication, engineering, procurement, construction and commission; and</li> <li>(iv) Office supplies – trading of office supplies such as stationery, paper, printers, shredders, chart boards, office chairs, tables, cabinets and etc.</li> </ul>

#### Fertiliser segment

In 2022, the Group acquired a group of companies belonging to Hextar Fertilizers Group Sdn Bhd to expand its fertiliser segment. This acquisition allowed the Group to have immediate access to distribution networks and manufacturing facilities for fertiliser in Peninsular Malaysia (Port Klang and Pasir Gudang), Sabah (Lahad Datu) and Sarawak (Bintulu) and increased the Group's production capacity from 75,000 metric tonnes to 679,000 metric tonnes per annum. This acquisition also enabled the Group to tap into export markets and expand its global presence.

Following this acquisition, the revenue contribution from the fertiliser segment to the Group's revenue increased from approximately 66% in FYE 31 August 2021 to more than 90% in the 16-month FPE 31 December 2022 and FYE 31 December 2023.

#### Industrial and consumer segment

In 2023, the Group expanded its industrial and consumer segment to include office supplies through the acquisition of Pacific Office (M) Sdn Bhd, a stationery and office supply company which has a track record over 33 years and has a database of more than 3,500 active customers nationwide.

Further, the Group acquired 70% equity interest in Hextar Mitai Sdn Bhd, an engineering solutions company that provides procurement, construction and commission services to a wide range of industries. This acquisition allowed the Group to gain immediate access to specialised engineering capabilities and expand its industrial and consumer segment.

The Group's revenue and bank borrowings for the past 3 financial years / period are as follows:

	Audited		
	FYE 31 August 2021 RM'000	16-month FPE 31 December 2022 RM'000	FYE 31 December 2023 RM'000
Fertiliser	81,762	1,197,744	866,266
Industrial and consumer	41,278	87,957	70,720
<b>Total revenue</b>	<b>123,040</b>	<b>1,285,701</b>	<b>936,986</b>
Bank borrowings	59,790	271,110	216,322
Gearing <sup>(1)</sup> (times)	0.73	0.78	0.65

Note:

- (1) Calculated based on the total of bank borrowings and hire purchase payables divided by total equity.

Over the past few years, the Group has been actively expanding its business, particularly in the fertiliser segment. The Group's revenue increased from RM123.04 million in FYE 31 August 2021 to RM1,285.70 million in the 16-month FPE 31 December 2022 and RM936.99 million in FYE 31 December 2023.

With the increase in revenue, the Group required additional funds for working capital and this led to the increase in borrowings. The Group's bank borrowings increased from RM59.79 million as at 31 August 2021 to RM271.11 million as at 31 December 2022, before decreasing to RM216.32 million as at 31 December 2023.

As at 30 September 2024, the Group has cash and bank balances of RM109.63 million (31 December 2023: RM107.75 million) while short term bank borrowings stood at RM244.25 million (31 December 2023: RM176.72 million). Apart from existing operations, the Group also needs to have sufficient cash to meet its other business needs.

On 29 November 2024, the Group through Global Aroma Sdn Bhd (a wholly owned subsidiary) entered into a master development and operating agreement with Luckin Coffee Holding Singapore Pte Ltd to obtain the rights to develop, open and operate coffee shops under the "Luckin Coffee" name in Malaysia. The initial cost to develop this new business venture is expected to be satisfied via internal funds and/or bank borrowings. This being the case, there is additional working capital requirement and this may exert further pressure on the Group in meeting this requirement whilst managing its gearing.

The Proposed Disposals present an opportunity for HIB Group to monetise its investment in the Properties at market value. With these disposals, the Group would also be able to concentrate on developing its existing business segments and the aforesaid new business venture. Upon completion of the Proposed Disposals, the Group is expected to recognise a one-off estimated gain on disposals of approximately RM0.47 million.

As the Disposal Consideration is to be satisfied entirely in cash and is mainly used for the Group's working capital requirements, this will enable the Group to reduce the need for bank borrowings to fund working capital. Further, this provides the Group with flexibility in terms of allocating financial resources for its business operations.

In addition, the Proposed Properties Tenancies will enable the Group to retain the use of the Properties and ensure that its existing operations are not disrupted for 12 years at the Cheras Property and 15 years at the Pasir Gudang Property. Similarly, the Proposed Bintulu Tenancy will enable the Group to achieve the same objective for its existing operations at the Bintulu Property after the Proposed Bintulu Disposal.

Premised on the above, we view that the rationale and benefits of the Proposals are **reasonable**.

### **3.2 Use of proceeds from the Proposed Disposals**

As set out in Section 2.1.5, Part A of the Circular, RM45.20 million from the Proposed Disposals will be used by HIB Group as working capital, whilst the remaining RM0.70 million will be used to defray the expenses for the Proposals.

The working capital will be used to finance the Group's operating expenses, which shall include, among others, purchase of raw materials for its fertiliser segment, payment of staff and worker related expenses such as wages and salaries as well as administrative expenses such as rental, utilities, transportation costs, upkeep of the office, factory expenses, as well as repair and maintenance of machinery.

As such, the utilisation of proceeds as working capital will ease the Group's funding requirements and reduce the need for bank borrowings to fund working capital, which may otherwise incur interest expense and the commitment to repay such borrowings.

Further, as set out in Sections 5.2 and 5.3, Part A of the Circular, the prospects of the manufacturing industry and plantation industry in Malaysia is positive. As such, the deployment of funds for working capital (especially for the purchase of raw materials for the Group's fertiliser segment) is expected to contribute positively to the Group's financial performance.

Hence, we are of the view that the use of proceeds from the Proposed Disposals is **reasonable**.

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### 3.3 Basis and justification for the Disposal Consideration and the rental rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy

#### 3.3.1 Evaluation of the Disposal Consideration

As set out in Section 2.1.1, Part A of the Circular, the Disposal Consideration was arrived at after taking into consideration the market value of the Properties ascribed by JLW in its valuation reports dated 28 August 2024.

In the valuation of the Properties, JLW has adopted the following valuation approaches:

No.	Valuation approaches	Description
(i)	Income approach by way of investment method (primary approach)	<p>Under the income approach by way of investment method, the market value is derived from the capitalisation of net rent from a property.</p> <p>Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.</p>
(ii)	Cost approach (cross check approach)	<p>Under the cost approach, the market value is derived based on the aggregate amount of the value of the land component and the gross replacement costs of the buildings and other site improvements, allowing for depreciation.</p> <p>The land component is valued based on comparison approach whereby comparison is made of the property under valuation with sales of other similar properties and where dissimilarities exist, adjustments are made.</p>

We are of the view that the income approach by way of investment method of valuation adopted for the Properties is reasonable as the Proposed Disposals and Proposed Properties Tenancies are inter-conditional and that the tenancy for the Properties is at fixed rental rates during the tenancy term (12 years for the Cheras Property and 15 years for the Pasir Gudang Property). As such, the income approach by way of investment method is appropriate as it is derived based on actual rental rates and capitalised at the appropriate yield.

Further, the Properties are currently occupied by HIB Group for its existing business operations and the Proposed Properties Tenancies would allow the continuation of the Group's occupation of the Properties for its business operations, immediately after completion of the Proposed Disposals. This being the case, the use of the income approach assuming that the Properties are let commencing from the date of valuation (in the absence of a fixed commencement date) is appropriate.

The cost approach as a counter-check method is reasonable taking into consideration that the Properties are purpose-built for the Group's operations. As such, the cost approach of valuing the land and buildings based on depreciated replacement cost is appropriate.

The methodologies applied by JLW are reasonable and consistent with generally applied valuation methodologies. We have reviewed and are satisfied with the bases and assumptions used by JLW in deriving the valuation for the Properties. As such, we are satisfied with and have relied on the valuation for the purposes of evaluating the Disposal Consideration.

(i) **Cheras Property**

Income approach by way of investment method

The bases and assumptions used by JLLW in the income approach by way of investment method in deriving the market value of Cheras Property are as follows:

Parameters	Assumptions		Reversionary term	Our commentaries
	Tenancy term	Rental rate		
Monthly rental rate	First (Year 1 to 3)	RM123,269.20 (RM1.85 per sq.ft)	RM133,264.00 (based on rental rate of RM2.00 per sq.ft)	<p>The tenancy term rental is based on the tenancy agreement of the Cheras Property.</p> <p>The reversionary term rental is based on the rental rates of similar properties in the vicinity of the Cheras Property ranging between RM1.86 per sq.ft to RM2.62 per sq.ft. Considerations were given for different factors (i.e. market / time factor, negotiations, location, size, design / building condition and tenancy terms) that would be influencing the value.</p> <p>As such, the assumptions for the tenancy term and reversionary term are fair and reasonable.</p> <p>Please refer to Section 3.3.2 of this IAL for our comments on the rental rate.</p>
	Second (Year 4 to 6)	RM137,928.24 (RM2.07 per sq.ft)		
	Third (Year 7 to 9)	RM154,586.24 (RM2.32 per sq.ft)		
	Fourth (Year 10 to 12)	RM173,243.20 (RM2.60 per sq.ft)		

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Parameters	Assumptions		Our commentaries
	Tenancy term	Reversionary term	
Void allowance	No void allowance	5.00%	<p>Under the terms of the tenancy agreement, the Group would be occupying the Cheras Property for a period of 12 years. Hence, it is reasonable that no void is provided in the computation during the aforesaid tenancy period.</p> <p>For the reversionary term, the allowance for void is assumed at 5% annually.</p> <p>As there is no certainty that the Cheras Property would be rented out consistently subsequent to the tenancy term, the void factor allows for the vacancy periods between rent reviews including rent free and fitting out period. Hence this assumption is reasonable.</p>
Capitalisation rate	5.75%	6.25%	<p>In arriving at the capitalisation rates of the Cheras Property, JLW had conducted a yield analysis based on similar transacted industrial properties and considered certain factors that would influence the yield.</p> <p>JLW has adopted a higher capitalisation rate for the reversionary term as compared to the lease term to reflect higher risk due to future uncertainty.</p> <p>Premised on the above, we are of the view that the capitalisation rates adopted by JLW are reasonable.</p>

## Cost approach

The bases and assumptions used by JLW in the cost approach to cross-check the market value of the Cheras Property are:

<b>Parameters</b>	<b>Description</b>	<b>RM'000</b>	<b>Our commentaries</b>
Improved land value	<p>For the valuation of the land, JLW has adopted the comparison approach by analysing 3 recent transactions of comparable industrial land near the Cheras Property, with adjustments made to account for market / time factor, location, size, shape and tenure.</p> <p>JLW also included the estimated current site improvement cost less straight-line depreciation rate of 1.67% per annum to account for life span and condition of the site improvement.</p>	14,655	<p><b>Fair.</b></p> <p>Please refer to the table below for our commentaries on the comparable.</p> <p>JLW has checked with quantity surveyor and contractors in deriving the improvement cost and it is in line with the market.</p> <p>Further, a depreciation charges was imputed to reflect the life span and condition of the site improvement.</p>
Depreciated building costs	<p>For the valuation of the buildings, JLW has adopted the estimated current construction costs to construct a similar building with the same intended usage and function less straight-line depreciation at the rate of 1.67% per annum to account for life span and condition of the buildings.</p>	9,811	<p><b>Fair.</b></p> <p>JLW has checked with quantity surveyor and contractors in deriving the replacement cost and this cost is in line with the market.</p> <p>Further, a depreciation charge was imputed to reflect the life span and condition of the buildings.</p>

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The details of the comparables are as follows:

Parameters	Comparable 1	Comparable 2	Comparable 3
Location	Jalan Simpang Balak, Kawasan Perusahaan Cheras Jaya	Jalan KPB 9, Kawasan Perindustrian Kampung Baru Balakong	Jalan CJ 3, Kawasan Perusahaan Cheras Jaya
Land area	0.848 acres (36,932 sq.ft)	2,249 acres (97,955 sq.ft)	0.995 acres (43,348 sq.ft)
Date of transaction	19 January 2022	19 January 2022	22 January 2020
Consideration	RM5,800,000 (RM157.05 per sq.ft)	RM13,230,730 (RM135.07 per sq.ft)	RM6,935,520 (RM160.00 per sq.ft)
<b>Adjustment factors</b>			
Market / Time factor	Upward as property market is in an uptrend condition	Upward as property market is in an uptrend condition	Upward as property market is in an uptrend condition
Location	Upward as Cheras Property is in a better location	Upward as Cheras Property is in a better location	Downward as the comparable property is in a better location
Size	Downward as Cheras Property is bigger in size	No adjustments as similar parameters	Downward as Cheras Property is bigger in size
Shape	Upward as the comparable is an almost trapezoidal shape of land	No adjustments as similar parameters	No adjustments as similar parameters
Tenure	Downward as Cheras Property has a shorter remaining lease term	Downward as Cheras Property has a shorter remaining lease term	No adjustments as similar parameters
Adjusted value, say	RM155.00 per sq.ft	RM140.00 per sq.ft	RM 155.00 per sq.ft
Source	Jabatan Penilaian Dan Perkhidmatan Harta (Valuation and Property Services Department) (" <b>JPPH</b> ")	JPPH	JPPH



Based on the analysis above, JLW has adopted RM155.00 per sq.ft (being the adjusted value for Comparable 1 and Comparable 3) for the land valuation, as Comparable 1 and Comparable 3 are located in the same industrial estate as that of the Cheras Property.

We are of the view that the comparables selected are reasonable given the availability of data on recent transactions within the vicinity of the Cheras Property.

The market value appraised by JLW for the Cheras Property is RM22.30 million using income approach by way of investment method and RM24.50 million using cost approach.

## (ii) Pasir Gudang Property

Income approach by way of investment method

The bases and assumptions used by JLW in the income approach in deriving the market value of the Pasir Gudang Property are as follows:

Parameters	Assumptions		Reversionary term	Our commentaries
	Tenancy term	Rental rate		
Monthly rental rate	First (Year 1 to 3)	RM146,217.85 (RM0.79 per sq.ft)	RM220,944.00 (based on rental rate of RM1.20 per sq.ft)	The tenancy term rental is based on the tenancy agreement of the Pasir Gudang Property.  The reversionary term rental is based on the rental rates of similar properties in the vicinity of the Pasir Gudang Property ranging between RM1.46 per sq.ft to RM1.55 per sq.ft. Considerations were given for different factors (i.e. market / time factor, location, size, design / building condition and tenancy terms) that would be influencing the value.  As such, the assumptions for the tenancy term and reversionary term are fair and reasonable.  Please refer to Section 3.3.2 of this IAL for our comments on the rental rate.
	Second (Year 4 to 6)	RM163,419.95 (RM0.89 per sq.ft)		
	Third (Year 7 to 9)	RM184,062.47 (RM1.00 per sq.ft)		
	Fourth (Year 10 to 12)	RM204,704.99 (RM1.11 per sq.ft)		
	Fifth (Year 13 to 15)	RM230,508.14 (RM1.25 per sq.ft)		

Parameters	Assumptions		Our commentaries
	Tenancy term	Reversionary term	
Void allowance	No void allowance	5.00%	<p>Under the terms of the tenancy agreement, the Group would be occupying the Pasir Gudang Property for a period of 15 years. Hence, it is reasonable that no void is provided in the computation during the aforesaid tenancy period.</p> <p>For the reversionary term, the allowance for void is assumed at 5% annually.</p> <p>As there is no certainty that the Pasir Gudang Property would be rented out consistently subsequent to the tenancy term, the void factor allows for the vacancy periods between rent reviews including rent free and fitting out period. Hence this assumption is reasonable.</p>
Capitalisation rate	7.00%	7.50%	<p>In arriving at the capitalisation rates of the Pasir Gudang Property, JLW had conducted a yield analysis based on the similar transacted industrial properties and considered certain factors that would influence the yield.</p> <p>JLW has adopted a higher capitalisation rate for the reversionary term as compared to the lease term to reflect higher risk due to future uncertainty.</p> <p>Premised on the above, we are of the view that the capitalisation rates adopted by JLW are reasonable.</p>

## Cost approach

The bases and assumptions used by JLW in the cost approach to cross-check the market value of the Pasir Gudang Property are:

<b>Parameters</b>	<b>Description</b>	<b>RM'000</b>	<b>Our commentaries</b>
Improved land value	<p>For the valuation of the land, JLW has adopted the comparison approach by analysing 3 recent transactions of comparable industrial land near the Pasir Gudang Property, with adjustments made to account for location, size and tenure.</p> <p>JLW also included the estimated current site improvement cost less straight-line depreciation rate of 1.67% per annum to account for life span and condition of the site improvement.</p>	10,743	<p><b>Fair.</b></p> <p>Please refer to the table below for our commentaries on the comparable.</p> <p>JLW has checked with quantity surveyor and contractors in deriving the improvement cost and it is in line with the market.</p> <p>Further, a depreciation charges was imputed to reflect the life span and condition of the site improvement.</p>
Depreciated building costs	<p>For the valuation of the buildings, JLW has adopted the estimated current construction costs to construct a similar building with the same intended usage and function less straight-line depreciation at the rate of 1.67% per annum to account for life span and condition of the buildings.</p>	11,005	<p><b>Fair.</b></p> <p>JLW has checked with quantity surveyor and contractors in deriving the replacement cost and this cost is in line with the market.</p> <p>Further, a depreciation charge was imputed to reflect the life span and condition of the buildings.</p>

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The details of the comparables are as follows:

Parameters	Comparable 1	Comparable 2	Comparable 3
Location	PLO 33, Jalan Keluli, Kawasan Perindustrian Pasir Gudang	PLO 655, Jalan Keluli 12, Kawasan Perindustrian Pasir Gudang	PLO 654, Jalan Keluli 12, Kawasan Perindustrian Pasir Gudang
Land area	3.000 acres (130,674 sq.ft)	2.600 acres (113,236 sq.ft)	1.250 acres (54,465 sq.ft)
Date of transaction	29 January 2024	29 November 2023	17 November 2023
Consideration	RM5,488,560 (RM42.00 per sq.ft)	RM6,342,336 (RM56.01 per sq.ft)	RM3,049,200 (RM55.98 per sq.ft)
<b>Adjustment factors</b>			
Location	Upward as the Pasir Gudang Property is in a better location (nearer to port facilities)	Upward as the Pasir Gudang Property is in a better location (nearer to port facilities)	Upward as the Pasir Gudang Property is in a better location (nearer to port facilities)
Size	Downward as Pasir Gudang Property is bigger in size	Downward as Pasir Gudang Property is bigger in size	Downward as Pasir Gudang Property is bigger in size
Tenure	No adjustments as similar parameters	Downward as the Pasir Gudang Property has shorter remaining lease term	Downward as the Pasir Gudang Property has shorter remaining lease term
Adjusted value, say	RM42.00 per sq.ft	RM42.00 per sq.ft	RM40.00 per sq.ft
Source	JPPH	JPPH	JPPH

Based on the analysis above, JLW has adopted RM42.00 per sq.ft (being the adjusted value for Comparable 1) for the land valuation, as Comparable 1 is a more recent transaction.

We are of the view that the comparables selected are reasonable given the availability of data and recent transactions within the vicinity of the Pasir Gudang Property.

The market value appraised by JLW for the Pasir Gudang Property is RM19.90 million using income approach by way of investment method and RM21.70 million using cost approach.

Based on the above, the market values of the Properties ascribed by JLW as well as the Disposal Consideration are summarised as follows:

Properties	Disposal Consideration (RM'000)	Market value (RM'000)	Premium of Disposal Consideration to market value (%)
Cheras Property Pasir Gudang Property	22,600	22,300	1.35
	23,300	19,900	17.09
	<b>45,900</b>	<b>42,200</b>	8.77

We noted the Disposal Consideration represents a premium of 8.77% against the market value of the Properties.

In this regard, we are of the view that the Disposal Consideration is fair.

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### 3.3.2 Evaluation of the rental rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy

As set out in Sections 2.2.1 and 2.3.2, Part A of the Circular, the rental rates for the Proposed Properties Tenancies and Proposed Bintulu Tenancy have been compared against the market rental rates of comparable properties within the surrounding area of the Properties and the Bintulu Property.

The rental rates are as follows:

Properties	Rental rate			Our commentaries						
Cheras Property	<b>Tenancy term</b>	<b>Rental per sq.ft</b>	<b>Rental increment per term</b>	<p>The market rental rates for similar properties within the vicinity of the Properties are in the range below:</p> <table border="1"> <thead> <tr> <th>Properties</th> <th>Market rental rates (RM / sq.ft)</th> </tr> </thead> <tbody> <tr> <td>Cheras Property</td> <td>1.86 – 2.62</td> </tr> <tr> <td>Pasir Gudang Property</td> <td>1.46 – 1.55</td> </tr> </tbody> </table> <p>The starting rental rates for the Proposed Properties Tenancies are below market rental rates, which are considered favourable to HIB.</p> <p>However, the rental rates are gradually increasing each term over the tenure of the Proposed Properties Tenancies.</p> <p>Based on the analysis of JLW, the rental escalation rates for the Proposed Properties Tenancies are within the market range.</p> <p>As such, we are of the view that the rental rates are fair.</p>	Properties	Market rental rates (RM / sq.ft)	Cheras Property	1.86 – 2.62	Pasir Gudang Property	1.46 – 1.55
	Properties	Market rental rates (RM / sq.ft)								
	Cheras Property	1.86 – 2.62								
	Pasir Gudang Property	1.46 – 1.55								
	First (Year 1 to 3)	RM1.85	-							
Second (Year 4 to 6)	RM2.07	11.89%								
Third (Year 7 to 9)	RM2.32	12.08%								
Fourth (Year 10 to 12)	RM2.60	12.07%								
Pasir Gudang Property	<b>Tenancy term</b>	<b>Rental per sq.ft</b>	<b>Rental increment per term</b>							
	First (Year 1 to 3)	RM0.79	-							
	Second (Year 4 to 6)	RM0.89	11.76%							
	Third (Year 7 to 9)	RM1.00	12.63%							
	Fourth (Year 10 to 12)	RM1.11	11.21%							
	Fifth (Year 13 to 15)	RM1.25	12.61%							

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Properties	Rental rate			Our commentaries
Bintulu Property	<b>Tenancy term</b>	<b>Rental per sq.ft</b>	<b>Rental increment per term</b>	<p>The market rental rates for similar properties within the vicinity of the Bintulu Property ranges between RM0.87 per sq.ft to RM1.63 per sq.ft.</p> <p>The starting rental rate for the Proposed Bintulu Tenancy is below market rental rates, which is considered favourable to HIB.</p> <p>However, the rental rates are gradually increasing each term over the tenure of the Proposed Bintulu Tenancy.</p> <p>Based on the analysis of LaurelCap, the rental escalation rates for the Proposed Bintulu Tenancy are within the market range.</p> <p>As such, we are of the view that the rental rates are fair.</p>
	First (Year 1 to 3)	RM0.85	-	
	Second (Year 4 to 6)	RM0.95	11.76%	
	Third (Year 7 to 9)	RM1.07	12.63%	
	Fourth (Year 10 to 12)	RM1.19	11.21%	
	Fifth (Year 13 to 15)	RM1.34	12.61%	

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**3.4 Salient terms of the SPAs, Properties Tenancy Agreements and Bintulu Tenancy Agreement**

Our commentaries on the salient terms of the SPAs as set out in Appendix III, IV and V of the Circular are as follows:

**(i) Cheras Property's SPA**

Salient terms	Our commentaries
<p><b>1. AGREEMENT TO SELL AND TO PURCHASE</b></p> <p>1.1 The Vendor hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase the Property from the Vendor for the Purchase Price on the following basis:</p> <p style="padding-left: 40px;">(a) the Property is free from all Encumbrances; and</p> <p style="padding-left: 40px;">(b) subject to the category of land use, all conditions whether express or implied and restrictions-in-interest on the Title Deed;</p> <p style="padding-left: 40px;">and upon the terms and conditions contained in the Agreement.</p> <p>1.2 Subject to Completion, the Purchaser hereby agrees to grant a tenancy over the Property to the Vendor and the Vendor hereby agrees to take the tenancy subject to the terms and conditions herein and in a tenancy agreement.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the conditions for the transaction that has been agreed between the Vendor and Purchaser, which is typical for transactions of such nature.</p>

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Salient terms	Our commentaries
<p><b>2. CONDITIONS PRECEDENT</b></p> <p>2.1 The Agreement is conditional upon the compliance and fulfillment of the Conditions Precedent within the Conditional Period:</p> <ul style="list-style-type: none"> <li>(a) the Purchaser at its own costs and expenses obtaining the approval of the unitholders of KIP REIT for the acquisition of the Property from the Vendor ("<b>Unitholders Approval</b>");</li> <li>(b) if required, the Purchaser at its own costs and expenses obtaining the written confirmation of the EPU that the approval of the EPU is not required for the acquisition of the Property by the Purchaser or the EPU has no objection to the acquisition of the Property by the Purchaser ("<b>EPU Approval</b>");</li> <li>(c) the Vendor at its own costs and expenses obtaining the approval of its holding company's shareholders for the disposal of the Property to the Purchaser in accordance with the SPA ("<b>Vendor's Shareholders' Approval</b>");</li> <li>(d) the Vendor at its own costs and expenses obtaining the approval of the State Authority to transfer the Property to the Purchaser in compliance with the restriction-in-interest as set out in the document of title to the Property ("<b>SA Approval</b>"); and</li> <li>(e) such other relevant approvals and/or consents as may be required under any applicable laws, regulations, or governmental policies as at the Agreement Date.</li> </ul> <p>2.2 The Agreement shall become unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled in accordance with the provisions of this Clause 2 ("<b>Unconditional Date</b>").</p>	<p><b>Reasonable.</b></p> <p>This term represents the necessary approvals / procedures which are required to facilitate the completion of the Proposed Disposal I.</p> <p>If any of the conditions precedent is not fulfilled / waived within the Conditional Period, the SPA may be terminated by either party and the Vendor shall refund the Deposit paid by the Purchaser together with the interest earned on the Earnest Deposit.</p> <p>The Earnest Deposit shall be paid to the Vendor's Solicitors as stakeholders and the Vendor's Solicitors shall place the Earnest Deposit in interest-earning accounts upon the receipt of the Earnest Deposit. The refund of the interest earned on the Earnest Deposit will not affect the Vendor.</p> <p>The conditions precedents are ordinary terms typical to transactions of such nature.</p>

