

THIS INDEPENDENT ADVICE CIRCULAR (“IAC”) IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. YOU SHOULD READ THIS IAC IN CONJUNCTION WITH THE OFFER DOCUMENT DATED 2 NOVEMBER 2022 ISSUED BY M&A SECURITIES SDN. BHD. ON BEHALF OF THE OFFEROR (AS DEFINED HEREIN) WHICH HAS BEEN SENT TO YOU.

If you are in any doubt as to what course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately. If you have sold or transferred all your securities in Hextar Industries Berhad (Registration No.: 201101044580 (972700-P)) you should at once hand this IAC to the stockbroker or the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee of such securities.

Pursuant to Rule 11 of the Rules on Take-overs, Mergers and Compulsory Acquisitions, the Securities Commission Malaysia (“SC”) has notified that it has no further comments on this IAC. However, such notification shall not be taken to suggest that the SC agrees with the recommendations of the independent adviser and the Non-Interested Directors (as defined herein) or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.



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

**INDEPENDENT ADVICE CIRCULAR TO THE HOLDERS IN RELATION TO
THE UNCONDITIONAL MANDATORY TAKE-OVER OFFER**

BY

HEXTAR HOLDINGS SDN. BHD. (“OFFEROR”)
(Registration No.: (200601002945 (722692-V))
(Incorporated in Malaysia)

THROUGH

M&A SECURITIES SDN. BHD.
(Registration No.: 197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

TO ACQUIRE

**ALL THE REMAINING ORDINARY SHARES IN HEXSTAR INDUSTRIES BERHAD NOT
ALREADY OWNED BY THE OFFEROR FOR A CASH CONSIDERATION OF
RM0.38175 PER SHARE**

Independent Adviser

MALACCA SECURITIES SDN BHD

Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

This Independent Advice Circular is dated 14 November 2022

DEFINITIONS

Except where the context otherwise requires or where otherwise defined herein, the following definitions shall apply throughout this Independent Advice Circular:

“Abstaining Directors”	:	Collectively, Dato’ Ong Choo Meng and Ong Tzu Chuen
“Accepting Holder(s)”	:	Holder(s) who accepts