Salient terms	Our commentaries
<p>2.3 Save as otherwise provided in the Agreement, in the event that any of the Conditions Precedent is not fulfilled prior to the expiry of the Conditional Period despite all reasonable efforts by the Parties, either Party shall be entitled to rescind and terminate the Agreement by way of notice in writing to the other Party whereupon within five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, of such termination:</p> <p>(a) the Vendor shall refund or return to the Purchaser the Deposit together with the interest earned on the Earnest Deposit; and</p> <p>(b) in exchange for the refund of the Deposit in the manner as aforesaid, each Party shall return or cause to be returned to the other Party all documents delivered by or on behalf of the respective Party to the other Party or their solicitors pursuant to the terms of the Agreement with the Vendor's ownership, proprietorship and interest in the Property remaining intact and unaltered.</p> <p>Thereafter, the Agreement shall be null and void and of no effect whatsoever and neither Party shall have any right or claim against the other save for antecedent breaches. In the event the Deposit (or any part thereof) is not refunded to the Purchaser by the expiry of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, interest shall be imposed on the amount due and owing calculated from the day falling immediately after the last day of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, until the day on which the outstanding amount is paid.</p>	<p>Please refer to our commentaries above.</p>

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Salient terms	Our commentaries
<p><b>3. PAYMENT OF PURCHASE PRICE</b></p> <p>3.1 The Purchase Price shall be paid by the Purchaser in the following manner:</p> <p>(a) RM452,000.00 (“<b>the Earnest Deposit</b>”) shall be paid to the Vendor’s Solicitors as stakeholders within seven (7) days from the date of acceptance of the Letter of Offer by the Vendor;</p> <p>(b) RM678,000.00 (“<b>the Balance Deposit</b>”) which together with the Earnest Deposit amounts to the Deposit) shall be paid to the Vendor’s Solicitors as stakeholders within fourteen (14) days from the execution of the Agreement by the Parties and the Vendor’s Solicitors are authorised to release the Deposit immediately upon their receipt of the Balance Deposit provided that the Vendor’s Solicitors have received the Tenancy Agreement executed by the Vendor in escrow;</p> <p>(c) subject always to fulfilment of all the Conditions Precedent in Clause 2, the Purchaser shall pay RM21,470,000.00 (“<b>the Balance Purchase Price</b>”) to the Vendor’s Solicitors as stakeholders within the Completion Period to be dealt with by the Vendor’s Solicitors in accordance with the terms and conditions of the Agreement.</p> <p>The Vendor’s Solicitors shall place the Earnest Deposit and Balance Purchase Price in interest-earning accounts upon their receipt of each amount so as to earn interests on the respective sums.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the payment method and timing agreed by the Vendor and the Purchaser, which is customary to facilitate the completion of the Proposed Disposal I.</p>

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Salient terms	Our commentaries
<p>3.2 In the event that the Balance Purchase Price or any part thereof is not paid by the expiry of the Completion Period for any reason whatsoever, the Vendor shall automatically grant to the Purchaser the extension of one (1) month starting from the day following the last day of the Completion Period (“<b>Extended Completion Period</b>”) to pay the Balance Purchase Price or such portion thereof remaining to be paid, subject to interest being payable on such part of the Balance Purchase Price as remaining unpaid commencing on the first day of the Extended Completion Period and ending on and inclusive of the day on which the Balance Purchase Price or such portion thereof remaining unpaid is paid in full by the Purchaser.</p>	<p>Please refer to our commentaries above.</p>
<p><b>4. RELEASE OF DEPOSIT AND BALANCE PURCHASE PRICE</b></p> <p>4.1 The Vendor’s Solicitors as stakeholders shall and are hereby authorised to release the Deposit (together with interest earned thereon) to the Vendor upon their receipt of the Balance Deposit from the Purchaser PROVIDED THAT the Agreement has been executed by the Vendor and that the Vendor’s Solicitors have received the Tenancy Agreement executed by the Vendor in escrow.</p> <p>4.2 Subject to the Vendor’s Solicitors’ receipt of the Balance Purchase Price, the Vendor’s Solicitors as stakeholders shall and are hereby authorised to release to the Vendor the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) paid by the Purchaser upon the expiry of fifteen (15) Business Days from the date of presentation of the Transfer for registration with the Land Office unless the Purchaser’s Solicitors have received a notification that presentation of the Transfer is not accepted or the Transfer is rejected by the Land Office, in which event the Vendor’s Solicitors shall withhold the release of the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) until the impediment to the registration of the Transfer is removed provided that all the documents set out in the Agreement shall have been delivered to the Purchaser and that where there are any sums payable by the Vendor to the Purchaser following the apportionment of Outgoings, such sums shall have been received by the Purchaser.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the timing of releasing the payment to the Vendor, which is customary to facilitate the completion of the Proposed Disposal I.</p>

Salient terms	Our commentaries
<p><b>5. DEFAULT BY VENDOR</b></p> <p>5.1 If the Vendor commits a breach of any of the terms and conditions contained in the Agreement (provided that the Purchaser is not in breach of the covenants in the Agreement on its part to be observed and performed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Purchaser is inaccurate or incorrect or capable of becoming inaccurate or incorrect so as to adversely affect the operation of the provisions of the Agreement), the Purchaser shall be entitled at any time thereafter to give written notice to the Vendor within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the default occurring or of the Purchaser becoming aware of the default (whichever is later):</p> <ul style="list-style-type: none"> <li>(a) setting out the default; and</li> <li>(b) requiring the Vendor to remedy such default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the date of the notice.</li> </ul> <p>5.2 If a notice to remedy is duly given by the Purchaser under the Clause above and the Vendor fails to remedy or rectify the default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the Vendor's receipt of such notice from the Purchaser, the Purchaser shall be entitled to:</p> <ul style="list-style-type: none"> <li>(a) take all action as may be available to the Purchaser at law to seek a decree of specific performance of the Agreement against the Vendor and/or such other remedies available at law to the Purchaser; or</li> </ul>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Purchaser if there is default by the Vendor.</p> <p>We noted that if the Vendor defaults, the Purchaser may issue a notice setting out the default and requiring the Vendor to remedy such default within 10 Business Days, or such other number of Business Days as may be mutually agreed in writing by the parties from the date of the notice.</p> <p>If the Vendor fails to remedy the default within 10 Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the Vendor's receipt of such notice from the Purchaser, the Purchaser shall be entitled to terminate the SPA.</p> <p>This term also sets out the steps to be taken if there is a termination by the Purchaser.</p>

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Salient terms	Our commentaries
<p>(b) terminate the Agreement whereupon the Vendor shall within five (5) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of receiving a written notice of such termination from the Purchaser refund to the Purchaser all monies paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement and further pay to the Purchaser a sum equivalent to the Deposit as agreed liquidated damages and in exchange for the refund and payment, the Purchaser shall:</p> <ul style="list-style-type: none"> <li>(i) return or cause to be returned to the Vendor the original Title Deed (if already delivered to the Purchaser), Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Property with the Vendor's ownership, proprietorship and interest remaining intact and unaltered;</li> <li>(ii) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Property at the Vendor's cost and expense; and</li> <li>(iii) re-deliver legal possession of the Property (if already been delivered)</li> </ul> <p>and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.</p>	<p>Please refer to our commentaries above.</p>

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Salient terms	Our commentaries
<p><b>6. DEFAULT BY PURCHASER</b></p> <p>6.1 If the Purchaser fails or refuses to pay the Purchase Price in accordance with the Agreement and within the time stipulated for payment by the Agreement (provided that the Vendor is not in breach of the covenants in the Agreement on its part to be observed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Vendor is inaccurate or incorrect or capable of becoming inaccurate or incorrect so as to adversely affect the operation of the provisions of the Agreement), the Vendor shall be entitled to terminate the Agreement by written notice to the Purchaser, whereupon the Deposit shall be absolutely forfeited to the Vendor as agreed liquidated damages and the Vendor shall within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the notice of termination, refund to the Purchaser all other monies, if any, paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement, whereby in exchange for the payment, the Purchaser shall:</p> <ul style="list-style-type: none"> <li>(a) return or cause to be returned to the Vendor the original Title Deed (if already delivered to the Purchaser), Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Property with the Vendor's ownership, proprietorship and interest remaining intact and unaltered;</li> <li>(b) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Property at the Purchaser's cost and expense; and</li> <li>(c) re-deliver legal possession of the Property (if already been delivered) and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.</li> </ul>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Vendor if there is default by the Purchaser.</p> <p>We noted that if the Purchaser defaults, the Vendor shall be entitled to terminate the SPA by written notice to the Purchaser within 10 Business Days and the Deposit shall be forfeited by the Vendor as agreed liquidated damages.</p> <p>This term also sets out the steps to be taken if there is a termination by the Vendor.</p>

Salient terms	Our commentaries
<p><b>7. REAL PROPERTY GAINS TAX</b></p> <p>7.1 The Parties shall comply with the provisions of the RPGT Act and in particular to separately submit notices of the disposal and acquisition of the Property hereunder to the DGIR in the prescribed forms in accordance with Section 13(1) of the RPGT Act within sixty (60) days from the date of the SA Approval.</p> <p>7.2 Pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003, the Minister of Finance has exempted any person from the payment of real property gains tax in respect of chargeable gains accruing on the disposal of any chargeable asset to a real estate investment trust which is approved by the Securities Commission Malaysia. Accordingly, there will not be any part of the Purchase Price to be retained and remitted by the Purchaser and payable to the DGIR in view of the said exemption. The Vendor shall deliver to the Purchaser's Solicitors a copy of the completed and signed CKHT 3 Form no later than forty five (45) days from the date of the SA Approval for the submission of the CHKT 3 Form by the Purchaser to the DGIR.</p>	<p><b>Reasonable.</b></p> <p>These are standard terms, to facilitate the completion of the Proposed Disposal I.</p>

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(ii) Pasir Gudang Property's SPA

Salient terms	Our commentaries
<p><b>1. AGREEMENT TO SELL AND TO PURCHASE</b></p> <p>1.1 The Vendor hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase the remaining unexpired period of the Lease together with the Building from the Vendor for the Purchase Price on the following basis:</p> <p>(a) the Lease and the Building are free from all Encumbrances; and</p> <p>(b) subject to the category of land use, all conditions whether express or implied and restrictions-in-interest on the Title Deed;</p> <p>and upon the terms and conditions contained in the Agreement.</p> <p>1.2 Subject to Completion, the Purchaser hereby agrees to grant a tenancy over the Demised Premises to the Vendor and the Vendor hereby agrees to take the tenancy subject to the terms and conditions herein and in a tenancy agreement.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the conditions for the transaction that has been agreed between the Vendor and Purchaser, which is typical for transactions of such nature.</p>
<p><b>2. CONDITIONS PRECEDENT</b></p> <p>2.1 The Agreement is conditional upon the compliance and fulfilment of the Conditions Precedent within the Conditional Period:</p> <p>(a) the Purchaser at its own costs and expenses obtaining the approval of the unitholders of KIP REIT for the acquisition of the remaining unexpired period of the Lease and the Building from the Vendor ("<b>Unitholders Approval</b>");</p> <p>(b) the Vendor at its own costs and expenses obtaining the consent of the Lessor to transfer the remaining unexpired period of the Lease together with the Building from the Vendor to the Purchaser ("<b>Lessor Transfer Consent</b>");</p>	<p><b>Reasonable.</b></p> <p>This term represents the necessary approvals / procedures which are required to facilitate the completion of the Proposed Disposal II.</p> <p>If any of the conditions precedent is not fulfilled / waived within the Conditional Period, the SPA may be terminated by either party and the Vendor shall refund the Deposit paid by the Purchaser together with the interest earned on the Earnest Deposit.</p>

Salient terms	Our commentaries
<p>(c) if required for the purpose of the registration of the memorandum of transfer of the Lease in favour of the Purchaser (“<b>Transfer</b>”), the Vendor at its own costs and expenses causing the Lessor to obtain (i) if required, the approval letter of the relevant land registry/office to amend the existing restriction-in-interest endorsed on the Title Deed to “<i>Tanah ini tidak boleh dijual atau dipindahtitik dengan apa cara sekalipun kepada Bukan Warganegara/Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri</i>”; and (ii) the issue document of title to the Land with such amended restriction-in-interest endorsed thereon (“<b>Amended Title</b>”);</p> <p>(d) the Vendor at its own costs and expenses obtaining the consent of the Lessor for the grant of tenancy over the Demised Premises by the Purchaser (being the landlord) to the Vendor (being the tenant) or, if so required by the Lessor in light of the Lessor’s consent the transfer of Lease to the Purchaser, the Purchaser at its own costs and expenses obtaining the consent of the Lessor for the grant of tenancy over the Demised Premises by the Purchaser (being the landlord) to the Vendor (being the tenant) (“<b>Lessor Tenancy Consent</b>”);</p> <p>(e) the Vendor at its own costs and expenses obtaining the approval of its holding company’s shareholders for the disposal of the remaining unexpired period of the Lease together with the Building to the Purchaser in accordance with the Agreement (“<b>Vendor’s Shareholders’ Approval</b>”); and</p> <p>(f) such other relevant approvals and/or consents as may be required under any applicable laws, regulations, or governmental policies as at the Agreement Date.</p> <p>2.2 The Agreement shall become unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled in accordance with the provisions of this Clause 2 (“<b>Unconditional Date</b>”).</p>	<p>The Earnest Deposit shall be paid to the Vendor’s Solicitors as stakeholders and the Vendor’s Solicitors shall place the Earnest Deposit in interest-earning accounts upon the receipt of the Earnest Deposit. The refund of the interest earned on the Earnest Deposit will not affect the Vendor.</p> <p>The conditions precedents are ordinary terms typical to transactions of such nature.</p>

Salient terms	Our commentaries
<p>2.3 Save as otherwise provided in the Agreement, in the event that any of the Conditions Precedent is not fulfilled prior to the expiry of the Conditional Period despite all reasonable efforts by the Parties, either Party shall be entitled to rescind and terminate the Agreement by way of notice in writing to the other Party whereupon within five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, of such termination:</p> <p>(a) the Vendor shall refund or return to the Purchaser the Deposit together with the interest earned on the Earnest Deposit; and</p> <p>(b) in exchange for the refund of the Deposit in the manner as aforesaid, each Party shall return or cause to be returned to the other Party all documents delivered by or on behalf of the respective Party to the other Party or their solicitors pursuant to the terms of the Agreement with the Vendor's legal and beneficial interest as the registered lessee of the Lease remaining intact and unaltered.</p> <p>Thereafter, the Agreement shall be null and void and of no effect whatsoever and neither Party shall have any right or claim against the other save for antecedent breaches. In the event the Deposit (or any part thereof) is not refunded to the Purchaser by the expiry of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, interest shall be imposed on the amount due and owing calculated from the day falling immediately after the last day of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, until the day on which the outstanding amount is paid.</p>	<p>Please refer to our commentaries above.</p>

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Salient terms	Our commentaries
<p><b>3. PAYMENT OF PURCHASE PRICE</b></p> <p>3.1 The Purchase Price shall be paid by the Purchaser in the following manner:</p> <p>(a) RM466,000.00 (“<b>the Earnest Deposit</b>”) shall be paid to the Vendor’s Solicitors, as stakeholders, within seven (7) days from the date of acceptance of the Letter of Offer by the Vendor;</p> <p>(b) RM699,000.00 (“<b>the Balance Deposit</b>”) which together with the Earnest Deposit is collectively called the “<b>Deposit</b>”) shall be paid to the Vendor’s Solicitors as stakeholders within fourteen (14) days from the execution of the Agreement by the Parties and the Vendor’s Solicitors are authorised to release the Deposit immediately upon their receipt of the Balance Deposit provided that the Vendor’s Solicitors have received the Tenancy Agreement executed by the Vendor in escrow;</p> <p>(c) subject always to fulfilment of all the Conditions Precedent in Clause 2, the Purchaser shall pay RM22,135,000.00 (“<b>the Balance Purchase Price</b>”) to the Vendor’s Solicitors as stakeholders within the Completion Period to be dealt with by the Vendor’s Solicitors in accordance with the terms and conditions of the Agreement.</p> <p>The Vendor’s Solicitors shall place the Earnest Deposit and Balance Purchase Price in interest-earning accounts upon their receipt of each amount so as to earn interests on the respective sums.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the payment method and timing agreed by the Vendor and the Purchaser, which is customary to facilitate the completion of the Proposed Disposal II.</p>

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Salient terms	Our commentaries
<p>3.2 In the event that the Balance Purchase Price or any part thereof is not paid by the expiry of the Completion Period for any reason whatsoever, the Vendor shall automatically grant to the Purchaser the extension of one (1) month starting from the day following the last day of the Completion Period (“<b>Extended Completion Period</b>”) to pay the Balance Purchase Price or such portion thereof remaining to be paid, subject to Interest being payable on such part of the Balance Purchase Price as remaining unpaid commencing on the first day of the Extended Completion Period and ending on and inclusive of the day on which the Balance Purchase Price or such portion thereof remaining unpaid is paid in full by the Purchaser.</p>	<p>Please refer to our commentaries above.</p>
<p><b>4. RELEASE OF DEPOSIT AND BALANCE PURCHASE PRICE</b></p> <p>4.1 The Vendor’s Solicitors as stakeholders shall and are hereby authorised to release the Deposit (together with interest earned thereon) to the Vendor upon their receipt of the Balance Deposit from the Purchaser PROVIDED THAT the Agreement has been executed by the Vendor and the Vendor’s Solicitors have received the Tenancy Agreement executed by the Vendor in escrow.</p> <p>4.2 Subject to the Vendor’s Solicitors’ receipt of the Balance Purchase Price, the Vendor’s Solicitors as stakeholders shall and are hereby authorised to release to the Vendor the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) paid by the Purchaser upon the expiry of fifteen (15) Business Days from the date of presentation of the Transfer for registration with the Land Registry unless the Purchaser’s Solicitors have received a notification that presentation of the Transfer is not accepted or the Transfer is rejected by the Land Registry, in which event the Vendor’s Solicitors shall withhold the release of the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) until the impediment to the registration of the Transfer is removed provided that all the documents set out in the Agreement shall have been delivered to the Purchaser and that where there are any sums payable by the Vendor to the Purchaser following the apportionment of Outgoings, such sums shall have been received by the Purchaser.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the timing of releasing the payment to the Vendor, which is customary to facilitate the completion of the Proposed Disposal II.</p>

Salient terms	Our commentaries
<p><b>5. DEFAULT BY VENDOR</b></p> <p>5.1 If the Vendor commits a breach of any of the terms and conditions contained in the Agreement (provided that the Purchaser is not in breach of the covenants in the Agreement on its part to be observed and performed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Purchaser is inaccurate or incorrect or capable of becoming inaccurate or incorrect so as to affect the operation of the provisions of the Agreement), the Purchaser shall be entitled at any time thereafter to give written notice to the Vendor within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the default occurring or of the Purchaser becoming aware of the default (whichever is later):</p> <ul style="list-style-type: none"> <li>(a) setting out the default; and</li> <li>(b) requiring the Vendor to remedy such default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the date of the notice.</li> </ul> <p>5.2 If a notice to remedy is duly given by the Purchaser under the Clause above and the Vendor fails to remedy or rectify the default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the Vendor's receipt of such notice from the Purchaser, the Purchaser shall be entitled to:</p> <ul style="list-style-type: none"> <li>(a) take all action as may be available to the Purchaser at law to seek a decree of specific performance of the Agreement against the Vendor and/or such other remedies available at law to the Purchaser; or</li> </ul>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Purchaser if there is default by the Vendor.</p> <p>We noted that if the Vendor defaults, the Purchaser may issue a notice setting out the default and requiring the Vendor to remedy such default within 10 Business Days, or such other number of Business Days as may be mutually agreed in writing by the parties from the date of the notice.</p> <p>If the Vendor fails to remedy the default within 10 Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the Vendor's receipt of such notice from the Purchaser, the Purchaser shall be entitled to terminate the SPA.</p> <p>This term also sets out the steps to be taken if there is a termination by the Purchaser.</p>

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Salient terms	Our commentaries
<p>(b) terminate the Agreement whereupon the Vendor shall within five (5) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of receiving a written notice of such termination from the Purchaser refund to the Purchaser all monies paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement and further pay to the Purchaser a sum equivalent to the Deposit as agreed liquidated damages and in exchange for the refund and payment, the Purchaser shall:</p> <ul style="list-style-type: none"> <li>(i) return or cause to be returned to the Vendor the Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Lease with the Vendor's legal and beneficial interest as the registered lessee of the Lease remaining intact and unaltered;</li> <li>(ii) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Lease at the Vendor's cost and expense; and</li> <li>(iii) re-deliver legal possession of the Demised Premises (if already been delivered)</li> </ul> <p>and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.</p>	<p>Please refer to our commentaries above.</p>

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Salient terms	Our commentaries
<p><b>6. DEFAULT BY PURCHASER</b></p> <p>6.1 If the Purchaser fails or refuses to pay the Purchase Price in accordance with the Agreement and within the time stipulated for payment in the Agreement (provided that the Vendor is not in breach of the covenants in the Agreement on its part to be observed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Vendor is inaccurate or incorrect or capable of becoming inaccurate or incorrect), the Vendor shall be entitled to terminate the Agreement by written notice to the Purchaser, whereupon the Deposit shall be absolutely forfeited to the Vendor as agreed liquidated damages and the Vendor shall within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the notice of termination, refund to the Purchaser all other monies, if any, paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement, whereby in exchange for the payment, the Purchaser shall:</p> <p>(a) return or cause to be returned to the Vendor the original Title Deed (if already delivered to the Purchaser), Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Lease with the Vendor's legal and beneficial interest as the registered lessee of the Lease remaining intact;</p> <p>(b) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Lease at the Purchaser's cost and expense; and</p> <p>(c) re-deliver legal possession of the Demised Premises (if already been delivered) and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Vendor if there is default by the Purchaser.</p> <p>We noted that if the Purchaser defaults, the Vendor shall be entitled to terminate the SPA by written notice to the Purchaser within 10 Business Days and the Deposit shall be forfeited by the Vendor as agreed liquidated damages.</p> <p>This term also sets out the steps to be taken if there is a termination by the Vendor.</p>



Salient terms	Our commentaries
<p><b>7. REAL PROPERTY GAINS TAX</b></p> <p>7.1 The Parties shall comply with the provisions of the RPGT Act and in particular to separately submit notices of the disposal and acquisition of the Property hereunder to the DGIR in the prescribed forms in accordance with Section 13(1) of the RPGT Act within sixty (60) days from the date of the SA Approval.</p> <p>7.2 Pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003, the Minister of Finance has exempted any person from the payment of real property gains tax in respect of chargeable gains accruing on the disposal of any chargeable asset to a real estate investment trust which is approved by the Securities Commission Malaysia. Accordingly, there will not be any part of the Purchase Price to be retained and remitted by the Purchaser and payable to the DGIR in view of the said exemption. The Vendor shall deliver to the Purchaser's Solicitors a copy of the completed and signed CKHT 3 Form no later than forty five (45) days from the date of the SA Approval for the submission of the CHKT 3 Form by the Purchaser to the DGIR.</p>	<p><b>Reasonable.</b></p> <p>These are standard terms, to facilitate the completion of the Proposed Disposal II.</p>

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(iii) Cheras Property's Tenancy Agreement

Salient terms	Our commentaries
<p><b>1. DEMISED PREMISES, TERM, RENT AND DEPOSITS</b></p> <p><b>1.1 DEMISED PREMISES</b></p> <p>In consideration of RM123,269.20 ("<b>the Rent</b>") to be paid by the Tenant timely to the Landlord in accordance with the terms of the Agreement and the Tenant performing and observing the Tenant's covenants hereinafter contained, the Landlord hereby agrees to grant to the Tenant and the Tenant hereby agrees to take from the Landlord a tenancy of the Demised Premises for the Term with effect from the Commencement Date.</p> <p><b>1.2 TERM</b></p> <p>The tenure of the tenancy of the Demised Premises hereby created shall be for a fixed term of three (3) years commencing on the Commencement Date ("<b>Term</b>") with three (3) automatic consecutive renewals of three (3) years each renewal.</p>	<p><b>Reasonable.</b></p> <p>The tenancy is intended to commence immediately after the completion of the Proposed Disposal I to ensure continuity of the Group's business operations.</p> <p>This term sets out the tenure for the rental of the property.</p>

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Salient terms	Our commentaries
<p>1.3 <b>RENT</b></p> <p>(a) The Tenant shall pay the Rent to the Landlord as monthly rent in respect of the Demised Premises. The Rent shall be payable by the Tenant to the Landlord monthly in advance on or before the seventh (7<sup>th</sup>) day of each and every calendar month without any deductions, counter-claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.</p> <p>(b) The first monthly Rent shall be payable on the Commencement Date. In the event that the Commencement Date shall fall on a day other than the first (1<sup>st</sup>) day of a calendar month, the Rent for the first month shall be pro-rated on a daily basis and similarly in the event the monthly Rent for the last month of the Term shall be less than a complete month, such monthly Rent shall be similarly adjusted on a pro-rated basis. The Rent for the subsequent calendar months shall be payable on or before the seventh (7<sup>th</sup>) day of each month in respect of the entire period of each calendar month.</p> <p>(c) The Landlord is entitled to impose interest at the rate of ten percent (10%) per annum on such portion of the Rent or any other monies hereunder due and payable by the Tenant which is not paid from the date the amount is due until the date of the Landlord's receipt of the full payment of such amount, without prejudice to the Landlord's rights under the Agreement.</p>	<p>This term sets out the manner and timing of payment for rental and late payment charges, which is common for transactions of such nature.</p>
<p>1.4 <b>DEPOSITS</b></p> <p>(a) <b>Security Deposit</b></p> <p>(i) The Tenant shall pay to the Landlord RM369,807.60 ("<b>the Security Deposit</b>") on the Commencement Date as security for the due observance and performance by the Tenant of all the covenants, conditions, obligations, stipulations and agreements on the part of the Tenant herein contained.</p>	<p>This term sets out the deposits to be paid for the rental of the property. The security deposit and utility deposit to be paid is reasonable as agreed by both parties.</p>

Salient terms	Our commentaries
<p>(ii) The Security Deposit shall be maintained at a sum which is equivalent to three (3) months' Rent. Accordingly, the Security Deposit shall be increased accordingly upon the increase of the Rent pursuant to the provisions of Clause 5. Any increase in the Security Deposit shall be paid by the Tenant to the Landlord on commencement of the relevant Renewal Term.</p> <p>(b) <b>Utility Deposit</b></p> <p>(i) The Tenant shall pay to the Landlord RM123,269.20 ("<b>the Utility Deposit</b>") upon the execution of the Agreement as security for the due observance and performance by the Tenant of its covenants set out in Clause 3.1(b).</p> <p>(ii) The Utility Deposit shall be maintained at a sum which is equivalent to one (1) month's Rent. Accordingly, the Utility Deposit shall be increased accordingly upon the increase of the Rent pursuant to the provisions of Clause 5. Any increase in the Utility Deposit shall be paid by the Tenant to the Landlord before the commencement of the relevant Renewal Term.</p>	<p>Please refer to our commentaries above.</p>
<p><b>2. TENANT'S COVENANTS</b></p> <p>2.1 Amongst others, the Tenant hereby agrees, undertakes and covenants with the Landlord as follows:</p> <p>(a) <b>Payment of Rent</b></p> <p>The Tenant shall promptly and timely pay the Rent within the time prescribed by the Agreement free from all deductions, counter claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the obligation and responsibility of the tenant during the tenancy, which is common for transactions of such nature.</p>

Salient terms	Our commentaries
<p>(b) <b>Utilities and Other Services</b></p> <p>The Tenant shall maintain the Utilities accounts under the Tenant's name throughout the Term. The Tenant shall promptly and punctually pay to the respective Utilities Providers all charges for all Utilities and any other services supplied to and consumed at the Demised Premises or chargeable against the Demised Premises (including any taxes now or in the future imposed in respect of the Utilities and any other services supplied to and consumed at the Demised Premises) as and when they are due and payable.</p> <p>(c) <b>Payment of Quit Rent and Assessment</b></p> <p>The Tenant shall pay all quit rents, assessments and other similar outgoings imposed upon or in respect of Demised Premises during the Term as and when they are due and payable.</p> <p>(d) <b>Maintenance of Demised Premises</b></p> <p>The Tenant shall at all times during the Term at its own costs and expense:-</p> <ul style="list-style-type: none"> <li>(i) replace all consumables within the Demised Premises which are damaged or cease to work, whether from wear or tear or otherwise;</li> <li>(ii) maintain (including to obtain the required licences, approvals, permits, consent and certificates) and repair (including replace, where necessary) the Demised Premises and every part thereof, including the main structure, foundation, walls, roof, gutters, main pipes and drains, water supply pump, dock leveller, roller shutters, lifts, electrical wiring, ceiling, flooring, doors, windows, glass, the exterior and interior compound of the Demised Premises in good and tenantable repair and condition (fair wear and tear excepted);</li> </ul>	<p>Please refer to our commentaries above.</p>

Salient terms	Our commentaries
<p>(e) <b>Compliance with Statutes etc.</b></p> <p>(i) At all times during the Term, the Tenant shall, at its own costs and expense, comply with all requirements as may be imposed on the occupier of the Demised Premises by any statutes, by-laws, orders, rules and regulations of the municipal council or any other authority having power in that behalf affecting the Demised Premises which are now in force or which may hereafter be enacted including to obtain and maintain the required licences, approvals, permits, consent and certificates in respect of the Permitted Use at the Demised Premises.</p>	<p>Please refer to our commentaries above.</p>
<p><b>3. LANDLORD'S COVENANTS</b></p> <p>3.1 Provided that the Tenant duly paying the Rent and observing and performing the Tenant's several covenants, obligations and stipulations herein contained, the Landlord hereby covenants with the Tenant that the Tenant shall peaceably and quietly hold and enjoy exclusive possession of the Demised Premises and the fixtures and fittings during the Term without any disturbance by the Landlord or any person lawfully claiming under or in trust for the Landlord.</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the Tenant to ensure no disturbance by the Landlord during the tenancy, which is common for transactions of such nature.</p>

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Salient terms		Our commentaries	
<p><b>4. AUTOMATIC RENEWAL</b></p> <p>4.1 The tenancy for the Demised Premises shall be automatically renewed for three (3) consecutive terms of three (3) years each without any requirement of any form of notice by the Parties on the same terms and conditions as the Agreement save for the monthly Rent (and consequentially the Deposits) which shall be the sums set out as follows:</p>		<p><b>Reasonable.</b></p> <p>This term safeguards HIB as it ensures continuity of the Group's business operations at the Cheras Property for 12 years from the date of the completion of the Proposed Disposal I.</p> <p>This term also sets out the rental rate for each term which gives certainty to the Group in terms of rental costs.</p> <p>Kindly refer to Section 3.3.2 of this IAL, for further evaluation of the rental rates.</p> <p>We noted that the amount of security deposit and utility deposit is adjusted according to rental rate increment for every consecutive term.</p>	
<p><b>Tenancy</b></p> <p>Year 4 to 6 ("Second Term")</p>	<p><b>Rent</b></p> <p>Ringgit Malaysia One Hundred Thirty-seven Thousand Nine Hundred and Twenty-eight and Sen Twenty-four (RM137,928.24) per month calculated at RM2.07 per square foot for the Second Term.</p>	<p><b>Security Deposit</b></p> <p>Ringgit Malaysia Four Hundred and Thirteen Thousand Seven Hundred and Eighty Four and Sen Seventy-two (RM413,784.72) which is equivalent to three (3) months' Rent for the Second Term.</p>	<p><b>Utility Deposit</b></p> <p>Ringgit Malaysia One Hundred Thirty-seven thousand Nine Hundred and Twenty-eight and Sen Twenty-four (RM137,928.24) which is equivalent to one (1) month's Rent for the Second Term.</p>

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Salient terms		Our commentaries	
Tenancy	Rent	Security Deposit	Utility Deposit
Year 7 to 9 ("Third Term")	Ringgit Malaysia One Hundred and Fifty-four Thousand Five Hundred and Eighty-six and Sen Twenty-four (RM154,586.24) per month calculated at RM2.32 per square foot for the Third Term.	Ringgit Malaysia Four Hundred and Sixty Thousand Seven Hundred and Eighty and Sen Seventy-two (RM463,758.72) which is equivalent to three (3) months' Rent for the Third Term.	Ringgit Malaysia One Hundred and Fifty-four Thousand Eighty-six and Sen Twenty-four (RM154,586.24) which is equivalent to one (1) month's Rent for the Third Term
Year 10 to 12 ("Fourth Term")	Ringgit Malaysia One Hundred and Seventy-three Thousand Two Hundred and Forty-three and Sen Twenty (RM173,243.20) per month calculated at RM2.60 per square foot for the Fourth Term.	Ringgit Malaysia Five Hundred and Nineteen Thousand Seven Hundred and Twenty Nine and Sixty Sen (RM519,729.60) which is equivalent to three (3) months' Rent for the Fourth Term.	Ringgit Malaysia One Hundred and Seventy-three Thousand Two Hundred and Forty-three and Sen Twenty (RM173,243.20) which is equivalent to one (1) month's Rent for the Fourth Term.

Please refer to our commentaries above.

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Salient terms	Our commentaries
<p><b>5. NO EARLY TERMINATION</b></p>	<p><b>Reasonable.</b></p>
<p>5.1 The Tenant shall not be entitled to terminate the tenancy of the Demised Premises prior to the expiry of the Fourth Term.</p>	<p>The Cheras Property is being used as warehouse and office for the Group's industrial and consumer segment.</p>
<p>5.2 Subject to the provision in the Agreement, in the event the Tenant terminates the tenancy of the Demised Premises prior to the expiration of the Fourth Term, the Tenant shall pay to the Landlord the full amount of the rental for the total remaining and unexpired period of all four (4) terms set out in Clause 1.2 and Clause 5 as agreed liquidated ascertained damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.</p>	<p>Based on the current level of operations for this segment, the Group deems the Cheras Property to be adequate for its operations and the Group is not expected to relocate its existing operations on the Cheras Property. As such, this clause is not expected to materially affect the Group.</p> <p>Further, we noted that there is no provision similar to this clause in the agreement prohibiting an early termination by the Landlord.</p> <p>Nonetheless, in usual circumstances, once a landlord has agreed to rent a demised premises to the tenant for a specified timeframe, the landlord is contractually and legally bound to rent the demised premises to the tenant for that specified timeframe. The landlord is only allowed to terminate if the tenant fails to meet its obligations and covenants.</p>
<p>This being the case, the Group is required to observe the default clauses (in Clause 6 below) to avoid early termination by the Landlord. Similarly, if the Landlord defaults (per Clause 7 below), the Tenant shall be entitled to, among others, terminate the tenancy agreement.</p>	<p>This being the case, the Group is required to observe the default clauses (in Clause 6 below) to avoid early termination by the Landlord. Similarly, if the Landlord defaults (per Clause 7 below), the Tenant shall be entitled to, among others, terminate the tenancy agreement.</p>

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Salient terms	Our commentaries
<p><b>6. DEFAULT BY TENANT</b></p> <p>6.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:</p> <p>(a) if the Rent hereby reserved or payable or any part thereof or any sum payable under the Agreement shall at any time be unpaid for fourteen (14) days after becoming due or payable (whether any formal or legal demand therefor shall have been made or not);</p> <p>(b) if the Tenant shall default in the due observance and performance of any undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement;</p> <p>(c) if any step is taken or an order is made or a resolution is passed or legislation is enacted for the winding up, dissolution or liquidation, as the case may be, of the Tenant (except for the purpose of amalgamation or reconstruction of a solvent company) or a petition for winding up is presented against the Tenant;</p> <p>(d) if the Tenant shall unlawfully determine the tenancy of the Demised Premises for any reason whatsoever vacate and/or abandon the Demised Premises at any time before the date of expiry of the Fourth Term (whether the Tenant shall have removed the Tenant's Goods) from the Demised Premises or otherwise or the Tenant terminates the Agreement before the date of expiry of the Fourth Term; or</p> <p>(e) if any licence, authorisation, approval, consent order or exemption with any governmental authority necessary for the Tenant to carry on its business shall be cancelled or withdrawn or cease to be in full force and effect due to the Tenant's fault;</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Landlord if there is default by the Tenant.</p> <p>We noted that if the Tenant defaults, the Landlord may issue a notice to the Tenant to remedy the breach within a reasonable timeframe (i.e. 14 days), unless the breach is due to non-payment of rent, in which case the reasonable period shall be 7 days.</p> <p>If the Tenant fails to remedy the breach within the reasonable timeframe, the Landlord shall be entitled to terminate the tenancy agreement and forfeit the deposits. The Tenant shall pay the Landlord the full amount of the rental for the total remaining unexpired period.</p>

Salient terms	Our commentaries
<p>then and in any one of the said cases, it shall be lawful for the Landlord at any time thereafter to serve a notice to quit upon the Tenant requiring the Tenant to remedy the breach (if the same is capable of remedy) within a reasonable time, and it is hereby mutually agreed and deemed that a reasonable time in which to remedy the default shall be fourteen (14) days save and except where the breach is due to non-payment of Rent in which case the reasonable period shall be seven (7) days.</p> <p>6.2 In the event that:</p> <ul style="list-style-type: none"> <li>(a) the Tenant shall fail to remedy the breach or default complained of upon the expiration of the notice given; or</li> <li>(b) the breach or default complained of shall not be capable of being remedied by the Tenant,</li> </ul> <p>then the Landlord shall be entitled to forthwith terminate the Agreement, retain the Deposits by way of forfeiture and re-enter the Demised Premises or any part thereof in accordance with the law and the Tenant shall pay to the Landlord the full amount of the rental for the total remaining unexpired period of all four (4) terms set out in Clause 1.2 and Clause 5 as agreed liquidated damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.</p> <p>6.3 The Parties acknowledge and agree that notwithstanding any breach or default by any of the Parties of any of their obligations under the Agreement, neither Party shall be entitled to any claim or to bring an action for indirect or consequential loss and damage.</p>	<p>Please refer to our commentaries above.</p>

Salient terms	Our commentaries
<p><b>7. DEFAULT BY LANDLORD</b></p> <p>The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:</p> <ul style="list-style-type: none"> <li>(a) if any representation and warranties made by the Landlord is or becomes false, inaccurate, misleading or contains a material omission; or</li> <li>(b) if the Landlord shall default in the due observance and performance of its undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement and the Landlord fails to remedy the breach or default complained of upon the expiration of the notice of default issued by the Tenant to the Landlord which shall not be less than fourteen (14) days,</li> </ul> <p>then the Tenant shall be entitled to forthwith terminate the Agreement, demand refund and return of the Deposits and claim against the Landlord for such losses and damages available to the Tenant under the law WITHOUT PREJUDICE to any right of action the Tenant may have against the Landlord in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Landlord of its obligations under the Agreement.</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Tenant if there is default by the Landlord.</p> <p>We noted that if the Landlord defaults, the Tenant shall be entitled to terminate the tenancy agreement, demand refund and return of the deposits and claim against the Landlord of such losses and damages available to the Tenant.</p>

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(iv) Pasir Gudang Property's Tenancy Agreement

Salient terms	Our commentaries
<p><b>1. DEMISED PREMISES, TERM, RENT AND DEPOSITS</b></p> <p><b>1.1 DEMISED PREMISES</b></p> <p>In consideration of RM146,217.85 (“<b>the Rent</b>”) to be paid by the Tenant timely to the Landlord in accordance with the terms of the Agreement and the Tenant performing and observing the Tenant’s covenants hereinafter contained, the Landlord hereby agrees to grant to the Tenant and the Tenant hereby agrees to take from the Landlord a tenancy of the Demised Premises for the Term with effect from the Commencement Date.</p> <p><b>1.2 TERM</b></p> <p>The tenure of the tenancy of the Demised Premises hereby created shall be for a fixed term of three (3) years commencing on the Commencement Date (“<b>Term</b>”) with four (4) automatic consecutive renewals of three (3) years each renewal.</p>	<p><b>Reasonable.</b></p> <p>The tenancy is intended to commence immediately after the completion of the Proposed Disposal II to ensure continuity of the Group’s business operations.</p> <p>This term sets out the tenure for the rental of the property.</p>

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Salient terms	Our commentaries
<p>1.3 <b>RENT</b></p> <p>(a) The Tenant shall pay the Rent to the Landlord as monthly rent in respect of the Demised Premises. The Rent shall be payable by the Tenant to the Landlord monthly in advance on or before the seventh (7<sup>th</sup>) day of each and every calendar month without any deductions, counter-claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.</p> <p>(b) The first monthly Rent shall be payable on the Commencement Date. In the event that the Commencement Date shall fall on a day other than the first (1<sup>st</sup>) day of a calendar month, the Rent for the first month shall be pro-rated on a daily basis and similarly in the event the monthly Rent for the last month of the Term shall be less than a complete month, such monthly Rent shall be similarly adjusted on a pro-rated basis. The Rent for the subsequent calendar months shall be payable on or before the seventh (7<sup>th</sup>) day of each month in respect of the entire period of each calendar month.</p> <p>(c) The Landlord is entitled to impose interest at the rate of ten percent (10%) per annum on such portion of the Rent or any other monies hereunder due and payable by the Tenant which is not paid from the date the amount is due until the date of the Landlord's receipt of the full payment of such amount, without prejudice to the Landlord's rights under the Agreement.</p> <p>1.4 <b>DEPOSITS</b></p> <p>(a) <b>Security Deposit</b></p> <p>(i) The Tenant shall pay to the Landlord the RM438,653.55 ("<b>the Security Deposit</b>") on the Commencement Date as security for the due observance and performance by the Tenant of all the covenants, conditions, obligations, stipulations and agreements on the part of the Tenant herein contained.</p>	<p>This term sets out the manner and timing of payment for rental and late payment charges, which is common for transactions of such nature.</p> <p>This term sets out the deposits to be paid for the rental of the property. The security deposit and utility deposit to be paid is reasonable as agreed by both parties.</p>

Salient terms	Our commentaries
<p>(ii) The Security Deposit shall be maintained at a sum which is equivalent to three (3) months' Rent. Accordingly, the Security Deposit shall be increased accordingly upon the increase of the Rent pursuant to the provisions of Clause 5. Any increase in the Security Deposit shall be paid by the Tenant to the Landlord on the commencement of the relevant Renewal Term.</p> <p>(b) <b>Utility Deposit</b></p> <p>(i) The Tenant shall pay to the Landlord RM146,217.85 ("<b>the Utility Deposit</b>") upon the Commencement Date as security for the due observance and performance by the Tenant of its covenants set out in Clause 3.1(b).</p> <p>(ii) The Utility Deposit shall be maintained at a sum which is equivalent to one (1) month's Rent. Accordingly, the Utility Deposit shall be increased accordingly upon the increase of the Rent. Any increase in the Utility Deposit shall be paid by the Tenant to the Landlord before the commencement of the relevant Renewal Term.</p>	<p>Please refer to our commentaries above.</p>
<p><b>2. TENANT'S COVENANTS</b></p> <p>2.1 Amongst others, the Tenant hereby agrees, undertakes and covenants with the Landlord as follows:</p> <p>(a) <b>Payment of Rent</b></p> <p>The Tenant shall promptly and timely pay the Rent within the time prescribed by the Agreement free from all deductions, counter claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the obligation and responsibility of the Tenant during for the tenancy, which is common for transactions of such nature.</p>



Salient terms	Our commentaries
<p>(b) <b>Utilities and Other Services</b></p> <p>The Tenant shall maintain the Utilities accounts under the Tenant's name throughout the Term. The Tenant shall promptly and punctually pay to the respective Utilities Providers all charges for all Utilities and any other services supplied to and consumed at the Demised Premises or chargeable against the Demised Premises (including any taxes now or in the future imposed in respect of the Utilities and any other services supplied to and consumed at the Demised Premises) as and when they are due and payable.</p> <p>(c) <b>Payment of Quit Rent and Assessment</b></p> <p>The Tenant shall pay all quit rents, assessments and other similar outgoings imposed upon or in respect of Demised Premises during the Term as and when they are due and payable.</p> <p>(d) <b>Maintenance of Demised Premises</b></p> <p>The Tenant shall at all times during the Term at its own costs and expense:-</p> <ul style="list-style-type: none"> <li>(i) replace all consumables within the Demised Premises which are damaged or cease to work, whether from wear or tear or otherwise;</li> <li>(ii) maintain (including to obtain the required licences, approvals, permits, consent and certificates) and repair (including replace, where necessary) the Demised Premises and every part thereof, including the main structure, foundation, walls, roof, gutters, main pipes and drains, water supply pump, dock leveller, roller shutters, lifts, electrical wiring, ceiling, flooring, doors, windows, glass, the exterior and interior compound of the Demised Premises in good and tenantable repair and condition (fair wear and tear excepted);</li> </ul>	<p>Please refer to our commentaries above.</p>



Salient terms	Our commentaries
<p>(e) <b>Compliance with Statutes etc.</b></p> <p>(i) At all times during the Term, the Tenant shall, at its own costs and expense, comply with all requirements as may be imposed on the occupier of the Demised Premises by any statutes, by-laws, orders, rules and regulations of the Lessor, the municipal council or any other authority having power in that behalf affecting the Demised Premises which are now in force or which may hereafter be enacted including to obtain and maintain the required licences, approvals, permits, consent and certificates in respect of the Permitted Use at the Demised Premises.</p>	<p>Please refer to our commentaries above.</p>
<p><b>3. LANDLORD'S COVENANTS</b></p> <p>3.1 Provided that the Tenant duly paying the Rent and observing and performing the Tenant's several covenants, obligations and stipulations herein contained, the Landlord hereby covenants with the Tenant that the Tenant shall peaceably and quietly hold and enjoy exclusive possession of the Demised Premises and the fixtures and fittings during the Term without any disturbance by the Landlord or any person lawfully claiming under or in trust for the Landlord.</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the Tenant to ensure no disturbance by the Landlord during the tenancy, which is common for transactions of such nature.</p>

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Salient terms		Our commentaries	
<p><b>4. AUTOMATIC RENEWAL</b></p> <p>4.1 The tenancy for the Demised Premises shall be automatically renewed for four (4) consecutive terms of three (3) years each without any requirement of any form of notice by the Parties on the same terms and conditions as the Agreement save for the monthly Rent (and consequentially the Deposits) which shall be the sums set out as follows:</p>		<p><b>Reasonable.</b></p> <p>This term safeguards HIB as it ensures continuity of the Group's business operations at the Pasir Gudang Property for 15 years from the date of the completion of the Proposed Disposal II.</p> <p>This term also sets out the rental rate for each term which gives certainty to the Group in terms of rental costs.</p> <p>Kindly refer to Section 3.3.2 of this IAL, for further evaluation of the rental rates.</p> <p>We noted that the amount of security deposit and utility deposit is adjusted according to rental rate increment for every consecutive term.</p>	
<p><b>Tenancy</b></p> <p>Year 4 to 6 ("Second Term")</p>	<p><b>Rent</b></p> <p>Ringgit Malaysia One Hundred Sixty-three Thousand and Four Hundred and Ninety-five (RM163,419.95) per month calculated at RM0.89 per square foot for the Second Term.</p>	<p><b>Security Deposit</b></p> <p>Ringgit Malaysia Four Hundred and Ninety Thousand and Two Hundred and Fifty-Nine and Sen Eighty-Five (RM490,259.85) which is equivalent to three (3) months' Rent for the Second Term.</p>	<p><b>Utility Deposit</b></p> <p>Ringgit Malaysia One Hundred Sixty-three Thousand Four Hundred and Ninety-five (RM163,419.95) which is equivalent to one (1) month's Rent for the Second Term.</p>

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Salient terms		Our commentaries		
Tenancy	Rent	Security Deposit	Utility Deposit	
Year 7 to 9 ("Third Term")	Ringgit Malaysia One Hundred Eighty-four Thousand and Sixty-two and Sen Forty-seven (RM184,062.47) per month calculated at RM1.00 per square foot for the Third Term.	Ringgit Malaysia Five Hundred and Eighty-seven and Sen Forty-one (RM552,187.41) which is equivalent to three (3) months' Rent for the Third Term.	Ringgit Malaysia One Hundred and Eighty-four Thousand and Sixty-two and Sen Forty-seven (RM184,062.47) which is equivalent to one (1) month's Rent for the Third Term.	Please refer to our commentaries above.
Year 10 to 12 ("Fourth Term")	Ringgit Malaysia Two Hundred and Four Thousand Seven Hundred and Four and Sen Ninety-nine (RM204,704.99) per month calculated at RM1.11 per square foot for the Fourth Term.	Ringgit Malaysia Six Hundred and Fourteen Thousand One Hundred and Sen Ninety-seven (RM614,114.97) which is equivalent to three (3) months' Rent for the Fourth Term.	Ringgit Malaysia Two Hundred and Four Thousand Seven Hundred and Four and Sen Ninety-nine (RM204,704.99) which is equivalent to one (1) month's Rent for the Fourth Term.	

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Salient terms		Our commentaries		
<b>Tenancy</b> Years 13 to 15 ("Fifth Term")	<b>Rent</b> Ringgit Malaysia Two Hundred Thirty Five Thousand and Eight and Sen Fourteen (RM230,508.14) per month calculated at RM1.25 per square foot for the Fifth Term.	<b>Security Deposit</b> Ringgit Malaysia Six Hundred and Ninety One Thousand Five Hundred and Twenty four and Sen forty two (RM691,524.42) which is equivalent to three (3) months' Rent for the Fifth Term.	<b>Utility Deposit</b> Ringgit Malaysia Two Hundred Thirty Five Thousand and Eight and Sen Fourteen (RM230,508.14) which is equivalent to one (1) month's Rent for the Fifth Term.	
<b>5. NO EARLY TERMINATION</b>		<p data-bbox="847 963 906 2033">5.1 The Tenant shall not be entitled to terminate the tenancy of the Demised Premises prior to the expiry of the Fifth Term.</p> <p data-bbox="938 963 1246 2033">5.2 Subject to the provision in the Agreement, in the event the Tenant terminates the tenancy of the Demised Premises prior to the expiration of the Fifth Term, the Tenant shall pay to the Landlord the full amount of the rental for the total remaining and unexpired period of all five (5) terms set out in Clause 1.2 and Clause 5 as agreed liquidated ascertained damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.</p>		<p data-bbox="783 775 810 943"><b>Reasonable.</b></p> <p data-bbox="847 194 906 943">The Pasir Gudang Property is being used as factory and office for the Group's fertiliser segment.</p> <p data-bbox="938 194 1091 943">Based on the current level of operations for this segment, the Group deems the Pasir Gudang Property to be adequate for its operations and the Group is not expected to relocate its existing operations on the Pasir Gudang Property. As such, this clause is not expected to materially affect the Group.</p> <p data-bbox="1123 194 1214 943">Further, we noted that there is no provision similar to this clause in the agreement prohibiting an early termination by the Landlord.</p>

Salient terms	Our commentaries
	<p>Nonetheless, in usual circumstances, once a landlord has agreed to rent a demised premises to the tenant for a specified timeframe, the landlord is contractually and legally bound to rent the demised premises to the tenant for that specified timeframe. The landlord is only allowed to terminate if the tenant fails to meet its obligations and covenants.</p> <p>This being the case, the Group is required to observe the default clauses (in Clause 6 below) to avoid early termination by the Landlord. Similarly, if the Landlord defaults (per Clause 7 below), the Tenant shall be entitled to, among others, terminate the tenancy agreement.</p>
<p><b>6. DEFAULT BY TENANT</b></p> <p>6.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:-</p> <ul style="list-style-type: none"> <li>(a) if the Rent hereby reserved or payable or any part thereof or any sum payable under the Agreement shall at any time be unpaid for fourteen (14) days after becoming due or payable (whether any formal or legal demand therefor shall have been made or not);</li> <li>(b) if the Tenant shall default in the due observance and performance of any undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement;</li> <li>(c) if any step is taken or an order is made or a resolution is passed or legislation is enacted for the winding up, dissolution or liquidation, as the case may be, of the Tenant (except for the purpose of amalgamation or reconstruction of a solvent company) or a petition for winding up is presented against the Tenant;</li> </ul>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Landlord if there is default by the Tenant.</p> <p>We noted that if the Tenant defaults, the Landlord may issue a notice to the Tenant to remedy the breach within a reasonable timeframe (i.e. 14 days), unless the breach is due to non-payment of rent, in which case the reasonable period shall be 7 days.</p> <p>If the Tenant fails to remedy the breach within the reasonable timeframe, the Landlord shall be entitled to terminate the tenancy agreement and forfeit the deposits. The Tenant shall pay the Landlord the full amount of the rental for the total remaining unexpired period.</p>

Salient terms	Our commentaries
<p>(d) if the Tenant shall unlawfully determine the tenancy of the Demised Premises for any reason whatsoever vacate and/or abandon the Demised Premises at any time before the date of expiry of the Fifth Term (whether the Tenant shall have removed the Tenant's Goods) from the Demised Premises or otherwise or the Tenant terminates the Agreement before the date of expiry of the Fifth Term; or</p> <p>(e) if any licence, authorisation, approval, consent order or exemption with any governmental authority necessary for the Tenant to carry on its business shall be cancelled or withdrawn or cease to be in full force and effect due to the Tenant's fault,</p> <p>then and in any one of the said cases, it shall be lawful for the Landlord at any time thereafter to serve a notice to quit upon the Tenant requiring the Tenant to remedy the breach (if the same is capable of remedy) within a reasonable time, and it is hereby mutually agreed and deemed that a reasonable time in which to remedy the default shall be fourteen (14) days save and except where the breach is due to non payment of Rent in which case the reasonable period shall be seven (7) days.</p> <p>6.2 In the event that:</p> <p>(a) the Tenant shall fail to remedy the breach or default complained of upon the expiration of the notice given; or</p> <p>(b) the breach or default complained of shall not be capable of being remedied by the Tenant,</p>	<p>Please refer to our commentaries above.</p>

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Salient terms	Our commentaries
<p>then the Landlord shall be entitled to forthwith terminate the Agreement, retain the Deposits by way of forfeiture and re-enter the Demised Premises or any part thereof in accordance with the law and the Tenant shall pay to the Landlord the full amount of the rental for the total remaining unexpired period of all five (5) terms set out in Clause 1.2 and Clause 5 as agreed liquidated damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.</p> <p>6.3 The Parties acknowledge and agree that notwithstanding any breach or default by any of the Parties of any of their obligations under the Agreement, neither Party shall be entitled to any claim or to bring an action for indirect or consequential loss and damage.</p>	<p>Please refer to our commentaries above.</p>
<p><b>7. DEFAULT BY LANDLORD</b></p> <p>7.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:</p> <p>(a) if any representation and warranties made by the Landlord is or becomes false, inaccurate, misleading or contains a material omission; or</p> <p>(b) if the Landlord shall default in the due observance and performance of its undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement and the Landlord fails to remedy the breach or default complained of upon the expiration of the notice of default issued by the Tenant to the Landlord which shall not be less than fourteen (14) days,</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Tenant if there is default by the Landlord.</p> <p>We noted that if the Landlord defaults, the Tenant shall be entitled to terminate the tenancy agreement, demand refund and return of the deposits and claim against the Landlord of such losses and damages available to the Tenant.</p>



Salient terms	Our commentaries
<p>then the Tenant shall be entitled to forthwith terminate the Agreement, demand refund and return of the Deposits and claim against the Landlord for such losses and damages available to the Tenant under the law WITHOUT PREJUDICE to any right of action the Tenant may have against the Landlord in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Landlord of its obligations under the Agreement.</p>	<p>Please refer to our commentaries above.</p>
<p><b>8. TERMINATION OF LPJ LEASE</b></p> <p>8.1 In the event that the LPJ Lease is terminated before its expiration by the Lessor or the Landlord, as the case may be, and such termination is not due to the default of the Landlord under the provisions of the LPJ Lease Agreement, the Parties agree that in the event of such early termination, the Landlord shall immediately inform the Tenant and the Agreement shall also terminate simultaneously with the LPJ Lease. Upon such termination, the Parties shall be released from their obligations under the Agreement save for any antecedent breaches.</p> <p>8.2 In the event that the LPJ Lease is terminated before its expiration by the Lessor and such termination is due to the default of the Landlord under the provisions of the LPJ Lease Agreement, the Parties agree that in the event of such early termination, the Landlord shall immediately inform the Tenant, whereupon the Agreement shall be terminated and the Tenant shall be entitled to claim all remedies available under the law, including losses, damages, costs for relocation and searching for new premises.</p>	<p><b>Reasonable.</b></p> <p>This term set outs the obligation of the Tenant and Landlord, if the LPJ Lease is terminated before the expiration of the tenancy period.</p> <p>We noted that if the termination of the LPJ Lease is due to the default of the Landlord, the Tenant shall be entitled to claim all remedies available under the law, including losses, damages, costs for relocation and searching for new premises.</p> <p>This term is beneficial to HIB.</p>

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(v) Bintulu Property's Tenancy Agreement

Salient terms	Our commentaries
<p><b>1. AGREEMENT TO LET</b></p> <p>The Landlord hereby demises unto the Tenant, the Demised Premises for three (3) years (hereinafter referred to as "<b>First Term</b>").</p>	<p><b>Reasonable.</b></p> <p>This term sets out the tenure of the first term of the tenancy.</p>
<p><b>2. MONTHLY RENTAL AND DEPOSITS</b></p> <p><b>2.1 MONTHLY RENTAL</b></p> <p>(a) The monthly rental of the Demised Premises is <b>RM176,217.75</b> (hereinafter referred to as "<b>the Monthly Rental</b>"). It shall be payable by the Tenant on or before the 7<sup>th</sup> day of each successive calendar month, with the first of such payments to be made on the Commencement Date and the subsequent payments to be made on or before the same day of each following calendar month thereafter. In the event that the Commencement Date shall fall on a day other than the first (1st) day of a calendar month, the Monthly Rental for the first month shall be pro-rated on a daily basis and similarly in the event the Monthly Rental for the last month of the tenancy term shall be less than a complete month, such Monthly Rental shall be similarly adjusted on a pro-rated basis.</p> <p>(b) The Landlord is entitled to impose interest at the rate of ten percent (10%) per annum on such portion of the Monthly Rental or any other monies hereunder due and payable by the Tenant which is not paid from the date the amount is due until the date of the Landlord's receipt of the full payment of such amount, without prejudice to the Landlord's rights under the Agreement.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the manner and timing of payment for rental and late payment charges, which is common for transactions of such nature.</p>

Salient terms	Our commentaries
<p><b>2.2 DEPOSITS</b></p> <p><b>(a) <u>Security Deposit</u></b></p> <p>(i) On Commencement Date, the Tenant shall pay to the Landlord <b>RM528,653.25</b> (hereinafter referred to as "<b>Security Deposit</b>") as security for the due observance and performance by the Tenant of all the covenants, conditions, obligations, stipulations and agreements on the part of the Tenant herein contained.</p> <p>(ii) The Security Deposit shall be maintained at the sum equivalent to three (3) months of the Monthly Rental. The Security Deposit shall be increased accordingly upon the increase of the Monthly Rental for each renewal term. Any increase in the Security Deposit shall be paid by the Tenant to the Landlord before the commencement of each renewal.</p> <p><b>(b) <u>Utilities Deposit</u></b></p> <p>(i) The Tenant shall pay to the Landlord <b>RM176,217.75</b> (hereinafter referred to as "<b>Utilities Deposit</b>") on the Commencement Date as security for the due observance and performance by the Tenant of its covenants.</p> <p>(ii) The Utilities Deposit shall be maintained at the sum equivalent to one (1) month of the Monthly Rental. The Utilities Deposit shall be increased accordingly upon the increase of the Monthly Rental for each renewal term in <b>Second Schedule</b> thereof. Any increase in the Utilities Deposit shall be paid by the Tenant to the Landlord before the commencement of each renewal set out in <b>Second Schedule</b> thereof.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the deposits to be paid for the rental of the property. The security deposit and utility deposit to be paid are reasonable as agreed by both parties.</p>

Salient terms	Our commentaries
<p><b>3. TENANT'S COVENANTS</b></p> <p>Amongst others, the Tenant hereby agrees, undertakes and covenants with the Landlord as follows:</p> <p>(a) <b>Payment of Rent</b></p> <p>The Tenant shall promptly and timely pay the Rent within the time prescribed by the Agreement free from all deductions, counter claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.</p> <p>(b) <b>Utilities and Other Services</b></p> <p>The Tenant shall maintain the Utilities accounts under the Tenant's name throughout the Term. The Tenant shall promptly and punctually pay to the respective Utilities Providers all charges for all Utilities and any other services supplied to and consumed at the Demised Premises or chargeable against the Demised Premises (including any taxes now or in the future imposed in respect of the Utilities and any other services supplied to and consumed at the Demised Premises) as and when they are due and payable.</p> <p>(c) <b>Payment of Quit Rent and Assessment</b></p> <p>The Tenant shall pay all quit rents, assessments and other similar outgoings imposed upon or in respect of Demised Premises during the Term as and when they are due and payable.</p>	<p><b>Reasonable.</b></p> <p>This term sets out the obligation and responsibility of the Tenant during for the tenancy, which is common for transactions of such nature.</p>

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Salient terms	Our commentaries
<p>(d) <b>Maintenance of Demised Premises</b></p> <p>The Tenant shall at all times during the Term at its own costs and expense:-</p> <ul style="list-style-type: none"> <li>(i) replace all consumables within the Demised Premises which are damaged or cease to work, whether from wear or tear or otherwise;</li> <li>(ii) maintain (including to obtain the required licences, approvals, permits, consent and certificates) and repair (including replace, where necessary) the Demised Premises and every part thereof, including the main structure, foundation, walls, roof, gutters, main pipes and drains, water supply pump, dock leveller, roller shutters, lifts, electrical wiring, ceiling, flooring, doors, windows, glass, the exterior and interior compound of the Demised Premises in good and tenable repair and condition (fair wear and tear excepted);</li> </ul> <p>(e) <b>Compliance with Statutes etc.</b></p> <ul style="list-style-type: none"> <li>(i) At all times during the Term, the Tenant shall, at its own costs and expense, comply with all requirements as may be imposed on the occupier of the Demised Premises by any statutes, by-laws, orders, rules and regulations of the municipal council or any other authority having power in that behalf affecting the Demised Premises which are now in force or which may hereafter be enacted including to obtain and maintain the required licences, approvals, permits, consent and certificates in respect of the Permitted Use at the Demised Premises.</li> </ul>	<p>Please refer to our commentaries above.</p>

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Salient terms		Our commentaries									
4.	<p><b>LANDLORD'S COVENANTS</b></p> <p>Provided that the Tenant duly pays its Monthly Rental and observes and performs the Tenant's several covenants, obligations and stipulations herein contained, the Landlord covenants with the Tenant that the Tenant shall peaceably and quietly hold and enjoy exclusive possession of the Demised Premises and the fixtures and fittings during the tenancy term without any disturbance by the Landlord or any person lawfully claiming under or in trust for the Landlord.</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the Tenant to ensure no disturbance by the Landlord during the tenancy, which is common for transactions of such nature.</p>									
5.	<p><b>RENEWAL OF TERM</b></p> <p>The Landlord shall grant the Tenant and the Tenant shall accept an automatic renewal of four (4) consecutive terms of three (3) years each commencing immediately after the expiry of the First Term at the Monthly Rental set out as below:-</p>	<p><b>Reasonable.</b></p> <p>This term safeguards HIB as it ensures continuity of the Group's business operations at the Bintulu Property for 15 years from the date of the completion of the Proposed Bintulu Disposal.</p> <p>This term also sets out the rental rate for each term which gives certainty to the Group in terms of rental costs.</p> <p>Kindly refer to Section 3.3.2 of this IAL, for further evaluation of the rental rates.</p> <p>We noted that the amount of security deposit and utility deposit is adjusted according to rental rate increment for every consecutive term.</p>									
<table border="1"> <thead> <tr> <th>Tenancy</th> <th>Rent</th> <th>Security Deposit</th> <th>Utility Deposit</th> </tr> </thead> <tbody> <tr> <td data-bbox="869 1836 965 2042">Year 4 to 6 ("Second Term")</td> <td data-bbox="869 1545 965 1836"> <b>Ringgit Malaysia</b>  <b>One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> per month calculated at Ninety Five Cents (RM0.95) per square foot for the Second Term.                 </td> <td data-bbox="869 1254 965 1545"> <b>Ringgit Malaysia</b>  <b>Five Thousand Eight Hundred Forty-Seven and Cents Seventy Five (RM590,847.75)</b> which is equivalent to three (3) months' Monthly Rental for the Second Term.                 </td> <td data-bbox="869 963 965 1254"> <b>Ringgit Malaysia</b>  <b>One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> which is equivalent to one (1) month's Monthly Rental for the Second Term.                 </td> </tr> </tbody> </table>	Tenancy	Rent	Security Deposit	Utility Deposit	Year 4 to 6 ("Second Term")	<b>Ringgit Malaysia</b> <b>One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> per month calculated at Ninety Five Cents (RM0.95) per square foot for the Second Term.	<b>Ringgit Malaysia</b> <b>Five Thousand Eight Hundred Forty-Seven and Cents Seventy Five (RM590,847.75)</b> which is equivalent to three (3) months' Monthly Rental for the Second Term.	<b>Ringgit Malaysia</b> <b>One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> which is equivalent to one (1) month's Monthly Rental for the Second Term.			
Tenancy	Rent	Security Deposit	Utility Deposit								
Year 4 to 6 ("Second Term")	<b>Ringgit Malaysia</b> <b>One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> per month calculated at Ninety Five Cents (RM0.95) per square foot for the Second Term.	<b>Ringgit Malaysia</b> <b>Five Thousand Eight Hundred Forty-Seven and Cents Seventy Five (RM590,847.75)</b> which is equivalent to three (3) months' Monthly Rental for the Second Term.	<b>Ringgit Malaysia</b> <b>One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> which is equivalent to one (1) month's Monthly Rental for the Second Term.								

Salient terms		Our commentaries	
Tenancy	Rent	Security Deposit	Utility Deposit
Year 7 to 9 ("Third Term")	Ringgit Malaysia Two Thousand Twenty-One Hundred Eighty Seven and Cents <b>(RM221,827.05)</b> per month calculated at Ringgit Malaysia One and Seven Cents <b>(RM1.07)</b> per square foot for the Third Term.	Ringgit Malaysia Six Hundred Sixty Four Thousand Eighty One and Cents <b>(RM665,481.15)</b> which is equivalent to three (3) months' Monthly Rental for the Third Term.	Ringgit Malaysia Two Thousand Twenty-One Hundred Eighty Seven and Cents <b>(RM221,827.05)</b> which is equivalent to one (1) month's Monthly Rental for the Third Term.
Year 10 to 12 ("Fourth Term")	Ringgit Malaysia Two Hundred Forty-Six Thousand Seven Hundred Four and Cents <b>(RM246,704.85)</b> per month calculated at Ringgit Malaysia One and Nineteen Cents <b>(RM1.19)</b> per square foot for the Fourth Term.	Ringgit Malaysia Seven Hundred Forty Thousand One Hundred Fourteen and Cents <b>(RM740,114.55)</b> which is equivalent to three (3) months' Monthly Rental for the Fourth Term.	Ringgit Malaysia Two Hundred Forty-Six Thousand Seven Hundred Four and Cents <b>(RM246,704.85)</b> which is equivalent to one (1) month's Monthly Rental for the Fourth Term.

Please refer to our commentaries above.

Salient terms		Our commentaries	
<b>Tenancy</b> Years 13 to 15 ("Fifth Term")	<b>Rent</b> Ringgit Two Hundred Seventy-Seven Thousand Eight Hundred and Ten Cents (RM277,802.10) per month calculated at Ringgit Malaysia One and Thirty-Four Cents (RM1.34) per square foot for the Fifth Term.	<b>Security Deposit</b> Ringgit Eight Hundred Three Thousand Four Hundred and Cents (RM833,406.30) which is equivalent to three (3) months' Monthly Rental for the Fifth Term.	<b>Utility Deposit</b> Ringgit Two Thousand Seven Hundred and Ten Cents (RM277,802.10) which is equivalent to one (1) month's Monthly Rental for the Fifth Term.
<b>6. NO EARLY TERMINATION</b>		<p>6.1 The Tenant shall not be entitled to terminate this tenancy prior to the expiry of the Fifth Tenancy Term.</p> <p>6.2 Subject to the provision of the Agreement, in the event the Tenant terminates the tenancy of the Property prior to the expiry of the Fifth Tenancy Term, the Tenant shall pay to the Landlord the full amount of the Monthly Rental for the total remaining and unexpired period of the all five (5) terms as agreed liquidated ascertained damages without prejudice to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.</p>	
<p>Please refer to our commentaries above.</p>		<p><b>Reasonable.</b></p> <p>The Bintulu Property is being used as factory, warehouse and office for the Group's fertiliser segment.</p> <p>Based on the current level of operations for this segment, the Group deems the Bintulu Property to be adequate for its operations and the Group is not expected to relocate its existing operations on the Bintulu Property. As such, this clause is not expected to materially affect the Group.</p> <p>Further, we noted that there is no provision similar to this clause in the agreement prohibiting an early termination by the Landlord.</p>	



Salient terms	Our commentaries
	<p>Nonetheless, in usual circumstances, once a landlord has agreed to rent a demised premises to the tenant for a specified timeframe, the landlord is contractually and legally bound to rent the demised premises to the tenant for that specified timeframe. The landlord is only allowed to terminate if the tenant fails to meet its obligations and covenants.</p> <p>This being the case, the Group is required to observe the default clauses (in Clause 7 below) to avoid early termination by the Landlord. Similarly, if the Landlord defaults (per Clause 8 below), the Tenant shall be entitled to, among others, terminate the tenancy agreement.</p>
<p><b>7. DEFAULT BY TENANT</b></p> <p>7.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:</p> <ul style="list-style-type: none"> <li>(a) if the Monthly Rental hereby reserved or payable or any part thereof or any sum payable under the Agreement shall at any time be unpaid for fourteen (14) days after becoming due or payable (whether any formal or legal demand therefor shall have been made or not);</li> <li>(b) if the Tenant shall default in the due observance and performance of any undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement;</li> <li>(c) if the Tenant shall unlawfully determine the tenancy of the Demised Premises for any reason whatsoever vacate and/or abandon the Demised Premises at any time before the date of expiry of the Fifth Term (whether the Tenant shall have removed the Tenant's goods) from the Demised Premises or otherwise or the Tenant terminates the Agreement before the date of expiry of the Fifth Term; or</li> </ul>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Landlord if there is default by the Tenant.</p> <p>We noted that if the Tenant defaults, the Landlord may issue a notice to the Tenant to remedy the breach within a reasonable timeframe (i.e. 14 days), unless the breach is due to non-payment of rent, in which case the reasonable period shall be 7 days.</p> <p>If the Tenant fails to remedy the breach within the reasonable timeframe, the Landlord shall be entitled to terminate the tenancy agreement and forfeit the deposits. The Tenant shall pay the Landlord the full amount of the rental for the total remaining unexpired period.</p>



Salient terms	Our commentaries
<p>(d) if any licence, authorisation, approval, consent order or exemption with any governmental authority necessary for the Tenant to carry on its business shall be cancelled or withdrawn or cease to be in full force and effect due to the Tenant's fault,</p> <p>then and in any one of the said cases, it shall be lawful for the Landlord at any time thereafter to serve a notice to quit upon the Tenant requiring the Tenant to remedy the breach (if the same is capable of remedy) within a reasonable time, and it is hereby mutually agreed and deemed that a reasonable time in which to remedy the default shall be fourteen (14) days save and except where the breach is due to non-payment of Monthly Rental in which case the reasonable period shall be seven (7) days.</p> <p>7.2 In the event that:-</p> <p>(a) the Tenant shall fail to remedy the breach or default complained of upon the expiration of the notice given; or</p> <p>(b) the breach or default complained of shall not be capable of being remedied by the Tenant,</p> <p>then the Landlord shall be entitled to forthwith terminate the Agreement, retain the Deposits by way of forfeiture and re-enter the Demised Premises or any part thereof in accordance with the law and the Tenant shall pay to the Landlord the full amount of the Monthly Rental for the total remaining unexpired period of all five (5) terms set out in Clause 2.2 and Clause 6 as agreed liquidated damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.</p>	<p>Please refer to our commentaries above.</p>

Salient terms	Our commentaries
<p><b>8. DEFAULT BY LANDLORD</b></p> <p>8.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:</p> <p>(a) if any representation and warranties made by the Landlord is or becomes false, inaccurate, misleading or contains a material omission; or</p> <p>(b) if the Landlord shall default in the due observance and performance of its undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement and the Landlord fails to remedy the breach or default complained of upon the expiration of the notice of default issued by the Tenant to the Landlord which shall not be less than fourteen (14) days,</p> <p>then the Tenant shall be entitled to forthwith terminate the Agreement, demand refund and return of the Deposits and claim against the Landlord for such losses and damages available to the Tenant under the law WITHOUT PREJUDICE to any right of action the Tenant may have against the Landlord in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Landlord of its obligations under the Agreement.</p>	<p><b>Reasonable.</b></p> <p>This term safeguards the interest of the Tenant if there is default by the Landlord.</p> <p>We noted that if the Landlord defaults, the Tenant shall be entitled to terminate the tenancy agreement, demand refund and return of the deposits and claim against the Landlord of such losses and damages available to the Tenant.</p>

**Based on the above, we are of the view that the salient terms of the SPAs, Properties Tenancy Agreements and Bintulu Tenancy Agreement are reasonable and not detrimental to the non-interested shareholders of HIB.**

### **3.5 Effects of the Proposals**

We noted the following effects of the Proposals from Section 6, Part A of the Circular:

#### **3.5.1 Issued share capital and substantial shareholders' shareholdings**

The Proposals will not have any effect on HIB's issued share capital and its substantial shareholders' shareholdings as the Proposals do not involve any issuance of new HIB Shares.

#### **3.5.2 NA, NA per Share and gearing**

As set out in Section 6.2, Part A of the Circular, the Proposals will result in an increase in the consolidated NA from RM337.61 million to RM344.12 million, as a result of the following:

- (i) pro forma gain on disposal of approximately RM0.47 million;
- (ii) reversal of revaluation reserve of approximately RM15.07 million;
- (iii) reversal of deferred tax liabilities arising from the revaluation of properties of approximately RM5.44 million;
- (iv) gain on lease modification of approximately RM1.40 million arising from the termination of the lease of the Bintulu Property (in accordance with MFRS 16);
- (v) interest and cost savings of approximately RM4.65 million arising from the Proposed Disposals;
- (vi) accounting for the impact of MFRS 16, which leads to a deduction of approximately RM4.75 million; and
- (vii) estimated expenses of approximately RM0.70 million for the Proposals.

Consequently, the NA per Share will increase from RM0.12 to RM0.13.

In addition, the gearing of the Group will improve from 0.65 times (as at 31 December 2023) to 0.64 times (after completion of the Proposals).

#### **3.5.3 Earnings and EPS**

For illustration, assuming the Proposals had been effected at the beginning of FYE 31 December 2023, the profit after tax attributable to owners of the Company will increase from RM41.91 million to RM42.98 million, mainly as a result of the following:

- (i) interest and cost savings arising from the Proposed Disposals of RM4.65 million;
- (ii) gain on lease modification of RM1.40 million arising from the termination of the lease of the Bintulu Property (in accordance with MFRS 16); and
- (iii) accounting for the impact of MFRS 16, which leads to a deduction of approximately RM4.75 million.

Consequently, the EPS will improve from 1.52 sen to 1.56 sen.

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### **3.5.4 Convertible securities**

As at the LPD, the Company has no outstanding convertible securities.

**Premised on the above, we are of the view that the effects of the Proposals are not detrimental to the non-interested shareholders of HIB.**

### **3.6 Risk factors of the Proposals**

In considering the Proposals, the shareholders of HIB are advised to give careful consideration to the risk factors as set out in Section 4, Part A of the Circular.

We wish to highlight some of the risk factors in relation to the Proposals, to the non-interested shareholders of the Company as follows:

#### **(i) Completion risk**

There can be no assurance that the Proposed Disposals can be completed within the timeframe set out in the SPAs. If any conditions precedent is not fulfilled / waived or the necessary approval is not obtained within the stipulated time period, the SPAs may be terminated. In such an event, the benefits arising from the Proposals will not be realised.

Notwithstanding this, we noted from the management that the Company will proactively engage with the relevant authorities and third parties to obtain all the necessary approvals and documents required for the completion of the Proposed Disposals within the stipulated timeframe.

In our view, the above would mitigate the risk of non-completion of the Proposed Disposals.

#### **(ii) Loss of potentially higher capital value of the Properties**

We noted that the Disposal Consideration was agreed after considering current market valuation of the Properties. By disposing the Properties at this juncture, the Group may lose out on any potential increase in capital value of the Properties in the future.

However, the Disposal Consideration (which is satisfied entirely in cash) may be used as additional working capital and this is expected to ease the funding requirements of the Group.

#### **(iii) Tenancy risk**

We noted that there is no provision for renewal of the tenancy beyond the 12-year period for the Cheras Property and the 15-year period for the Pasir Gudang Property as well as the Bintulu Property. There is no certainty that the Group will be able to occupy the aforesaid properties after the end of tenancy and at fair rental rates.

However, the Group will actively engage with KIP REIT to negotiate on renewal terms and/or seek for suitable alternative locations to minimise disruption to its operations, prior to the end of tenancy for the aforesaid properties.

We wish to highlight that although measures may already be in place to limit and manage the risk associated with the Proposals, no assurance can be given that such risk factors will not crystallise and give rise to material and adverse impact on the financial performance, position or prospects of the Group.

**4. CONCLUSION AND RECOMMENDATION**

Before arriving at the decision to vote on the ordinary resolutions to give effect to the Proposals at the forthcoming EGM, it is imperative that the shareholders of HIB consider all relevant issues and implications raised in this IAL carefully, as well as those highlighted by the Board in its letter to shareholders of HIB in relation to the Proposals, as set out in Part A of the Circular together with the accompany appendices.

After taking into consideration the pertinent factors highlighted in the preceding sections of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposals are **fair and reasonable** and **not detrimental** to the non-interested shareholders of HIB.

Accordingly, we recommend that the non-interested shareholders of HIB **vote in favour** of the resolutions to give effect to the Proposals to be tabled at the forthcoming EGM.

Yours faithfully,  
For and on behalf of  
**MAINSTREET ADVISERS SDN BHD**

**LAI SWEE SIM**  
Managing Director

**TAN VEE HAN**  
Head, Corporate Finance

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement in this Circular false or misleading.

All information relating to the KIP REIT in this Circular has been obtained from publicly available sources. The responsibility of the Board with respect to such information is limited to ensuring that such information has been accurately reproduced in this Circular.

**2. CONSENT AND CONFLICT OF INTEREST****(i) MIDF Investment**

MIDF Investment, being the Principal Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which it appears in this Circular.

Malaysia Building Society Berhad ("**MBSB**") is the holding company of Malaysian Industrial Development Finance Berhad ("**MIDF**") and MIDF Investment is a wholly-owned subsidiary of MIDF. MBSB, its subsidiaries and its related companies (collectively referred to as "**MBSB Group**") are involved in diversified financial activities. MBSB Group has been engaged, and may in the future be engaged, in transactions with and/or perform services for HIB Group and its affiliates, in addition to MIDF Investment's role as the Principal Adviser for the Proposals.

Further, in the ordinary course of business, any member of MBSB 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 HIB Group and its affiliates, or any other entity or transactions for its own account or the account of its customer. This is a result of the business of MBSB Group generally acting independent of each other and accordingly, there may be situations where parts of MBSB Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest.

Nonetheless, MBSB Group is required to comply with 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 Walls between different business divisions.

MIDF Investment confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Principal Adviser for the Proposals.

**(ii) MainStreet**

MainStreet, being the Independent Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

MainStreet confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the Independent Adviser for the Proposals.

**(iii) JLW**

JLW, being the independent valuer for the Properties, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the valuation certificate, the extracts of the valuation reports and commentary letter on rental escalation of the Properties, as well as all references thereto in the form and context in which they appear in this Circular.

JLW confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the independent valuer for the Properties.

**(iv) LaurelCap**

LaurelCap, being the independent valuer for the Bintulu Property, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the extracts of the rental valuation letter of the Bintulu Property and all references thereto in the form and context in which they appear in this Circular.

LaurelCap confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to its role as the independent valuer for the Bintulu Property.

**3. MATERIAL COMMITMENTS**

As at the LPD, the Board has confirmed that there are no material commitments incurred or known to be incurred by the Group that have not been provided for, which upon becoming due or enforceable, may have a material impact on the financial position or business of the Group.

**4. CONTINGENT LIABILITIES**

As at the LPD, there are no contingent liabilities incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the financial position or business of the Group.

**5. MATERIAL LITIGATION**

As at the LPD, the Board is not aware of any material litigation, claims and/or arbitration involving the Properties, either as plaintiff or defendant, and our Board is not aware of any proceedings, pending or threatened, involving the Properties and Bintulu Property or any part thereof.

**6. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan, during normal business hours on Monday to Friday (except public holiday) for a period of 3 months from the date of this Circular:

- (i) Constitution of HIB;
- (ii) audited consolidated financial statements of the Company for the 16-month FPE 31 December 2022 and FYE 31 December 2023 as well as unaudited consolidated financial results of the Company for the 9-month FPE 30 September 2024;
- (iii) SPAs dated 29 August 2024;

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**APPENDIX I – FURTHER INFORMATION (CONT'D)**

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- (iv) Properties Tenancy Agreements;
- (v) Bintulu Tenancy Agreement;
- (vi) Valuation certificate and valuation reports of the Properties dated 28 August 2024;
- (vii) Commentary letter on rental escalation of the Properties prepared by JLW dated 28 August 2024;
- (viii) Rental valuation letter of the Bintulu Property prepared by LaurelCap dated 28 August 2024; and
- (ix) Letters of consent referred to in Section 2 of this Appendix I.

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**APPENDIX II – INFORMATION ON THE PROPERTIES**


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A summary of the information on the Properties is as follows:

	<b>Cheras Property</b>	<b>Pasir Gudang Property</b>
Registered owner	SCH	Lembaga Pelabuhan Johor
Postal address	Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan	Lot 117, Jalan Pukal, Kawasan Perindustrian Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim
Title no.	HSM 13156	GRN 489953
Tenure	99-year leasehold interest, expiring on 30 December 2098	Interest in perpetuity (in respect of interest held by Johor Port Authority)  Unexpired lessee's interest expiring on 14 March 2050 (in respect of interest held by PKF)
Category of land use	Industri	Perusahaan/Perindustrian
Description of main buildings	A one and a half storey factory building with an annexed four storey office building	A single storey warehouse building with an integral double storey office building
Existing use and occupancy	Currently occupied by SCH and its related companies for their existing storage of quarry industrial products and quarry machinery as well as office operations	Currently occupied by PKF for manufacturing of fertilisers as well as office operations
Proposed use	Warehouse	Manufacturing and warehouse
Land area (sq.ft)	91,601	248,851
Gross floor area (sq.ft)	67,644	184,120
Lettable area (sq.ft)	66,632	184,120
Approximate age of buildings as at date of valuation	7 years	34 years
Encumbrance	Nil	Nil
Endorsement	Nil	No. Perserahan: 11655/1997 Pajakan Seluruh Tanah kepada PKF bagi tempoh masa selama 60 tahun mulai dari 15 Mac 1990 dan berakhir pada 14 Mac 2050, registered on 24 February 1997
Valuer	JLW	JLW
Valuation approach	Income Approach by way of Investment Method	Income Approach by way of Investment Method
Date of valuation	26 June 2024	21 June 2024

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**APPENDIX II – INFORMATION ON THE PROPERTIES (CONT'D)**

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	<u>Cheras Property</u>	<u>Pasir Gudang Property</u>
Market value (RM'000)	22,300	19,900
Net book value as at 31 December 2023 (RM'000)	21,012	17,109

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**Cheras Property (“Property”)**

**1. AGREEMENT TO SELL AND TO PURCHASE**

1.1 The Vendor hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase the Property from the Vendor for the Purchase Price on the following basis:

- (a) the Property is free from all Encumbrances; and
- (b) subject to the category of land use, all conditions whether express or implied and restrictions-in-interest on the Title Deed;

and upon the terms and conditions contained in the Agreement.

1.2 Subject to Completion, the Purchaser hereby agrees to grant a tenancy over the Property to the Vendor and the Vendor hereby agrees to take the tenancy subject to the terms and conditions herein and in a tenancy agreement.

**2. CONDITIONS PRECEDENT**

2.1 The Agreement is conditional upon the compliance and fulfilment of the Conditions Precedent within the Conditional Period:

- (a) the Purchaser at its own costs and expenses obtaining the approval of the unitholders of KIP REIT for the acquisition of the Property from the Vendor (“**Unitholders Approval**”);
- (b) if required, the Purchaser at its own costs and expenses obtaining the written confirmation of the EPU that the approval of the EPU is not required for the acquisition of the Property by the Purchaser or the EPU has no objection to the acquisition of the Property by the Purchaser (“**EPU Approval**”);
- (c) the Vendor at its own costs and expenses obtaining the approval of its holding company’s shareholders for the disposal of the Property to the Purchaser in accordance with the SPA (“**Vendor’s Shareholders’ Approval**”);
- (d) the Vendor at its own costs and expenses obtaining the approval of the State Authority to transfer the Property to the Purchaser in compliance with the restriction-in-interest as set out in the document of title to the Property (“**SA Approval**”); and
- (e) such other relevant approvals and/or consents as may be required under any applicable laws, regulations, or governmental policies as at the Agreement Date.

2.2 The Agreement shall become unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled in accordance with the provisions of this Clause 2 (“**Unconditional Date**”).

2.3 Save as otherwise provided in the Agreement, in the event that any of the Conditions Precedent is not fulfilled prior to the expiry of the Conditional Period despite all reasonable efforts by the Parties, either Party shall be entitled to rescind and terminate the Agreement by way of notice in writing to the other Party whereupon within five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, of such termination:

- (a) the Vendor shall refund or return to the Purchaser the Deposit together with the interest earned on the Earnest Deposit; and

- (b) in exchange for the refund of the Deposit in the manner as aforesaid, each Party shall return or cause to be returned to the other Party all documents delivered by or on behalf of the respective Party to the other Party or their solicitors pursuant to the terms of the Agreement with the Vendor's ownership, proprietorship and interest in the Property remaining intact and unaltered.

Thereafter, the Agreement shall be null and void and of no effect whatsoever and neither Party shall have any right or claim against the other save for antecedent breaches. In the event the Deposit (or any part thereof) is not refunded to the Purchaser by the expiry of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, Interest shall be imposed on the amount due and owing calculated from the day falling immediately after the last day of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, until the day on which the outstanding amount is paid.

### **3. PAYMENT OF PURCHASE PRICE**

3.1 The Purchase Price shall be paid by the Purchaser in the following manner:

- (a) RM452,000.00 ("**the Earnest Deposit**") shall be paid to the Vendor's Solicitors as stakeholders within seven (7) days from the date of acceptance of the Letter of Offer by the Vendor;
- (b) RM678,000.00 ("**the Balance Deposit**" which together with the Earnest Deposit amounts to the Deposit) shall be paid to the Vendor's Solicitors as stakeholders within fourteen (14) days from the execution of the Agreement by the Parties and the Vendor's Solicitors are authorised to release the Deposit immediately upon their receipt of the Balance Deposit provided that the Vendor's Solicitors have received the Tenancy Agreement executed by the Vendor in escrow;
- (c) subject always to fulfilment of all the Conditions Precedent in Clause 2, the Purchaser shall pay RM21,470,000.00 ("**the Balance Purchase Price**") to the Vendor's Solicitors as stakeholders within the Completion Period to be dealt with by the Vendor's Solicitors in accordance with the terms and conditions of the Agreement.

The Vendor's Solicitors shall place the Earnest Deposit and Balance Purchase Price in interest-earning accounts upon their receipt of each amount so as to earn interests on the respective sums.

3.2 In the event that the Balance Purchase Price or any part thereof is not paid by the expiry of the Completion Period for any reason whatsoever, the Vendor shall automatically grant to the Purchaser the extension of one (1) month starting from the day following the last day of the Completion Period ("**Extended Completion Period**") to pay the Balance Purchase Price or such portion thereof remaining to be paid, subject to Interest being payable on such part of the Balance Purchase Price as remaining unpaid commencing on the first day of the Extended Completion Period and ending on and inclusive of the day on which the Balance Purchase Price or such portion thereof remaining unpaid is paid in full by the Purchaser.

### **4. RELEASE OF DEPOSIT AND BALANCE PURCHASE PRICE**

4.1 The Vendor's Solicitors as stakeholders shall and are hereby authorised to release the Deposit (together with interest earned thereon) to the Vendor upon their receipt of the Balance Deposit from the Purchaser PROVIDED THAT the Agreement has been executed by the Vendor and that the Vendor's Solicitors have received the Tenancy Agreement executed by the Vendor in escrow.

- 4.2 Subject to the Vendor's Solicitors' receipt of the Balance Purchase Price, the Vendor's Solicitors as stakeholders shall and are hereby authorised to release to the Vendor the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) paid by the Purchaser upon the expiry of fifteen (15) Business Days from the date of presentation of the Transfer for registration with the Land Office unless the Purchaser's Solicitors have received a notification that presentation of the Transfer is not accepted or the Transfer is rejected by the Land Office, in which event the Vendor's Solicitors shall withhold the release of the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) until the impediment to the registration of the Transfer is removed provided that all the documents set out in the Agreement shall have been delivered to the Purchaser and that where there are any sums payable by the Vendor to the Purchaser following the apportionment of Outgoings, such sums shall have been received by the Purchaser.

**5. DEFAULT BY VENDOR**

- 5.1 If the Vendor commits a breach of any of the terms and conditions contained in the Agreement (provided that the Purchaser is not in breach of the covenants in the Agreement on its part to be observed and performed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Purchaser is inaccurate or incorrect or capable of becoming inaccurate or incorrect so as to adversely affect the operation of the provisions of the Agreement), the Purchaser shall be entitled at any time thereafter to give written notice to the Vendor within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the default occurring or of the Purchaser becoming aware of the default (whichever is later):

- (a) setting out the default; and
- (b) requiring the Vendor to remedy such default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the date of the notice.

- 5.2 If a notice to remedy is duly given by the Purchaser under the Clause above and the Vendor fails to remedy or rectify the default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the Vendor's receipt of such notice from the Purchaser, the Purchaser shall be entitled to:

- (a) take all action as may be available to the Purchaser at law to seek a decree of specific performance of the Agreement against the Vendor and/or such other remedies available at law to the Purchaser; or
- (b) terminate the Agreement whereupon the Vendor shall within five (5) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of receiving a written notice of such termination from the Purchaser refund to the Purchaser all monies paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement and further pay to the Purchaser a sum equivalent to the Deposit as agreed liquidated damages and in exchange for the refund and payment, the Purchaser shall:
  - (i) return or cause to be returned to the Vendor the original Title Deed (if already delivered to the Purchaser), Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Property with the Vendor's ownership, proprietorship and interest remaining intact and unaltered;
  - (ii) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Property at the Vendor's cost and expense; and
  - (iii) re-deliver legal possession of the Property (if already been delivered)

and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.

## **6. DEFAULT BY PURCHASER**

6.1 If the Purchaser fails or refuses to pay the Purchase Price in accordance with the Agreement and within the time stipulated for payment by the Agreement (provided that the Vendor is not in breach of the covenants in the Agreement on its part to be observed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Vendor is inaccurate or incorrect or capable of becoming inaccurate or incorrect so as to adversely affect the operation of the provisions of the Agreement), the Vendor shall be entitled to terminate the Agreement by written notice to the Purchaser, whereupon the Deposit shall be absolutely forfeited to the Vendor as agreed liquidated damages and the Vendor shall within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the notice of termination, refund to the Purchaser all other monies, if any, paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement, whereby in exchange for the payment, the Purchaser shall:

- (a) return or cause to be returned to the Vendor the original Title Deed (if already delivered to the Purchaser), Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Property with the Vendor's ownership, proprietorship and interest remaining intact and unaltered;
- (b) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Property at the Purchaser's cost and expense; and
- (c) re-deliver legal possession of the Property (if already been delivered)

and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.

## **7. REAL PROPERTY GAINS TAX**

7.1 The Parties shall comply with the provisions of the RPGT Act and in particular to separately submit notices of the disposal and acquisition of the Property hereunder to the DGIR in the prescribed forms in accordance with Section 13(1) of the RPGT Act within sixty (60) days from the date of the SA Approval.

7.2 Pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003, the Minister of Finance has exempted any person from the payment of real property gains tax in respect of chargeable gains accruing on the disposal of any chargeable asset to a real estate investment trust which is approved by the Securities Commission Malaysia. Accordingly, there will not be any part of the Purchase Price to be retained and remitted by the Purchaser and payable to the DGIR in view of the said exemption. The Vendor shall deliver to the Purchaser's Solicitors a copy of the completed and signed CKHT 3 Form no later than forty five (45) days from the date of the SA Approval for the submission of the CHKT 3 Form by the Purchaser to the DGIR.

**Pasir Gudang Property**

**1. AGREEMENT TO SELL AND TO PURCHASE**

1.1 The Vendor hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase the remaining unexpired period of the Lease together with the Building from the Vendor for the Purchase Price on the following basis:

- (a) the Lease and the Building are free from all Encumbrances; and
- (b) subject to the category of land use, all conditions whether express or implied and restrictions-in-interest on the Title Deed;

and upon the terms and conditions contained in the Agreement.

1.2 Subject to Completion, the Purchaser hereby agrees to grant a tenancy over the Demised Premises to the Vendor and the Vendor hereby agrees to take the tenancy subject to the terms and conditions herein and in a tenancy agreement.

**2. CONDITIONS PRECEDENT**

2.1 The Agreement is conditional upon the compliance and fulfilment of the Conditions Precedent within the Conditional Period:

- (a) the Purchaser at its own costs and expenses obtaining the approval of the unitholders of KIP REIT for the acquisition of the remaining unexpired period of the Lease and the Building from the Vendor ("**Unitholders Approval**");
- (b) the Vendor at its own costs and expenses obtaining the consent of the Lessor to transfer the remaining unexpired period of the Lease together with the Building from the Vendor to the Purchaser ("**Lessor Transfer Consent**");
- (c) if required for the purpose of the registration of the memorandum of transfer of the Lease in favour of the Purchaser ("**Transfer**"), the Vendor at its own costs and expenses causing the Lessor to obtain (i) if required, the approval letter of the relevant land registry/office to amend the existing restriction-in-interest endorsed on the Title Deed to "*Tanah ini tidak boleh dijual atau dipindahmilik dengan apa cara sekalipun kepada Bukan Warganegara/Syarikat Asing tanpa persetujuan Pihak Berkuasa Negeri*"; and (ii) the issue document of title to the Land with such amended restriction-in-interest endorsed thereon ("**Amended Title**");
- (d) the Vendor at its own costs and expenses obtaining the consent of the Lessor for the grant of tenancy over the Demised Premises by the Purchaser (being the landlord) to the Vendor (being the tenant) or, if so required by the Lessor in light of the Lessor's consent the transfer of Lease to the Purchaser, the Purchaser at its own costs and expenses obtaining the consent of the Lessor for the grant of tenancy over the Demised Premises by the Purchaser (being the landlord) to the Vendor (being the tenant) ("**Lessor Tenancy Consent**");
- (e) the Vendor at its own costs and expenses obtaining the approval of its holding company's shareholders for the disposal of the remaining unexpired period of the Lease together with the Building to the Purchaser in accordance with the Agreement ("**Vendor's Shareholders' Approval**"); and
- (f) such other relevant approvals and/or consents as may be required under any applicable laws, regulations, or governmental policies as at the Agreement Date.

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**APPENDIX III – SALIENT TERMS OF THE SPAS (CONT'D)**

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- 2.2 The Agreement shall become unconditional on the date on which the last of the Conditions Precedent has been duly fulfilled in accordance with the provisions of this Clause 2 (“**Unconditional Date**”).
- 2.3 Save as otherwise provided in the Agreement, in the event that any of the Conditions Precedent is not fulfilled prior to the expiry of the Conditional Period despite all reasonable efforts by the Parties, either Party shall be entitled to rescind and terminate the Agreement by way of notice in writing to the other Party whereupon within five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, of such termination:
- (a) the Vendor shall refund or return to the Purchaser the Deposit together with the interest earned on the Earnest Deposit; and
  - (b) in exchange for the refund of the Deposit in the manner as aforesaid, each Party shall return or cause to be returned to the other Party all documents delivered by or on behalf of the respective Party to the other Party or their solicitors pursuant to the terms of the Agreement with the Vendor’s legal and beneficial interest as the registered lessee of the Lease remaining intact and unaltered.

Thereafter, the Agreement shall be null and void and of no effect whatsoever and neither Party shall have any right or claim against the other save for antecedent breaches. In the event the Deposit (or any part thereof) is not refunded to the Purchaser by the expiry of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, Interest shall be imposed on the amount due and owing calculated from the day falling immediately after the last day of the said period of five (5) Business Days, or such other number of Business Days as may be agreed mutually in writing between the Parties, until the day on which the outstanding amount is paid.

### **3. PAYMENT OF PURCHASE PRICE**

- 3.1 The Purchase Price shall be paid by the Purchaser in the following manner:
- (a) RM466,000.00 (“**the Earnest Deposit**”) shall be paid to the Vendor’s Solicitors, as stakeholders, within seven (7) days from the date of acceptance of the Letter of Offer by the Vendor;
  - (b) RM699,000.00 (“**the Balance Deposit**” which together with the Earnest Deposit is collectively called the “**Deposit**”) shall be paid to the Vendor’s Solicitors as stakeholders within fourteen (14) days from the execution of the Agreement by the Parties and the Vendor’s Solicitors are authorised to release the Deposit immediately upon their receipt of the Balance Deposit provided that the Vendor’s Solicitors have received the Tenancy Agreement executed by the Vendor in escrow;
  - (c) subject always to fulfilment of all the Conditions Precedent in Clause 2, the Purchaser shall pay RM22,135,000.00 (“**the Balance Purchase Price**”) to the Vendor’s Solicitors as stakeholders within the Completion Period to be dealt with by the Vendor’s Solicitors in accordance with the terms and conditions of the Agreement.

The Vendor’s Solicitors shall place the Earnest Deposit and Balance Purchase Price in interest-earning accounts upon their receipt of each amount so as to earn interests on the respective sums.



3.2 In the event that the Balance Purchase Price or any part thereof is not paid by the expiry of the Completion Period for any reason whatsoever, the Vendor shall automatically grant to the Purchaser the extension of one (1) month starting from the day following the last day of the Completion Period (“**Extended Completion Period**”) to pay the Balance Purchase Price or such portion thereof remaining to be paid, subject to Interest being payable on such part of the Balance Purchase Price as remaining unpaid commencing on the first day of the Extended Completion Period and ending on and inclusive of the day on which the Balance Purchase Price or such portion thereof remaining unpaid is paid in full by the Purchaser.

**4. RELEASE OF DEPOSIT AND BALANCE PURCHASE PRICE**

4.1 The Vendor’s Solicitors as stakeholders shall and are hereby authorised to release the Deposit (together with interest earned thereon) to the Vendor upon their receipt of the Balance Deposit from the Purchaser PROVIDED THAT the Agreement has been executed by the Vendor and the Vendor’s Solicitors have received the Tenancy Agreement executed by the Vendor in escrow.

4.2 Subject to the Vendor’s Solicitors’ receipt of the Balance Purchase Price, the Vendor’s Solicitors as stakeholders shall and are hereby authorised to release to the Vendor the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) paid by the Purchaser upon the expiry of fifteen (15) Business Days from the date of presentation of the Transfer for registration with the Land Registry unless the Purchaser’s Solicitors have received a notification that presentation of the Transfer is not accepted or the Transfer is rejected by the Land Registry, in which event the Vendor’s Solicitors shall withhold the release of the Balance Purchase Price (together with interest earned thereon) and the Interest (if any) until the impediment to the registration of the Transfer is removed provided that all the documents set out in the Agreement shall have been delivered to the Purchaser and that where there are any sums payable by the Vendor to the Purchaser following the apportionment of Outgoings, such sums shall have been received by the Purchaser.

**5. DEFAULT BY VENDOR**

5.1 If the Vendor commits a breach of any of the terms and conditions contained in the Agreement (provided that the Purchaser is not in breach of the covenants in the Agreement on its part to be observed and performed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Purchaser is inaccurate or incorrect or capable of becoming inaccurate or incorrect so as to affect the operation of the provisions of the Agreement), the Purchaser shall be entitled at any time thereafter to give written notice to the Vendor within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the default occurring or of the Purchaser becoming aware of the default (whichever is later):

- (a) setting out the default; and
- (b) requiring the Vendor to remedy such default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the date of the notice.

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**APPENDIX III – SALIENT TERMS OF THE SPAS (CONT'D)**

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- 5.2 If a notice to remedy is duly given by the Purchaser under the Clause above and the Vendor fails to remedy or rectify the default within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, from the Vendor's receipt of such notice from the Purchaser, the Purchaser shall be entitled to:
- (a) take all action as may be available to the Purchaser at law to seek a decree of specific performance of the Agreement against the Vendor and/or such other remedies available at law to the Purchaser; or
  - (b) terminate the Agreement whereupon the Vendor shall within five (5) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of receiving a written notice of such termination from the Purchaser refund to the Purchaser all monies paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement and further pay to the Purchaser a sum equivalent to the Deposit as agreed liquidated damages and in exchange for the refund and payment, the Purchaser shall:
    - (i) return or cause to be returned to the Vendor the Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Lease with the Vendor's legal and beneficial interest as the registered lessee of the Lease remaining intact and unaltered;
    - (ii) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Lease at the Vendor's cost and expense; and
    - (iii) re-deliver legal possession of the Demised Premises (if already been delivered)

and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.

**6. DEFAULT BY PURCHASER**

- 6.1 If the Purchaser fails or refuses to pay the Purchase Price in accordance with the Agreement and within the time stipulated for payment in the Agreement (provided that the Vendor is not in breach of the covenants in the Agreement on its part to be observed) or any of its undertakings, covenants, representations and warranties are inaccurate or incorrect so as to affect the operation of the provisions of the Agreement (provided that none of the undertakings, covenants, representations and warranties by the Vendor is inaccurate or incorrect or capable of becoming inaccurate or incorrect), the Vendor shall be entitled to terminate the Agreement by written notice to the Purchaser, whereupon the Deposit shall be absolutely forfeited to the Vendor as agreed liquidated damages and the Vendor shall within ten (10) Business Days, or such other number of Business Days as may be mutually agreed in writing by the Parties, of the notice of termination, refund to the Purchaser all other monies, if any, paid by the Purchaser towards the account of the Purchase Price (together with interest earned thereon, if any) pursuant to the provisions of the Agreement, whereby in exchange for the payment, the Purchaser shall:
- (a) return or cause to be returned to the Vendor the original Title Deed (if already delivered to the Purchaser), Transfer, Transfer Documents and all other documents received from the Vendor in respect of the Lease with the Vendor's legal and beneficial interest as the registered lessee of the Lease remaining intact;
  - (b) withdraw, cause or procure to be withdrawn the Purchaser's Caveat, if any, lodged by the Purchaser in respect of the Lease at the Purchaser's cost and expense; and

(c) re-deliver legal possession of the Demised Premises (if already been delivered)

and thereafter the Agreement shall be null and void and neither Party shall have any claim against the other arising from or in connection with the Agreement save for antecedent breaches.

**7. REAL PROPERTY GAINS TAX**

7.1 The Parties shall comply with the provisions of the RPGT Act and in particular to separately submit notices of the disposal and acquisition of the Property hereunder to the DGIR in the prescribed forms in accordance with Section 13(1) of the RPGT Act within sixty (60) days from the date of the SA Approval.

7.2 Pursuant to the Real Property Gains Tax (Exemption) (No. 4) Order 2003, the Minister of Finance has exempted any person from the payment of real property gains tax in respect of chargeable gains accruing on the disposal of any chargeable asset to a real estate investment trust which is approved by the Securities Commission Malaysia. Accordingly, there will not be any part of the Purchase Price to be retained and remitted by the Purchaser and payable to the DGIR in view of the said exemption. The Vendor shall deliver to the Purchaser's Solicitors a copy of the completed and signed CKHT 3 Form no later than forty five (45) days from the date of the SA Approval for the submission of the CHKT 3 Form by the Purchaser to the DGIR.

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**Cheras Property**

**1. DEMISED PREMISES, TERM, RENT AND DEPOSITS**

**1.1 DEMISED PREMISES**

In consideration of RM123,269.20 (“**the Rent**”) to be paid by the Tenant timely to the Landlord in accordance with the terms of the Agreement and the Tenant performing and observing the Tenant’s covenants hereinafter contained, the Landlord hereby agrees to grant to the Tenant and the Tenant hereby agrees to take from the Landlord a tenancy of the Demised Premises for the Term with effect from the Commencement Date.

**1.2 TERM**

The tenure of the tenancy of the Demised Premises hereby created shall be for a fixed term of three (3) years commencing on the Commencement Date (“**Term**”) with three (3) automatic consecutive renewals of three (3) years each renewal.

**1.3 RENT**

- (a) The Tenant shall pay the Rent to the Landlord as monthly rent in respect of the Demised Premises. The Rent shall be payable by the Tenant to the Landlord monthly in advance on or before the seventh (7<sup>th</sup>) day of each and every calendar month without any deductions, counter-claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.
- (b) The first monthly Rent shall be payable on the Commencement Date. In the event that the Commencement Date shall fall on a day other than the first (1<sup>st</sup>) day of a calendar month, the Rent for the first month shall be pro-rated on a daily basis and similarly in the event the monthly Rent for the last month of the Term shall be less than a complete month, such monthly Rent shall be similarly adjusted on a pro-rated basis. The Rent for the subsequent calendar months shall be payable on or before the seventh (7<sup>th</sup>) day of each month in respect of the entire period of each calendar month.
- (c) The Landlord is entitled to impose interest at the rate of ten percent (10%) per annum on such portion of the Rent or any other monies hereunder due and payable by the Tenant which is not paid from the date the amount is due until the date of the Landlord’s receipt of the full payment of such amount, without prejudice to the Landlord’s rights under the Agreement.

**1.4 DEPOSITS**

(a) **Security Deposit**

- (i) The Tenant shall pay to the Landlord RM369,807.60 (“**the Security Deposit**”) on the Commencement Date as security for the due observance and performance by the Tenant of all the covenants, conditions, obligations, stipulations and agreements on the part of the Tenant herein contained.
- (ii) The Security Deposit shall be maintained at a sum which is equivalent to three (3) months’ Rent. Accordingly, the Security Deposit shall be increased accordingly upon the increase of the Rent pursuant to the provisions of Clause 5. Any increase in the Security Deposit shall be paid by the Tenant to the Landlord on commencement of the relevant Renewal Term.

(b) Utility Deposit

- (i) The Tenant shall pay to the Landlord RM123,269.20 (“**the Utility Deposit**”) upon the execution of the Agreement as security for the due observance and performance by the Tenant of its covenants set out in Clause 3.1(b).
- (ii) The Utility Deposit shall be maintained at a sum which is equivalent to one (1) month’s Rent. Accordingly, the Utility Deposit shall be increased accordingly upon the increase of the Rent pursuant to the provisions of Clause 5. Any increase in the Utility Deposit shall be paid by the Tenant to the Landlord before the commencement of the relevant Renewal Term.

**2. TENANT’S COVENANTS**

2.1 Amongst others, the Tenant hereby agrees, undertakes and covenants with the Landlord as follows:

(a) Payment of Rent

The Tenant shall promptly and timely pay the Rent within the time prescribed by the Agreement free from all deductions, counter claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.

(b) Utilities and Other Services

The Tenant shall maintain the Utilities accounts under the Tenant's name throughout the Term. The Tenant shall promptly and punctually pay to the respective Utilities Providers all charges for all Utilities and any other services supplied to and consumed at the Demised Premises or chargeable against the Demised Premises (including any taxes now or in the future imposed in respect of the Utilities and any other services supplied to and consumed at the Demised Premises) as and when they are due and payable.

(c) Payment of Quit Rent And Assessment

The Tenant shall pay all quit rents, assessments and other similar outgoings imposed upon or in respect of Demised Premises during the Term as and when they are due and payable.

(d) Maintenance of Demised Premises

The Tenant shall at all times during the Term at its own costs and expense:-

- (i) replace all consumables within the Demised Premises which are damaged or cease to work, whether from wear or tear or otherwise;
- (ii) maintain (including to obtain the required licences, approvals, permits, consent and certificates) and repair (including replace, where necessary) the Demised Premises and every part thereof, including the main structure, foundation, walls, roof, gutters, main pipes and drains, water supply pump, dock leveller, roller shutters, lifts, electrical wiring, ceiling, flooring, doors, windows, glass, the exterior and interior compound of the Demised Premises in good and tenable repair and condition (fair wear and tear excepted);

**APPENDIX IV – SALIENT TERMS OF THE PROPERTIES TENANCY AGREEMENTS (CONT'D)**

(e) Compliance with Statutes etc.

(i) At all times during the Term, the Tenant shall, at its own costs and expense, comply with all requirements as may be imposed on the occupier of the Demised Premises by any statutes, by-laws, orders, rules and regulations of the municipal council or any other authority having power in that behalf affecting the Demised Premises which are now in force or which may hereafter be enacted including to obtain and maintain the required licences, approvals, permits, consent and certificates in respect of the Permitted Use at the Demised Premises.

**3. LANDLORD’S COVENANTS**

3.1 Provided that the Tenant duly paying the Rent and observing and performing the Tenant’s several covenants, obligations and stipulations herein contained, the Landlord hereby covenants with the Tenant that the Tenant shall peaceably and quietly hold and enjoy exclusive possession of the Demised Premises and the fixtures and fittings during the Term without any disturbance by the Landlord or any person lawfully claiming under or in trust for the Landlord.

**4. AUTOMATIC RENEWAL**

4.1 The tenancy for the Demised Premises shall be automatically renewed for three (3) consecutive terms of three (3) years each without any requirement of any form of notice by the Parties on the same terms and conditions as the Agreement save for the monthly Rent (and consequentially the Deposits) which shall be the sums set out as follows:

<b>Tenancy</b>	<b>Rent</b>	<b>Security Deposit</b>	<b>Utility Deposit</b>
Years 4 to 6 ("Second Term")	<b>Ringgit Malaysia One Hundred Thirty-seven Thousand Nine Hundred and Twenty-eight and Sen Twenty-four (RM137,928.24)</b> per month calculated at RM2.07 per square foot for the Second Term.	<b>Ringgit Malaysia Four Hundred and Thirteen Thousand Seven Hundred and Eighty Four and Sen Seventy-two (RM413,784.72)</b> which is equivalent to three (3) months' Rent for the Second Term.	<b>Ringgit Malaysia One Hundred Thirty-seven thousand Nine Hundred and Twenty-eight and Sen Twenty-four (RM137,928.24)</b> which is equivalent to one (1) month's Rent for the Second Term.
Years 7 to 9 ("Third Term")	<b>Ringgit Malaysia One Hundred and Fifty-four Thousand Five Hundred and Eighty-six and Sen Twenty-four (RM154,586.24)</b> per month calculated at RM2.32 per square foot for the Third Term.	<b>Ringgit Malaysia Four Hundred and Sixty Three Thousand Seven Hundred and Fifty Eight and Sen Seventy-two (RM463,758.72)</b> which is equivalent to three (3) months' Rent for the Third Term.	<b>Ringgit Malaysia One Hundred and Fifty-four Thousand Five Hundred and Eighty-six and Sen Twenty-four (RM154,586.24)</b> which is equivalent to one (1) month's Rent for the Third Term.
Years 10 to 12 ("Fourth Term")	<b>Ringgit Malaysia One Hundred and Seventy-three Thousand Two Hundred and Forty-three and Sen Twenty (RM173,243.20)</b> per month calculated at RM2.60 per square foot for the Fourth Term.	<b>Ringgit Malaysia Five Hundred and Nineteen Thousand Seven Hundred and Twenty Nine and Sen Sixty (RM519,729.60)</b> which is equivalent to three (3) months' Rent for the Fourth Term.	<b>Ringgit Malaysia One Hundred and Seventy-three Thousand Two Hundred and Forty-three and Sen Twenty (RM173,243.20)</b> which is equivalent to one (1) month's Rent for the Fourth Term.

**5. NO EARLY TERMINATION**

- 5.1 The Tenant shall not be entitled to terminate the tenancy of the Demised Premises prior to the expiry of the Fourth Term.
- 5.2 Subject to the provision in the Agreement, in the event the Tenant terminates the tenancy of the Demised Premises prior to the expiration of the Fourth Term, the Tenant shall pay to the Landlord the full amount of the rental for the total remaining and unexpired period of all four (4) terms set out in Clause 1.2 and Clause 5 as agreed liquidated ascertained damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.

**6. DEFAULT BY TENANT**

- 6.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:
- (a) if the Rent hereby reserved or payable or any part thereof or any sum payable under the Agreement shall at any time be unpaid for fourteen (14) days after becoming due or payable (whether any formal or legal demand therefor shall have been made or not);
  - (b) if the Tenant shall default in the due observance and performance of any undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement;
  - (c) if any step is taken or an order is made or a resolution is passed or legislation is enacted for the winding up, dissolution or liquidation, as the case may be, of the Tenant (except for the purpose of amalgamation or reconstruction of a solvent company) or a petition for winding up is presented against the Tenant;
  - (d) if the Tenant shall unlawfully determine the tenancy of the Demised Premises for any reason whatsoever vacate and/or abandon the Demised Premises at any time before the date of expiry of the Fourth Term (whether the Tenant shall have removed the Tenant's Goods) from the Demised Premises or otherwise or the Tenant terminates the Agreement before the date of expiry of the Fourth Term; or
  - (e) if any licence, authorisation, approval, consent order or exemption with any governmental authority necessary for the Tenant to carry on its business shall be cancelled or withdrawn or cease to be in full force and effect due to the Tenant's fault,

then and in any one of the said cases, it shall be lawful for the Landlord at any time thereafter to serve a notice to quit upon the Tenant requiring the Tenant to remedy the breach (if the same is capable of remedy) within a reasonable time, and it is hereby mutually agreed and deemed that a reasonable time in which to remedy the default shall be fourteen (14) days save and except where the breach is due to non-payment of Rent in which case the reasonable period shall be seven (7) days.



6.2 In the event that:

- (a) the Tenant shall fail to remedy the breach or default complained of upon the expiration of the notice given; or
- (b) the breach or default complained of shall not be capable of being remedied by the Tenant,

then the Landlord shall be entitled to forthwith terminate the Agreement, retain the Deposits by way of forfeiture and re-enter the Demised Premises or any part thereof in accordance with the law and the Tenant shall pay to the Landlord the full amount of the rental for the total remaining unexpired period of all four (4) terms set out in Clause 1.2 and Clause 5 as agreed liquidated damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.

6.3 The Parties acknowledge and agree that notwithstanding any breach or default by any of the Parties of any of their obligations under the Agreement, neither Party shall be entitled to any claim or to bring an action for indirect or consequential loss and damage.

**7. DEFAULT BY LANDLORD**

The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:

- (a) if any representation and warranties made by the Landlord is or becomes false, inaccurate, misleading or contains a material omission; or
- (b) if the Landlord shall default in the due observance and performance of its undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement and the Landlord fails to remedy the breach or default complained of upon the expiration of the notice of default issued by the Tenant to the Landlord which shall not be less than fourteen (14) days,

then the Tenant shall be entitled to forthwith terminate the Agreement, demand refund and return of the Deposits and claim against the Landlord for such losses and damages available to the Tenant under the law WITHOUT PREJUDICE to any right of action the Tenant may have against the Landlord in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Landlord of its obligations under the Agreement.

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**Pasir Gudang Property**

**1. DEMISED PREMISES, TERM, RENT AND DEPOSITS**

**1.1 DEMISED PREMISES**

In consideration of RM146,217.85 (“**the Rent**”) to be paid by the Tenant timely to the Landlord in accordance with the terms of the Agreement and the Tenant performing and observing the Tenant’s covenants hereinafter contained, the Landlord hereby agrees to grant to the Tenant and the Tenant hereby agrees to take from the Landlord a tenancy of the Demised Premises for the Term with effect from the Commencement Date.

**1.2 TERM**

The tenure of the tenancy of the Demised Premises hereby created shall be for a fixed term of three (3) years commencing on the Commencement Date (“**Term**”) with four (4) automatic consecutive renewals of three (3) years each renewal.

**1.3 RENT**

- (a) The Tenant shall pay the Rent to the Landlord as monthly rent in respect of the Demised Premises. The Rent shall be payable by the Tenant to the Landlord monthly in advance on or before the seventh (7<sup>th</sup>) day of each and every calendar month without any deductions, counter-claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.
- (b) The first monthly Rent shall be payable on the Commencement Date. In the event that the Commencement Date shall fall on a day other than the first (1<sup>st</sup>) day of a calendar month, the Rent for the first month shall be pro-rated on a daily basis and similarly in the event the monthly Rent for the last month of the Term shall be less than a complete month, such monthly Rent shall be similarly adjusted on a pro-rated basis. The Rent for the subsequent calendar months shall be payable on or before the seventh (7<sup>th</sup>) day of each month in respect of the entire period of each calendar month.
- (c) The Landlord is entitled to impose interest at the rate of ten percent (10%) per annum on such portion of the Rent or any other monies hereunder due and payable by the Tenant which is not paid from the date the amount is due until the date of the Landlord’s receipt of the full payment of such amount, without prejudice to the Landlord’s rights under the Agreement.

**1.4 DEPOSITS**

**(a) Security Deposit**

- (i) The Tenant shall pay to the Landlord the RM438,653.55 (“**the Security Deposit**”) on the Commencement Date as security for the due observance and performance by the Tenant of all the covenants, conditions, obligations, stipulations and agreements on the part of the Tenant herein contained.
- (ii) The Security Deposit shall be maintained at a sum which is equivalent to three (3) months’ Rent. Accordingly, the Security Deposit shall be increased accordingly upon the increase of the Rent pursuant to the provisions of Clause 5. Any increase in the Security Deposit shall be paid by the Tenant to the Landlord on the commencement of the relevant Renewal Term.

(b) Utility Deposit

- (i) The Tenant shall pay to the Landlord RM146,217.85 (“**the Utility Deposit**”) upon the Commencement Date as security for the due observance and performance by the Tenant of its covenants set out in Clause 3.1(b).
- (ii) The Utility Deposit shall be maintained at a sum which is equivalent to one (1) month’s Rent. Accordingly, the Utility Deposit shall be increased accordingly upon the increase of the Rent. Any increase in the Utility Deposit shall be paid by the Tenant to the Landlord before the commencement of the relevant Renewal Term.

**2. TENANT’S COVENANTS**

2.1 Amongst others, the Tenant hereby agrees, undertakes and covenants with the Landlord as follows:

(a) Payment of Rent

The Tenant shall promptly and timely pay the Rent within the time prescribed by the Agreement free from all deductions, counter claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.

(b) Utilities and Other Services

The Tenant shall maintain the Utilities accounts under the Tenant's name throughout the Term. The Tenant shall promptly and punctually pay to the respective Utilities Providers all charges for all Utilities and any other services supplied to and consumed at the Demised Premises or chargeable against the Demised Premises (including any taxes now or in the future imposed in respect of the Utilities and any other services supplied to and consumed at the Demised Premises) as and when they are due and payable.

(c) Payment of Quit Rent and Assessment

The Tenant shall pay all quit rents, assessments and other similar outgoings imposed upon or in respect of Demised Premises during the Term as and when they are due and payable.

(d) Maintenance of Demised Premises

The Tenant shall at all times during the Term at its own costs and expense:-

- (i) replace all consumables within the Demised Premises which are damaged or cease to work, whether from wear or tear or otherwise;
- (ii) maintain (including to obtain the required licences, approvals, permits, consent and certificates) and repair (including replace, where necessary) the Demised Premises and every part thereof, including the main structure, foundation, walls, roof, gutters, main pipes and drains, water supply pump, dock leveller, roller shutters, lifts, electrical wiring, ceiling, flooring, doors, windows, glass, the exterior and interior compound of the Demised Premises in good and tenable repair and condition (fair wear and tear excepted);

**APPENDIX IV – SALIENT TERMS OF THE PROPERTIES TENANCY AGREEMENTS (CONT'D)**

- (e) Compliance with Statutes etc.
  - (i) At all times during the Term, the Tenant shall, at its own costs and expense, comply with all requirements as may be imposed on the occupier of the Demised Premises by any statutes, by-laws, orders, rules and regulations of the Lessor, the municipal council or any other authority having power in that behalf affecting the Demised Premises which are now in force or which may hereafter be enacted including to obtain and maintain the required licences, approvals, permits, consent and certificates in respect of the Permitted Use at the Demised Premises.

**3. LANDLORD’S COVENANTS**

3.1 Provided that the Tenant duly paying the Rent and observing and performing the Tenant’s several covenants, obligations and stipulations herein contained, the Landlord hereby covenants with the Tenant that the Tenant shall peaceably and quietly hold and enjoy exclusive possession of the Demised Premises and the fixtures and fittings during the Term without any disturbance by the Landlord or any person lawfully claiming under or in trust for the Landlord.

**4. AUTOMATIC RENEWAL**

4.1 The tenancy for the Demised Premises shall be automatically renewed for four (4) consecutive terms of three (3) years each without any requirement of any form of notice by the Parties on the same terms and conditions as the Agreement save for the monthly Rent (and consequentially the Deposits) which shall be the sums set out as follows:

<b>Tenancy</b>	<b>Rent</b>	<b>Security Deposit</b>	<b>Utility Deposit</b>
Years 4 to 6 (“ <b>Second Term</b> ”)	<b>Ringgit Malaysia One Hundred Sixty-three Thousand Four Hundred and Ninety-five (RM163,419.95)</b> per month calculated at RM0.89 per square foot for the Second Term.	<b>Ringgit Malaysia Four Hundred and Ninety Thousand Two Hundred and Fifty-Nine and Sen Eighty-Five (RM490,259.85)</b> which is equivalent to three (3) months’ Rent for the Second Term.	<b>Ringgit Malaysia One Hundred Sixty-three Thousand Four Hundred and Ninety-five and Sen Ninety-five (RM163,419.95)</b> which is equivalent to one (1) month’s Rent for the Second Term.
Years 7 to 9 (“ <b>Third Term</b> ”)	<b>Ringgit Malaysia One Hundred Eighty-four Thousand and Sixty-two and Sen Forty-seven (RM184,062.47)</b> per month calculated at RM1.00 per square foot for the Third Term.	<b>Ringgit Malaysia Five Hundred Fifty-two Thousand One Hundred and Eighty-Seven and Sen Forty-one (RM552,187.41)</b> which is equivalent to three (3) months’ Rent for the Third Term.	<b>Ringgit Malaysia One Hundred and Eighty-four Thousand and Sixty-two and Sen Forty-seven (RM184,062.47)</b> which is equivalent to one (1) month’s Rent for the Third Term.
Years 10 to 12 (“ <b>Fourth Term</b> ”)	<b>Ringgit Malaysia Two Hundred and Four Thousand Seven Hundred and Four and Sen Ninety-nine (RM204,704.99)</b> per month calculated at RM1.11 per square foot for the Fourth Term.	<b>Ringgit Malaysia Six Hundred and Fourteen Thousand One Hundred and Fourteen and Sen Ninety-seven (RM614,114.97)</b> which is equivalent to three (3) months’ Rent for the Fourth Term.	<b>Ringgit Malaysia Two Hundred and Four Thousand Seven Hundred and Four and Sen Ninety-nine (RM204,704.99)</b> which is equivalent to one (1) month’s Rent for the Fourth Term.

**APPENDIX IV – SALIENT TERMS OF THE PROPERTIES TENANCY AGREEMENTS (CONT'D)**

<b>Tenancy</b>	<b>Rent</b>	<b>Security Deposit</b>	<b>Utility Deposit</b>
Years 13 to 15 ("Fifth Term")	<b>Ringgit Malaysia Two Hundred Thirty Thousand Five Hundred and Eight and Sen Fourteen (RM230,508.14)</b> per month calculated at RM1.25 per square foot for the Fifth Term.	<b>Ringgit Malaysia Six Hundred and Ninety One Thousand Five Hundred and Twenty four and Sen forty two (RM691,524.42)</b> which is equivalent to three (3) months' Rent for the Fifth Term.	<b>Ringgit Malaysia Two Hundred Thirty Thousand Five Hundred and Eight and Sen Fourteen (RM230,508.14)</b> which is equivalent to one (1) month's Rent for the Fifth Term.

**5. NO EARLY TERMINATION**

- 5.1 The Tenant shall not be entitled to terminate the tenancy of the Demised Premises prior to the expiry of the Fifth Term.
- 5.2 Subject to the provision in the Agreement, in the event the Tenant terminates the tenancy of the Demised Premises prior to the expiration of the Fifth Term, the Tenant shall pay to the Landlord the full amount of the rental for the total remaining and unexpired period of all five (5) terms set out in Clause 1.2 and Clause 5 as agreed liquidated ascertained damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.

**6. DEFAULT BY TENANT**

- 6.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:-
- (a) if the Rent hereby reserved or payable or any part thereof or any sum payable under the Agreement shall at any time be unpaid for fourteen (14) days after becoming due or payable (whether any formal or legal demand therefor shall have been made or not);
  - (b) if the Tenant shall default in the due observance and performance of any undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement;
  - (c) if any step is taken or an order is made or a resolution is passed or legislation is enacted for the winding up, dissolution or liquidation, as the case may be, of the Tenant (except for the purpose of amalgamation or reconstruction of a solvent company) or a petition for winding up is presented against the Tenant;
  - (d) if the Tenant shall unlawfully determine the tenancy of the Demised Premises for any reason whatsoever vacate and/or abandon the Demised Premises at any time before the date of expiry of the Fifth Term (whether the Tenant shall have removed the Tenant's Goods) from the Demised Premises or otherwise or the Tenant terminates the Agreement before the date of expiry of the Fifth Term; or
  - (e) if any licence, authorisation, approval, consent order or exemption with any governmental authority necessary for the Tenant to carry on its business shall be cancelled or withdrawn or cease to be in full force and effect due to the Tenant's fault,

then and in any one of the said cases, it shall be lawful for the Landlord at any time thereafter to serve a notice to quit upon the Tenant requiring the Tenant to remedy the breach (if the same is capable of remedy) within a reasonable time, and it is hereby mutually agreed and deemed that a reasonable time in which to remedy the default shall be fourteen (14) days save and except where the breach is due to non payment of Rent in which case the reasonable period shall be seven (7) days.

6.2 In the event that:

- (a) the Tenant shall fail to remedy the breach or default complained of upon the expiration of the notice given; or
- (b) the breach or default complained of shall not be capable of being remedied by the Tenant,

then the Landlord shall be entitled to forthwith terminate the Agreement, retain the Deposits by way of forfeiture and re-enter the Demised Premises or any part thereof in accordance with the law and the Tenant shall pay to the Landlord the full amount of the rental for the total remaining unexpired period of all five (5) terms set out in Clause 1.2 and Clause 5 as agreed liquidated damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.

6.3 The Parties acknowledge and agree that notwithstanding any breach or default by any of the Parties of any of their obligations under the Agreement, neither Party shall be entitled to any claim or to bring an action for indirect or consequential loss and damage.

## **7. DEFAULT BY LANDLORD**

7.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:

- (a) if any representation and warranties made by the Landlord is or becomes false, inaccurate, misleading or contains a material omission; or
- (b) if the Landlord shall default in the due observance and performance of its undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement and the Landlord fails to remedy the breach or default complained of upon the expiration of the notice of default issued by the Tenant to the Landlord which shall not be less than fourteen (14) days,

then the Tenant shall be entitled to forthwith terminate the Agreement, demand refund and return of the Deposits and claim against the Landlord for such losses and damages available to the Tenant under the law WITHOUT PREJUDICE to any right of action the Tenant may have against the Landlord in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Landlord of its obligations under the Agreement.

## **8. TERMINATION OF LPJ LEASE**

8.1 In the event that the LPJ Lease is terminated before its expiration by the Lessor or the Landlord, as the case may be, and such termination is not due to the default of the Landlord under the provisions of the LPJ Lease Agreement, the Parties agree that in the event of such early termination, the Landlord shall immediately inform the Tenant and the Agreement shall also terminate simultaneously with the LPJ Lease. Upon such termination, the Parties shall be released from their obligations under the Agreement save for any antecedent breaches.

8.2 In the event that the LPJ Lease is terminated before its expiration by the Lessor and such termination is due to the default of the Landlord under the provisions of the LPJ Lease Agreement, the Parties agree that in the event of such early termination, the Landlord shall immediately inform the Tenant, whereupon the Agreement shall be terminated and the Tenant shall be entitled to claim all remedies available under the law, including losses, damages, costs for relocation and searching for new premises.

**Bintulu Property**

**1. AGREEMENT TO LET**

The Landlord hereby demises unto the Tenant, the Demised Premises for three (3) years (hereinafter referred to as "**First Term**").

**2. MONTHLY RENTAL AND DEPOSITS**

**2.1 MONTHLY RENTAL**

- (a) The monthly rental of the Demised Premises is **RM176,217.75** (hereinafter referred to as "**the Monthly Rental**"). It shall be payable by the Tenant on or before the 7<sup>th</sup> day of each successive calendar month, with the first of such payments to be made on the Commencement Date and the subsequent payments to be made on or before the same day of each following calendar month thereafter. In the event that the Commencement Date shall fall on a day other than the first (1st) day of a calendar month, the Monthly Rental for the first month shall be pro-rated on a daily basis and similarly in the event the Monthly Rental for the last month of the tenancy term shall be less than a complete month, such Monthly Rental shall be similarly adjusted on a pro-rated basis.
- (b) The Landlord is entitled to impose interest at the rate of ten percent (10%) per annum on such portion of the Monthly Rental or any other monies hereunder due and payable by the Tenant which is not paid from the date the amount is due until the date of the Landlord's receipt of the full payment of such amount, without prejudice to the Landlord's rights under the Agreement.

**2.2 DEPOSITS**

- (a) Security Deposit
  - (i) On Commencement Date, the Tenant shall pay to the Landlord **RM528,653.25** (hereinafter referred to as "**Security Deposit**") as security for the due observance and performance by the Tenant of all the covenants, conditions, obligations, stipulations and agreements on the part of the Tenant herein contained.
  - (ii) The Security Deposit shall be maintained at the sum equivalent to three (3) months of the Monthly Rental. The Security Deposit shall be increased accordingly upon the increase of the Monthly Rental for each renewal term. Any increase in the Security Deposit shall be paid by the Tenant to the Landlord before the commencement of each renewal.
- (b) Utilities Deposit
  - (i) The Tenant shall pay to the Landlord **RM176,217.75** (hereinafter referred to as "**Utilities Deposit**") on the Commencement Date as security for the due observance and performance by the Tenant of its covenants.
  - (ii) The Utilities Deposit shall be maintained at the sum equivalent to one (1) month of the Monthly Rental. The Utilities Deposit shall be increased accordingly upon the increase of the Monthly Rental for each renewal term in **Second Schedule** thereof. Any increase in the Utilities Deposit shall be paid by the Tenant to the Landlord before the commencement of each renewal set out in **Second Schedule** thereof.

**3. TENANT'S COVENANTS**

Amongst others, the Tenant hereby agrees, undertakes and covenants with the Landlord as follows:

(a) Payment of Rent

The Tenant shall promptly and timely pay the Rent within the time prescribed by the Agreement free from all deductions, counter claims and set-off (save as provided for in the Agreement) and whether or not formally or legally demanded.

(b) Utilities and Other Services

The Tenant shall maintain the Utilities accounts under the Tenant's name throughout the Term. The Tenant shall promptly and punctually pay to the respective Utilities Providers all charges for all Utilities and any other services supplied to and consumed at the Demised Premises or chargeable against the Demised Premises (including any taxes now or in the future imposed in respect of the Utilities and any other services supplied to and consumed at the Demised Premises) as and when they are due and payable.

(c) Payment of Quit Rent And Assessment

The Tenant shall pay all quit rents, assessments and other similar outgoings imposed upon or in respect of Demised Premises during the Term as and when they are due and payable.

(d) Maintenance of Demised Premises

The Tenant shall at all times during the Term at its own costs and expense:-

- (i) replace all consumables within the Demised Premises which are damaged or cease to work, whether from wear or tear or otherwise;
- (ii) maintain (including to obtain the required licences, approvals, permits, consent and certificates) and repair (including replace, where necessary) the Demised Premises and every part thereof, including the main structure, foundation, walls, roof, gutters, main pipes and drains, water supply pump, dock leveller, roller shutters, lifts, electrical wiring, ceiling, flooring, doors, windows, glass, the exterior and interior compound of the Demised Premises in good and tenantable repair and condition (fair wear and tear excepted);

(e) Compliance with Statutes etc.

- (i) At all times during the Term, the Tenant shall, at its own costs and expense, comply with all requirements as may be imposed on the occupier of the Demised Premises by any statutes, by-laws, orders, rules and regulations of the municipal council or any other authority having power in that behalf affecting the Demised Premises which are now in force or which may hereafter be enacted including to obtain and maintain the required licences, approvals, permits, consent and certificates in respect of the Permitted Use at the Demised Premises.



**APPENDIX V – SALIENT TERMS OF THE BINTULU TENANCY AGREEMENT (CONT'D)**

**4. LANDLORD’S COVENANTS**

Provided that the Tenant duly pays its Monthly Rental and observes and performs the Tenant’s several covenants, obligations and stipulations herein contained, the Landlord covenants with the Tenant that the Tenant shall peaceably and quietly hold and enjoy exclusive possession of the Demised Premises and the fixtures and fittings during the tenancy term without any disturbance by the Landlord or any person lawfully claiming under or in trust for the Landlord.

**5. RENEWAL OF TERM**

The Landlord shall grant the Tenant and the Tenant shall accept an automatic renewal of four (4) consecutive terms of three (3) years each commencing immediately after the expiry of the First Term at the Monthly Rental set out as below:-

<b>Tenancy</b>	<b>Rent</b>	<b>Security Deposit</b>	<b>Utility Deposit</b>
Years 4 to 6 ("Second Term")	<b>Ringgit Malaysia One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> per month calculated at Ninety Five Cents (RM0.95) per square foot for the Second Term.	<b>Ringgit Malaysia Five Hundred Ninety Thousand Eight Hundred Forty-Seven and Cents Seventy Five (RM590,847.75)</b> which is equivalent to three (3) months’ Monthly Rental for the Second Term.	<b>Ringgit Malaysia One Hundred Ninety Six Thousand Nine Hundred and Forty Nine and Cents Twenty Five (RM196,949.25)</b> which is equivalent to one (1) month’s Monthly Rental for the Second Term.
Years 7 to 9 ("Third Term")	<b>Ringgit Malaysia Two Hundred Twenty-One Thousand Eight Hundred Twenty-Seven and Cents Five (RM221,827.05)</b> per month calculated at Ringgit Malaysia One and Seven Cents (RM1.07) per square foot for the Third Term.	<b>Ringgit Malaysia Six Hundred Sixty Five Thousand Four Hundred Eighty One and Cents Fifteen (RM665,481.15)</b> which is equivalent to three (3) months’ Monthly Rental for the Third Term.	<b>Ringgit Malaysia Two Hundred Twenty-One Thousand Eight Hundred Twenty-Seven and Cents Five (RM221,827.05)</b> which is equivalent to one (1) month’s Monthly Rental for the Third Term.
Years 10 to 12 ("Fourth Term")	<b>Ringgit Malaysia Two Hundred Forty-Six Thousand Seven Hundred Four and Cents Eighty-Five (RM246,704.85)</b> per month calculated at Ringgit Malaysia One and Nineteen Cents (RM1.19) per square foot for the Fourth Term.	<b>Ringgit Malaysia Seven Hundred Forty Thousand One Hundred Fourteen and Cents Fifty Five (RM740,114.55)</b> which is equivalent to three (3) months’ Monthly Rental for the Fourth Term.	<b>Ringgit Malaysia Two Hundred Forty-Six Thousand Seven Hundred Four and Cents Eighty-Five (RM246,704.85)</b> which is equivalent to one (1) month’s Monthly Rental for the Fourth Term.
Years 13 to 15 ("Fifth Term")	<b>Ringgit Malaysia Two Hundred Seventy-Seven Thousand Eight Hundred Two and Cents Ten (RM277,802.10)</b> per month calculated at Ringgit Malaysia One and Thirty-Four Cents (RM1.34) per square foot for the Fifth Term.	<b>Ringgit Malaysia Eight Hundred Thirty Three Thousand Four Hundred Six and Cents Thirty (RM833,406.30)</b> which is equivalent to three (3) months’ Monthly Rental for the Fifth Term.	<b>Ringgit Malaysia Two Hundred Seventy-Seven Thousand Eight Hundred Two and Cents Ten (RM277,802.10)</b> which is equivalent to one (1) month’s Monthly Rental for the Fifth Term.



**6. NO EARLY TERMINATION**

- 6.1 The Tenant shall not be entitled to terminate this tenancy prior to the expiry of the Fifth Tenancy Term.
- 6.2 Subject to the provision of the Agreement, in the event the Tenant terminates the tenancy of the Property prior to the expiry of the Fifth Tenancy Term, the Tenant shall pay to the Landlord the full amount of the Monthly Rental for the total remaining and unexpired period of the all five (5) terms as agreed liquidated ascertained damages without prejudice to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.

**7. DEFAULT BY TENANT**

- 7.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:
- (a) if the Monthly Rental hereby reserved or payable or any part thereof or any sum payable under the Agreement shall at any time be unpaid for fourteen (14) days after becoming due or payable (whether any formal or legal demand therefor shall have been made or not);
  - (b) if the Tenant shall default in the due observance and performance of any undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement;
  - (c) if the Tenant shall unlawfully determine the tenancy of the Demised Premises for any reason whatsoever vacate and/or abandon the Demised Premises at any time before the date of expiry of the Fifth Term (whether the Tenant shall have removed the Tenant's goods) from the Demised Premises or otherwise or the Tenant terminates the Agreement before the date of expiry of the Fifth Term; or
  - (d) if any licence, authorisation, approval, consent order or exemption with any governmental authority necessary for the Tenant to carry on its business shall be cancelled or withdrawn or cease to be in full force and effect due to the Tenant's fault,

then and in any one of the said cases, it shall be lawful for the Landlord at any time thereafter to serve a notice to quit upon the Tenant requiring the Tenant to remedy the breach (if the same is capable of remedy) within a reasonable time, and it is hereby mutually agreed and deemed that a reasonable time in which to remedy the default shall be fourteen (14) days save and except where the breach is due to non-payment of Monthly Rental in which case the reasonable period shall be seven (7) days.

- 7.2 In the event that:-

- (a) the Tenant shall fail to remedy the breach or default complained of upon the expiration of the notice given; or
- (b) the breach or default complained of shall not be capable of being remedied by the Tenant,

then the Landlord shall be entitled to forthwith terminate the Agreement, retain the Deposits by way of forfeiture and re-enter the Demised Premises or any part thereof in accordance with the law and the Tenant shall pay to the Landlord the full amount of the Monthly Rental for the total remaining unexpired period of all five (5) terms set out in Clause 2.2 and Clause 6 as agreed liquidated damages WITHOUT PREJUDICE to any right of action the Landlord may have against the Tenant in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Tenant of its obligations under the Agreement.

**8. DEFAULT BY LANDLORD**

8.1 The Landlord and the Tenant hereby agree that the arrangement is a fixed term tenancy and if any one or more of the following events shall occur, that is to say:

- (a) if any representation and warranties made by the Landlord is or becomes false, inaccurate, misleading or contains a material omission; or
- (b) if the Landlord shall default in the due observance and performance of its undertakings, terms or covenants on its part to be performed and observed under the terms of the Agreement and the Landlord fails to remedy the breach or default complained of upon the expiration of the notice of default issued by the Tenant to the Landlord which shall not be less than fourteen (14) days,

then the Tenant shall be entitled to forthwith terminate the Agreement, demand refund and return of the Deposits and claim against the Landlord for such losses and damages available to the Tenant under the law WITHOUT PREJUDICE to any right of action the Tenant may have against the Landlord in respect of any antecedent breach of the terms and conditions herein contained, including but not limited to the claims, demands, losses, damages, proceedings, costs and expenses (including legal fees on a solicitor-client basis) to the full extent permitted by law or equity arising from the breach by the Landlord of its obligations under the Agreement.

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**APPENDIX VI – VALUATION CERTIFICATE FOR THE PROPERTIES**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

Chartered Surveyors  
Registered Valuers  
Registered Estate Agents  
Registered Property Managers  
Research and Property Consultants  
Asset Managers  
Project Coordinators

Our Ref.: V/PC-(C)/009(A&B)/24/BURSA

28 August 2024

**Hextar Industries Berhad**  
No. 64, Jalan Bayu Laut 4/KS09  
Kota Bayuemas  
41200 Klang  
Selangor Darul Ehsan

8th Floor,  
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Dear Sirs,

**VALUATIONS OF PROPERTIES BELONGING TO HEXTAR INDUSTRIES BERHAD (“HIB”)**

The valuations have been prepared for the purposes of submission to Bursa Malaysia Securities Berhad in relation to:-

- (I) Proposed disposals by:
  - (a) Sin Chee Heng Sdn Bhd (“SCH”), a wholly-owned subsidiary of HIB, of a parcel of land together with the buildings erected thereon held under Title No. HSM 13156, PT 23677, located in the Mukim Cheras, District of Ulu Langat, State of Selangor; and
  - (b) PK Fertilizers Sdn Bhd (“PKF”), an indirect wholly-owned subsidiary of HIB, of the remaining unexpired period of a lease created over a parcel of land together with the buildings erected thereon held under Title No. GRN 489953, Lot No. 66247, located in the Mukim Plentong, District of Johor Bahru, State of Johor

(collectively referred to as “Subject Properties”) to Pacific Trustees Berhad (“Pacific Trustees”), being the trustee of KIP Real Estate Investment Trust (“KIP REIT”), for a total cash consideration of RM45.90 million; and
- (II) Proposed creation of tenancies of the Subject Properties by the respective subsidiaries of HIB from Pacific Trustees (“Proposed Properties Tenancies”).

This valuation certificate is for the inclusion in the circular to shareholders of HIB.

Brief details of the Subject Properties are as follow:-

No.	Identification	Type of Property, Address & Interest Valued	Date of Valuation
1.	Cheras Jaya Property	An industrial premises bearing postal address Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan, having an unexpired lease term of about 74 years (as at the date of valuation)	26 June 2024
2.	Pasir Gudang Property	An industrial premises bearing postal address Lot 117, Jalan Pukal, Kawasan Perindustrian Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim, having an unexpired lessee’s interest of about 25 years (as at the date of valuation)	21 June 2024

**APPENDIX VI – VALUATION CERTIFICATE FOR THE PROPERTIES (CONT'D)**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

We were advised by HIB that it will be a condition under the Sale and Purchase Agreements between SCH (the Vendor for Cheras Property) and PKF (the Vendor for Pasir Gudang Property) and Pacific Trustees (the Purchaser) for the two vendors to enter into tenancy arrangements for the proposed tenancies in relation to the Subject Properties (leaseback arrangements).

As per the photocopies of the Letter of Offers both dated 27 August 2024 provided to us, we noted that the Subject Properties will be let for a fixed term of 3 years with automatic renewals of consecutive terms each of 3 years for the proposed monthly rental rates as follows:-

Tenancy Term	Proposed Monthly Rental Rate	
	Cheras Property (having an agreed lettable area of about 66,632 square feet)	Pasir Gudang Property (having an agreed lettable area of about 184,120 square feet)
First (1st to 3rd year)	RM123,269.20 (RM1.85 per square foot ("psf"))	RM146,217.85 (RM0.79 psf)
Second (4th to 6th year)	RM137,928.24 (RM2.07 psf)	RM163,419.95 (RM0.89 psf)
Third (7th to 9th year)	RM154,586.24 (RM2.32 psf)	RM184,062.47 (RM1.00 psf)
Fourth (10th to 12th year)	RM173,243.20 (RM2.60psf)	RM204,704.99 (RM1.11 psf)
Fifth (13th to 15th year)		RM230,508.14 (RM1.25 psf)

The covenants by the Tenants for the Subject Properties are as follows:-

Cheras Property	Pasir Gudang Property
<ul style="list-style-type: none"> <li>a) pay all quit rent, assessments, maintenance charges and other similar outgoings imposed upon or in respect of the property;</li> <li>b) maintain utilities accounts under the Vendor's name and promptly and punctually pay to the respective utilities providers all charges for the utilities and any other services supplied to and consumed at the property;</li> <li>c) maintain and repair the property, including the main structure, foundation, walls, roof, main pipes and drain, water supply pump, electrical wiring, ceiling, flooring, exterior and interior compound of the property, lifts, escalators, air conditioning and the fixture and fittings in, on or within the property, at the costs and expense of the Vendor (being the tenant);</li> <li>d) take out and keep in force a comprehensive public liability insurance policy, fire and allied perils insurance policy, and such other insurances as the Purchaser (being the landlord) in its sole discretion shall deem fit with an insurance company of good repute;</li> <li>e) obtain all necessary licences, approvals, permits, consents and certificates, if applicable, from the relevant authorities for carrying out the Vendor's intended and permitted use at the property; and</li> <li>f) bear any taxes which may be or become chargeable or imposed by the relevant authorities in connection with the tenancy agreement.</li> </ul>	<ul style="list-style-type: none"> <li>a) pay all quit rent, assessments, maintenance charges and other similar outgoings imposed upon or in respect of the demised premises;</li> <li>b) maintain utilities accounts under the Vendor's name and promptly and punctually pay to the respective utilities providers all charges for the utilities and any other services supplied to and consumed at the demised premises;</li> <li>c) maintain and repair the demised premises, including the main structure, foundation, walls, roof, main pipes and drains, water supply pump, electrical wiring, ceiling, flooring, exterior and interior compound of the demised premises (fair wear and tear excepted), air conditioning and the Vendor's own fixture and fitting in, on or within the demised premises, at the costs and expense of the Vendor (being the tenant);</li> <li>d) take out and keep in force a comprehensive public liability insurance policy, fire and allied perils insurance policy, and such other insurances as the Purchaser (being the landlord) in its sole discretion shall deem fit with an insurance company of good repute;</li> <li>e) obtain all necessary licences, approvals, permits, consents, and certificates, if applicable, from the relevant authorities for carrying out the permitted use at the demised premises;</li> <li>f) bear any taxes which may be or become chargeable or imposed by the relevant authorities in connection with the tenancy agreement; and</li> <li>g) not to commit or permit to be committed any acts or omissions that may or will cause the Purchaser (being the landlord) to be or considered to be in breach of its covenants or undertakings contained in the memorandum of lease dated 20 January 1997.</li> </ul>





Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

The Tenants shall not be entitled to terminate the tenancies of the Subject Properties prior to the expiry of the Fourth (for Cheras Property) and Fifth (for Pasir Gudang Property) Tenancies.

For purposes of this valuation, we were specifically instructed by HIB to value the Subject Properties on the assumption that the Subject Properties are let commencing from the date of valuation at the above mentioned proposed monthly rental rates.

**SINCE THE VALUATIONS ARE BASED ON UNREALISED ASSUMPTION (AS AT THE DATE OF VALUATION), SHOULD ANY PARTY WISHES TO RELY ON THE VALUATIONS, APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT.**

We hereby confirm that we have valued, in accordance with the instruction from HIB, the above mentioned properties and as described in the individual valuation certificates attached as **Schedule 'I'** vide our Reports and Valuations bearing Reference Nos. V/PC-(P)/009(A&B)/24/BURSA dated 28 August 2024.

The Reports and Valuations have been prepared in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia and the Asset Valuation Guidelines issued by the Securities Commission Malaysia, and with the necessary professional responsibility and due diligence. This valuation certificate is to be read in conjunction with the above mentioned Reports and Valuations.

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

#### **Valuation Methodologies**

In arriving at our opinion of the Market Values, we have adopted the following valuation approaches:-

##### **Income Approach by way of Investment Method**

It is the capitalisation of net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

##### **Cost Approach**

This approach is defined as the aggregate amount of the value of the land component and the gross replacement cost of the buildings and other site improvements, allowing for depreciation. The land component is arrived by the Comparison Approach whereby comparison is made of the property under valuation with sales of the other similar properties. Where dissimilarities exist, adjustments are made.

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**APPENDIX VI – VALUATION CERTIFICATE FOR THE PROPERTIES (CONT'D)**

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Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

**Opinion of Values**

A summary of the valuations of the Subject Properties is as follows:-

No.	Identification	Type of Property, Address & Interest Valued	Market Value
1.	Cheras Jaya Property	An industrial premises bearing postal address Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan, having an unexpired lease term of about 74 years (as at the date of valuation)	<b>RM22,300,000.00</b> <b>(Ringgit Malaysia Twenty Two Million Three Hundred Thousand Only)</b>
2.	Pasir Gudang Property	An industrial premises bearing postal address Lot 117, Jalan Pukal, Kawasan Perindustrian Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim, having an unexpired lessee's interest of about 25 years (as at the date of valuation)	<b>RM19,900,000.00</b> <b>(Ringgit Malaysia Nineteen Million Nine Hundred Thousand Only)</b>

**SINCE THE VALUATIONS ARE BASED ON UNREALISED ASSUMPTION (AS AT THE DATE OF VALUATION), SHOULD ANY PARTY WISHES TO RELY ON THE VALUATIONS, APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT.**

The details of the Subject Properties as extracted from the respective Reports and Valuations bearing Reference Nos. V/PC-(C)/009(A&B)/24/BURSA are appended as **Schedule 'I'**.

We would also like to confirm that there are no further pertinent factors which may affect the values of the Subject Properties and the contents of this Valuation Certificate are in compliance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia.

For and on behalf of  
**JONES LANG WOOTTON**

**LIM TZE HER, FRISM MRICS FMVA**  
**REGISTERED VALUER, V-805 AND CHARTERED SURVEYOR**  
**EXECUTIVE DIRECTOR**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

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**SCHEDULE 'I'**

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Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

**Cheras Property**

1. Type & Address:	An industrial premises bearing postal address Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor Darul Ehsan.
2. Lot & Title Nos.:	Lot PT 23677, Mukim Cheras, District of Ulu Langat, Selangor Darul Ehsan held under Title No. HSM 13156.
3. Tenure:	99-year leasehold interest, expiring on 30 December 2098.
4. Category of Land Use:	<i>Industri.</i>
5. Express Condition:	<i>Industri Berat.</i>
6. Restriction in Interest:	<i>Tanah ini tidak boleh dipindahmilik, dipajak atau digadai melainkan dengan kebenaran pihak berkuasa negeri.</i>
7. Encumbrance:	Nil.
8. Registered Proprietor:	SCH.
9. Location:	Cheras Property is located within Kawasan Perusahaan Cheras Jaya (also known as Kawasan Perindustrian Cheras Jaya), Cheras, Selangor Darul Ehsan. Kuala Lumpur city centre and Kajang town are located about 22 kilometres due north-west and 5 kilometres due south-east of the Cheras Property respectively.
10. Site:	<p>The subject site is a rectangular shaped parcel of land having a title land area of about 8,510 square metres (2.103 acres/91,601 square feet) and is generally flat in terrain.</p> <p>At the date of inspection, we noted a temporary structure (used as open-sided storage shed) is sited at the north-eastern portion of the Subject Property and part of the roof floor of the annexed four storey office building has been covered with metal deck sheets. We were given to understand that the above structures do not form part of the building plan approval and will be removed prior to the completion of the sale and purchase agreement. In our valuation, we have disregarded the above structures.</p>
11. Main Buildings:	<p>The main buildings comprise a one and a half storey factory building with an annexed four storey office building.</p> <p>The factory building is generally constructed of steel frames supporting steel roof trusses and purlins laid over with metal deck roofing sheets underlaid with aluminium foil sisalation sheets. The annexed office building is constructed of a reinforced concrete frame with brick infills rendered externally and plastered internally supporting partly a metal framed roof laid over with metal deck sheets and partly reinforced concrete flat roof.</p> <p>The total gross floor area is about 6,284.33 square metres (67,644 square feet). As per Letter of Offer dated 27 August 2024, the agreed lettable area is about 6,190.32 square metres (66,632 square feet). The age of the buildings are about 7 years old.</p>



**APPENDIX VI – VALUATION CERTIFICATE FOR THE PROPERTIES (CONT'D)**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

12. Planning Details:	Cheras Property is designated for industrial use. The buildings have been issued with a Certificate of Completion and Compliance on 20 January 2017.
13. Occupancy Status:	Cheras Property is occupied by SCH and the tenancies of related companies are as follows:-

Tenant	TK Rentals Sdn Bhd	Hextar Mitai Sdn Bhd
Date of Agreement	15 July 2023	5 July 2024
Commencement Date	1 September 2023	1 August 2024
Expiry Date	31 August 2024	31 August 2027
Total Floor Area	11,279 square feet	3,700 square feet
Monthly Rental	RM13,750.00	RM8,800.00

For purposes of this valuation, we were specifically instructed by HIB to disregard the above tenancies and to value based on proposed tenancy as disclosed above.

**Valuation**

<b>1. INCOME APPROACH BY WAY OF INVESTMENT METHOD</b>			
Main parameters and rates adopted are as follows:-			
Parameters	Rate Adopted		Explanation
	Term	Reversion	
Monthly Rental Rate <sup>^</sup>	<u>First (1st to 3rd year)</u> RM1.85 psf  <u>Second (4th to 6th year)</u> RM2.07 psf  <u>Third (7th to 9th year)</u> RM2.32 psf  <u>Fourth (10th to 12th year)</u> RM2.60 psf	RM2.00 psf	We have considered the proposed rental rates as per the Letter of Offer. We gathered that the rental rates of similar properties ranging between RM1.86 psf to RM2.62 psf within the surrounding area. Considerations were given for the differences in market/time factor, negotiations, location, size, design/building condition, tenancy terms (tenant is responsible for all outgoing including structural repairs) and other relevant attributes influencing value.
Void Allowance	-	5.00%	The void allowance is estimated at 5.00% of the monthly gross rent to reflect the rent-free period and risk of vacancy during reversion period.
Capitalisation Rate (with sinking fund at 4.00% and tax at 24.00%)	5.75%	6.25%	The Years Purchase (YP, the multiplying factor) is calculated based on capitalisation rates on a dual rate basis with allowance for a sinking fund to recoup the capital outlay at the end of the lease term and the effect of taxation on that part of the income which must be invested in a sinking fund.  The analysed yields of the similar transacted industrial properties range between 6.21% and 6.50%.
<sup>^</sup> analysed based on agreed lettable area of 66,632 square feet			
The Market Value as per the Income Approach by way of Investment Method is RM22,300,000.00.			

**APPENDIX VI – VALUATION CERTIFICATE FOR THE PROPERTIES (CONT'D)**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

**2. COST APPROACH**

Details of the sale comparables to arrive at the value of the land component (as obtained from *Jabatan Penilaian Dan Perkhidmatan Harta* ("JPPH")) are tabulated as follows:-

Description	Sale Comparable 1	Sale Comparable 2	Sale Comparable 3
Type	A parcel of industrial land	A parcel of industrial land	A parcel of industrial land
Property Identification/ Location	PT 55999, located along Jalan Simpang Balak, Kawasan Perusahaan Cheras Jaya	Lot 1891, located along Jalan KPB 9, Kawasan Perindustrian Kampung Baru Balakong	PT 7693, located along Jalan CJ 3, Kawasan Perusahaan Cheras Jaya
Tenure	99-year leasehold interest	Interest in perpetuity	99-year leasehold interest
Unexpired Term	About 87 years	-	About 68 years
Category of Land Use	<i>Industri</i>	<i>Industri</i>	<i>Industri</i>
Planning Details	Zoned for industrial use	Zoned for industrial use	Zoned for industrial use
Land Area	0.848 acre (36,932 square feet)	2.249 acres (97,955 square feet)	0.995 acre (43,348 square feet)
Consideration	RM5,800,000.00	RM13,230,730.00	RM6,935,520.00
Date of Transaction	19 January 2022	19 January 2022	22 January 2020
Vendor	Lim Chyi Ren +1	Chu Mary	Weldkraft Services Sdn Bhd
Purchaser	Lim Bok Li	Ivory Ascent Sdn Bhd	Ennai Plastic Trading Sdn Bhd
Analysed Land Value	RM157.05 psf	RM135.07 psf	RM160.00 psf
Factors Considered for Adjustment	Market/time factor, location, size, shape and tenure		
Adjusted Land Value	RM155.00 psf	RM140.00 psf	RM155.00 psf

In arriving at the land value, we have relied on Sale Comparables 1 and 3 (RM155.00 psf) as the comparables are located within the same scheme.

For the building cost component, we have adopted the replacement cost new (current cost) ranging from RM150.00 psf to RM180.00 psf for the main buildings. The replacement cost new adopted is based on our checks with quantity surveyor and contractors, which is in line with the present market. A depreciation rate of 1.67% per annum has been adopted after taking into consideration the life span and condition of the buildings to arrive at the depreciated replacement cost of the building component.

The Market Value as per the Cost Approach is RM24,500,000.00.



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

### Summary and Reconciliation of Values

Valuation Methodology	Market Value
Income Approach by way of Investment Method	RM22,300,000.00
Cost Approach	RM24,500,000.00

The Income Approach is adopted as the primary approach to arrive at the market value reflecting the committed tenancy arrangement upon the completion of the disposal of the Cheras Property. Hence, the Cost Approach is only adopted as a check.

### Opinion of Value

We wish to draw attention that the title of the Cheras Property carries a restriction in interest which stipulates that "*Tanah ini tidak boleh dipindahmilik, dipajak atau digadai melainkan dengan kebenaran pihak berkuasa negeri*". In this regard, our valuation is on the basis that written consent from the State Authority in respect of the aforesaid restriction in interest will not be unreasonably withheld.

Having regard to the foregoing, our opinion of the Market Value of the 99-year leasehold interest, having an unexpired term of about 74 years (as at the date of this valuation) in the Cheras Property, subject to the proposed tenancy, with a Certificate of Completion and Compliance issued and subject to the Cheras Property and title being free from all encumbrances, marketable and registrable is RM22,300,000.00 (Ringgit Malaysia Twenty Two Million Three Hundred Thousand Only).

**SINCE THE VALUATION IS BASED ON UNREALISED ASSUMPTION (AS AT THE DATE OF VALUATION), SHOULD ANY PARTY WISHES TO RELY ON THE VALUATION, APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT.**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

**Pasir Gudang Property**

1. Type & Address:	An industrial premises bearing postal address Lot 117, Jalan Pukal, Kawasan Perindustrian Lembaga Pelabuhan Johor, 81700 Pasir Gudang, Johor Darul Takzim.
2. Lot & Title Nos.:	Lot 66247, Mukim Plentong, District of Johor Bahru, Johor Darul Takzim held under Title No. GRN 489953.
3. Tenure:	Interest in perpetuity (in respect of interest held by Johor Port Authority).  <u>Note:</u> The subject of this valuation comprises the unexpired lessee's interest of about 25 years held by PKF.
4. Category of Land Use:	<i>Perusahaan/Perindustrian.</i>
5. Express Conditions:	<ul style="list-style-type: none"> <li>i) <i>Tanah ini hendaklah digunakan untuk kilang bagi tujuan Perusahaan Sederhana dan kegunaan lain yang berkaitan dengannya, dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.</i></li> <li>ii) <i>Segala kekotoran dan pencemaran akibat daripada aktiviti ini hendaklah disalurkan / dibuang ke tempat-tempat yang telah ditentukan oleh Pihak Berkuasa Berkenaan.</i></li> <li>iii) <i>Segala dasar dan syarat yang telah ditetapkan dan dikuatkuasakan dari semasa ke semasa oleh Pihak Berkuasa Berkenaan hendaklah dipatuhi.</i></li> </ul>
6. Restriction in Interest:	<i>Tanah yang terkandung di dalam hakmilik ini tidak dibenarkan dipindahmilik dengan apa cara sekalipun melainkan bangunan kilang disyarat nyata telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan.</i>
7. Encumbrance:	Nil.
8. Endorsement:	<i>No. Perserahan: 11655/1997 Pajakan Seluruh Tanah kepada PK Fertilizers Sdn Bhd bagi tempoh masa selama 60 tahun mulai dari 15 Mac 1990 dan berakhir pada 14 Mac 2050, registered on 24 February 1997.</i>
9. Registered Proprietor	Lembaga Pelabuhan Johor.  <u>Note:</u> As per a photocopy of Memorandum of Lease for Pasir Gudang Property dated 20 January 1997 made between Johor Port Authority (the Lessor) and Peladang Kimia Berhad (now known as PKF) (the Lessee), we note that the Lessor has granted to the Lessee a lease for a period of 60 years, commencing on 15 March 1990 and expiring on 14 March 2050 at a once-off rental of RM2,321,271.00.
10. Location:	Pasir Gudang Property is located within Kawasan Perindustrian Lembaga Pelabuhan Johor and situated about 24 kilometres due south-east of the Johor Bahru city centre.

**APPENDIX VI – VALUATION CERTIFICATE FOR THE PROPERTIES (CONT'D)**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

11. Site:	<p>The subject site is an almost rectangular shaped parcel of land having a title land area of 23,119 square metres (5.713 acres/248,851 square feet) and is generally flat in terrain.</p> <p>At the date of inspection, we noted that a workshop has been erected next to the warehouse building. HIB advised that an application for the building plan in respect of the above workshop will be submitted to <i>Majlis Bandaraya Pasir Gudang</i>. In the event that the building plan approval is unable to be obtained, the above workshop will be removed. In our valuation, we have disregarded the above structure.</p>
12. Main Buildings:	<p>The main buildings comprise a single storey warehouse building with an integral double storey office.</p> <p>The single storey warehouse building is constructed of a steel portal frame supporting a steel framed with a roof laid over with corrugated asbestos roofing sheets, metal deck sheets and supplemented by translucent sheets. The integral double storey office is constructed of a reinforced concrete frame.</p> <p>The total gross floor area/agreed lettable area is about 17,105.31 square metres (184,120 square feet). The age of the buildings is about 34 years old.</p>
13. Planning Details:	<p>Pasir Gudang Property is designated for industrial use. The buildings have been issued with a <i>Sijil Kelayakan Bangunan Untuk Digunakan</i> on 27 November 1990.</p>
14. Occupancy Status:	<p>Pasir Gudang Property is occupied by PKF.</p>

**Valuation**

<b>1. INCOME APPROACH BY WAY OF INVESTMENT METHOD</b>			
Main parameters and rates adopted are as follows:-			
Parameters	Rate Adopted		Explanation
	Term	Reversion	
Monthly Rental Rate^	<u>First (1st to 3rd year)</u> RM0.79 psf	RM1.20 psf	We have considered the proposed rental rates as per the Letter of Offer. We gathered that the rental rates of similar properties ranging between RM1.46 psf to RM1.55 psf within the surrounding area. Considerations were given for the differences in market/time factor, location, size, design/building condition, tenancy terms (tenant is responsible for all outgoings including structural repairs) and other relevant attributes influencing value.
	<u>Second (4th to 6th year)</u> RM0.89 psf		
	<u>Third (7th to 9th year)</u> RM1.00 psf		
	<u>Fourth (10th to 12th year)</u> RM1.11 psf		
	<u>Fifth (13th to 15th year)</u> RM1.25 psf		
Void Allowance	-	5.00%	The void allowance is estimated at 5.00% of the monthly gross rent to reflect the rent-free period and risk of vacancy during reversionary period.



**APPENDIX VI – VALUATION CERTIFICATE FOR THE PROPERTIES (CONT'D)**



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

1. INCOME APPROACH BY WAY OF INVESTMENT METHOD (con't)			
Parameters	Rate Adopted		Explanation
	Term	Reversion	
Capitalisation Rate (with sinking fund at 4.00% and tax at 24.00%)	7.00%	7.50%	<p>The Years Purchase (YP, the multiplying factor) is calculated based on capitalisation rates on a dual rate basis with allowance for a sinking fund to recoup the capital outlay at the end of the lease term and the effect of taxation on that part of the income which must be invested in a sinking fund.</p> <p>The analysed yields of the similar transacted industrial properties range between 6.22% and 6.70%. We have adopted a higher capitalisation rate taking into consideration that the Pasir Gudang Property has a shorter remaining lease term.</p>
<p><sup>a</sup>analysed based on agreed lettable area of 184,120 square feet</p> <p>The Market Value as per the Income Approach by way of Income Approach is RM19,900,000.00.</p>			
2. COST APPROACH			
<p>Details of the sale comparables to arrive at the value of the land component (as obtained from JPPH) are tabulated as follows:</p>			
Description	Sale Comparable 1	Sale Comparable 2	Sale Comparable 3
Type	A parcel of industrial land	A parcel of industrial land	A parcel of industrial land
Property Identification/ Location	PLO 33, Jalan Keluli, Kawasan Perindustrian Pasir Gudang	PLO 655, Jalan Keluli 12, Kawasan Perindustrian Pasir Gudang	PLO 654, Jalan Keluli 12, Kawasan Perindustrian Pasir Gudang
Tenure	60-year leasehold interest	60-year leasehold interest	60-year leasehold interest
Unexpired Term	About 27 years	About 49 years	About 49 years
Category of Land Use	<i>Perusahaan/Perindustrian</i>	<i>Perusahaan/Perindustrian</i>	<i>Perusahaan/Perindustrian</i>
Planning Details	Zoned for industrial use	Zoned for industrial use	Zoned for industrial use
Land Area	3.000 acres (130,674 square feet)	2.600 acres (113,236 square feet)	1.250 acres (54,465 square feet)
Consideration	RM5,488,560.00	RM6,342,336.00	RM3,049,200.00
Date of Transaction	29 January 2024	29 November 2023	17 November 2023
Vendor	EM Heavy Equipment Sdn Bhd	Suri Damai Sdn Bhd	Arasis Sdn Bhd
Purchaser	Konsortium Pd Holding Sdn Bhd	Sec Optimus Sdn Bhd	Sec Optimus Sdn Bhd
Analysed Land Value	RM42.00 psf	RM56.01 psf	RM55.98 psf
Factors Considered for Adjustment	Location, size and tenure		
Adjusted Land Value	RM42.00 psf	RM42.00 psf	RM40.00 psf
<p>In arriving at the value of the land component, we have relied on Sale Comparable 1 (RM42.00 psf) as this comparable is a more recent transaction.</p> <p>For the building cost component, we have adopted the replacement cost new (current cost) ranging from RM90.00 psf to RM160.00 psf for the main buildings. The replacement cost new adopted is based on our checks with quantity surveyor and contractors, which is in line with the present market. A depreciation rate of 1.67% per annum has been adopted after taking into consideration the life span and condition of the buildings to arrive at the depreciated replacement cost of the building component.</p> <p>The Market Value as per the Cost Approach is RM21,700,000.00.</p>			



Proprietor: Singham Sulaiman Sdn. Bhd.  
Registration No.: 198101012087 (78217-X)

### Summary and Reconciliation of Values

Valuation Methodology	Market Value
Income Approach by way of Investment Method	RM19,900,000.00
Cost Approach	RM21,700,000.00

The Income Approach is adopted as the primary approach to arrive at the market value reflecting the committed tenancy arrangement upon the completion of the disposal of the Pasir Gudang Property. Hence, the Cost Approach is only adopted as a check.

### Opinion of Value

We wish to draw attention that the title of the Pasir Gudang Property carries a restriction in interest which stipulates that "*Tanah yang terkandung di dalam hakmilik ini tidak dibenarkan dipindahmilik dengan apa cara sekalipun melainkan bangunan kilang disyarat nyata telah mula dibina mengikut pelan yang diluluskan oleh Pihak Berkuasa Tempatan yang berkenaan*". In this regard, our valuation is on the basis that written consent from the State Authority in respect of the aforesaid restriction in interest will not be unreasonably withheld.

Having regard to the foregoing, our opinion of the Market Value of the unexpired lessee's interest of about 25 years (as at the date of this valuation) held by PKF in the Pasir Gudang Property, subject to the proposed tenancy, with a *Sijil Kelayakan Bangunan Untuk Digunakan* issued and subject to the Pasir Gudang Property and title being free from all encumbrances, marketable and registrable is RM19,900,000.00 (Ringgit Malaysia Nineteen Million Nine Hundred Thousand Only).

**SINCE THE VALUATION IS BASED ON UNREALISED ASSUMPTION (AS AT THE DATE OF VALUATION), SHOULD ANY PARTY WISHES TO RELY ON THE VALUATION, APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT.**



**HEXTAR INDUSTRIES BERHAD**  
(Registration No. 201101044580 (972700-P))  
(Incorporated in Malaysia)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“**EGM**”) of Hextar Industries Berhad (“**HIB**” or the “**Company**”) will be conducted on a virtual basis at the Broadcast Venue at No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor through live streaming and online remote voting using remote participation and voting facilities via TIIH Online website at <https://tiih.online> or at <https://tiih.com.my> (Domain Registration No. MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd (“**Tricor**”) on Friday, 24 January 2025 at 10.00 a.m. or at any adjournment thereof, for the purpose of considering and, if thought fit, passing with or without modifications, the following resolution:

### **ORDINARY RESOLUTION 1**

**PROPOSED DISPOSAL BY SIN CHEE HENG SDN BHD (“SCH”), A WHOLLY-OWNED SUBSIDIARY OF HIB, OF A PARCEL OF LAND TOGETHER WITH THE BUILDINGS ERECTED THEREON HELD UNDER TITLE NO. HSM 13156, PT 23677, LOCATED IN THE MUKIM OF CHERAS, DISTRICT OF ULU LANGAT, STATE OF SELANGOR (“CHERAS PROPERTY”) TO PACIFIC TRUSTEES BERHAD (“PACIFIC TRUSTEES”), BEING THE TRUSTEE OF KIP REAL ESTATE INVESTMENT TRUST (“KIP REIT”), FOR A TOTAL CASH CONSIDERATION OF RM22.60 MILLION (“PROPOSED DISPOSAL I”)**

“**THAT** subject to the passing of Ordinary Resolution 3 as well as the approvals and consents of all relevant parties and/or authorities being obtained (where required), approval be and is hereby given to SCH to dispose of the Cheras Property for a total cash consideration of RM22.60 million, subject to and upon such terms and conditions as set out in the conditional sale and purchase agreement dated 29 August 2024 entered into between SCH and Pacific Trustees for the Proposed Disposal I.

**THAT** the proceeds arising from the Proposed Disposal I be utilised for the purposes set out in Section 2.1.5 of the circular to shareholders in relation to the Proposals dated 20 December 2024, and that the Board of Directors of the Company (“**Board**”) be authorised with full powers to vary the manner and/or purposes of the utilisation of such proceeds in such manner as the Board may deem fit, necessary, and/or expedient in the best interest of the Company.

**AND THAT** the Board be and is hereby authorised to do all acts, deeds, and things and to execute, sign, and deliver on behalf of the Company all documents and to enter into any deeds, agreements, arrangements, and/or indemnities as they may deem fit, necessary, or expedient in order to carry out, finalise, and give effect to the Proposed Disposal I with full powers to assent to any conditions, modifications, variations, and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise, and give full effect to the Proposed Disposal I.”



## **ORDINARY RESOLUTION 2**

**PROPOSED DISPOSAL BY PK FERTILIZERS SDN BHD (“PKF”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HIB, OF THE REMAINING UNEXPIRED PERIOD OF A LEASE CREATED OVER A PARCEL OF LAND TOGETHER WITH THE BUILDINGS ERECTED THEREON HELD UNDER TITLE NO. GRN 489953, LOT NO. 66247, LOCATED IN THE MUKIM OF PLENTONG, DISTRICT OF JOHOR BAHRU, STATE OF JOHOR (“PASIR GUDANG PROPERTY”) TO PACIFIC TRUSTEES BERHAD (“PACIFIC TRUSTEES”), BEING THE TRUSTEE OF KIP REAL ESTATE INVESTMENT TRUST (“KIP REIT”), FOR A TOTAL CASH CONSIDERATION OF RM23.30 MILLION (“PROPOSED DISPOSAL II”)**

“**THAT** subject to the passing of Ordinary Resolution 4 as well as the approvals and consents of all relevant parties and/or authorities being obtained (where required), approval be and is hereby given to PKF to dispose of the Pasir Gudang Property for a total cash consideration of RM23.30 million, subject to and upon such terms and conditions as set out in the conditional sale and purchase agreement dated 29 August 2024 entered into between PKF and Pacific Trustees for the Proposed Disposal II.

**THAT** the proceeds arising from the Proposed Disposal II be utilised for the purposes set out in Section 2.1.5 of the circular to shareholders in relation to the Proposals dated 20 December 2024, and that the Board be authorised with full powers to vary the manner and/or purposes of the utilisation of such proceeds in such manner as the Board may deem fit, necessary, and/or expedient in the best interest of the Company.

**AND THAT** the Board be and is hereby authorised to do all acts, deeds, and things and to execute, sign, and deliver on behalf of the Company all documents and to enter into any deeds, agreements, arrangements, and/or indemnities as they may deem fit, necessary, or expedient in order to carry out, finalise, and give effect to the Proposed Disposal II with full powers to assent to any conditions, modifications, variations, and/or amendments as may be required or permitted by any relevant authorities and to take all steps as they may consider necessary or expedient in the best interest of the Company in order to implement, finalise, and give full effect to the Proposed Disposal II.”

## **ORDINARY RESOLUTION 3**

**PROPOSED CREATION OF TENANCY OF THE CHERAS PROPERTY BY SCH FROM PACIFIC TRUSTEES (“PROPOSED TENANCY I”)**

“**THAT** subject to the passing of Ordinary Resolution 1 and all requisite approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to SCH to enter into tenancy agreement in-escrow with Pacific Trustees to rent the Cheras Property for a period of 12 years commencing on the day immediately after completion of the Proposed Disposal I (“Tenancy Agreement I”).

**AND THAT** the Board be and is hereby authorised to do all acts, deeds, and things and execute all necessary documents as the Board may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Tenancy I with full powers to consent to and to adopt such conditions, variations, modifications, and/or amendments as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in respect of the Proposed Tenancy I (including the Tenancy Agreement I); and deal with all such matters and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise, and give full effect to the Proposed Tenancy I, in the interest of the Company.”

#### **ORDINARY RESOLUTION 4**

##### **PROPOSED CREATION OF TENANCY OF THE PASIR GUDANG PROPERTY BY PKF FROM PACIFIC TRUSTEES (“PROPOSED TENANCY II”)**

“**THAT** subject to the passing of Ordinary Resolution 2 and all requisite approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to PKF to enter into tenancy agreement in-escrow with Pacific Trustees to rent the Pasir Gudang Property for a period of 15 years commencing on the day immediately after completion of the Proposed Disposal II (“Tenancy Agreement II”).

**AND THAT** the Board be and is hereby authorised to do all acts, deeds, and things and execute all necessary documents as the Board may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Tenancy II with full powers to consent to and to adopt such conditions, variations, modifications, and/or amendments as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in respect of the Proposed Tenancy II (including the Tenancy Agreement II); and deal with all such matters and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise, and give full effect to the Proposed Tenancy II, in the interest of the Company.”

#### **ORDINARY RESOLUTION 5**

##### **PROPOSED TENANCY WITH PACIFIC TRUSTEES FOR THE TENANCY OF A PARCEL OF LAND TOGETHER WITH THE BUILDINGS ERECTED THEREON HELD UNDER TITLE NO. LOT 3122 BLOCK 26, KEMENA LAND DISTRICT, TRN 09-LCLS-032-026-03122, LOCALITY OF JALAN KIDURONG, DIVISION OF BINTULU, STATE OF SARAWAK (“BINTULU PROPERTY”) (“PROPOSED BINTULU TENANCY”)**

“**THAT** subject to the completion of the sale and purchase agreement dated 29 August 2024 entered into by Teju Logistics Sdn Bhd and Pacific Trustees, approval be and is hereby given for Hextar Solutions Sdn Bhd (“HSSB”), an indirect wholly-owned subsidiary of HIB, to enter into a tenancy agreement with Pacific Trustees, the new owner of the Bintulu Property, for the tenancy of a parcel of land together with the buildings erected thereon, held under Title No. Lot 3122 Block 26, Kemena Land District, TRN 09-LCLS-032-026-03122, in the locality of Jalan Kidurong, Division of Bintulu, State of Sarawak (“Bintulu Tenancy Agreement”).

**AND THAT** the Board be and is hereby authorised to do all acts, deeds, and things and execute all necessary documents as the Board may consider necessary or expedient, and to take all such necessary steps to give effect to the Proposed Bintulu Tenancy with full powers to consent to and to adopt such conditions, variations, modifications, and/or amendments as may be required or imposed by the relevant authorities or as the Board may deem necessary or expedient in respect of the Proposed Bintulu Tenancy (including the Bintulu Tenancy Agreement); and deal with all such matters and to take such steps and do all acts and things in any manner as the Board may deem necessary or expedient to implement, finalise, and give full effect to the Proposed Bintulu Tenancy, in the interest of the Company.”

By Order of the Board

**HEXTAR INDUSTRIES BERHAD**

**TAN TONG LANG** (MAICSA 7045482) (SSM PC NO. 202208000250)

**TAN LAY KHOON** (MAICSA 7077867) (SSM PC NO. 202208000544)

**LEE KOK PING** (MIA 44986 / SSM PC No. 202008004407)

Kuala Lumpur

20 December 2024

Notes:

- (i) The Broadcast Venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia which requires the Chairman of the meeting to be present at the main venue of the meeting.
- (ii) Members/proxies/corporate representatives **WILL NOT BE ALLOWED** to attend the EGM in person at the Broadcast Venue on the date of the meeting.
- (iii) Members/proxies/corporate representatives are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “**participate**”) remotely at the EGM via the Remote Participation and Voting facilities (“**RPV**”) provided by the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at <https://tiih.online>.

**Please follow the “Procedures for RPV” in the Administrative Guide for the EGM and read the notes therein in order to participate remotely via RPV.**

- (iv) A member of the Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at the meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member’s shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
- (v) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“**SICDA**”), it may appoint not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (vi) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (vii) Where a member or the authorised nominee appoints more than 2 proxies, or where an exempt authorised nominee appoints more than 1 proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the Form of Proxy.
- (viii) The Form of Proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the Form of Proxy must be made either under its common seal or signed by an officer or an attorney duly authorised.
- (ix) A member who has appointed a proxy or attorney or corporate representative to participate and vote at the EGM must request his/her proxy or attorney or corporate representative to register himself/herself for the RPV at <https://tiih.online>. Please follow the Procedures for RPV in the Administrative Guide for the EGM.
- (x) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the EGM or adjourned meeting:

(a) In hard copy form

In the case of an appointment made in hard copy form, the Form of Proxy must be deposited with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

(b) By electronic form

The Form of Proxy can be electronically lodged at <https://tjih.online>. Please refer to the Administrative Guide on the procedure for electronic lodgement of Form of Proxy.

- (xi) Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
- (xii) Last date and time for lodging the Form of Proxy is **Wednesday, 22 January 2025 at 10.00 a.m..**
- (xiii) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company in accordance with Note (x)(a) above **not less than 48 hours before the time appointed for holding the EGM** or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (xiv) For a corporate member who has appointed a representative, please deposit the **ORIGINAL OR DULY CERTIFIED** certificate of appointment with the Share Registrar of the Company in accordance with Note (x)(a) above. The certificate of appointment should be executed in the following manner:
- (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
- (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
1. at least two (2) authorised officers, of whom one shall be a director; or
  2. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
- (xv) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 17 January 2025** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.



Notes:

- (i) The Broadcast Venue of the EGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Guidance Note on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia which requires the Chairman of the meeting to be present at the main venue of the meeting.
- (ii) Members/proxies/corporate representatives **WILL NOT BE ALLOWED** to attend the EGM in person at the Broadcast Venue on the date of the meeting.
- (iii) Members/proxies/corporate representatives are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “**participate**”) remotely at the EGM via the Remote Participation and Voting facilities (“**RPV**”) provided by the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at <https://tjih.online>.

**Please follow the “Procedures for RPV” in the Administrative Guide for the EGM and read the notes therein in order to participate remotely via RPV.**

- (iv) A member of the Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member’s shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
- (v) Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“**SICDA**”), it may appoint not more than 2 proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (vi) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (vii) Where a member or the authorised nominee appoints more than 2 proxies, or where an exempt authorised nominee appoints more than 1 proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the Form of Proxy.
- (viii) The Form of Proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the Form of Proxy must be made either under its common seal or signed by an officer or an attorney duly authorised.
- (ix) A member who has appointed a proxy or attorney or corporate representative to participate and vote at this EGM must request his/her proxy or attorney or corporate representative to register himself/herself for the RPV at <https://tjih.online>. Please follow the Procedures for RPV in the Administrative Guide for the EGM.
- (x) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the EGM or adjourned meeting:

(a) In hard copy form

In the case of an appointment made in hard copy form, the Form of Proxy must be deposited with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

(b) By Electronic Form

The Form of Proxy can be electronically lodged at <https://tjih.online>. Please refer to the Administrative Guide on the procedure for electronic lodgement of Form of Proxy.

- (xi) Please ensure ALL the particulars as required in the Form of Proxy are completed, signed and dated accordingly.
- (xii) Last date and time for lodging the Form of Proxy is **Wednesday, 22 January 2025 at 10.00 a.m..**
- (xiii) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Share Registrar of the Company in accordance with Note (x)(a) above **not less than 48 hours before the time appointed for holding the EGM** or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (xiv) For a corporate member who has appointed a representative, please deposit the **ORIGINAL OR DULY CERTIFIED** certificate of appointment with the Share Registrar of the Company in accordance with Note (x)(a) above. The certificate of appointment should be executed in the following manner:
- (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
- (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
1. at least 2 authorised officers, of whom one shall be a director; or
  2. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.
- (xv) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors as at 17 January 2025** and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.





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AFFIX  
STAMP

**The Share Registrars**  
**HEXTAR INDUSTRIES BERHAD**  
(Registration No. 201101044580 (972700-P))  
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN BHD  
Unit 32-01, Level 32,  
Tower A, Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

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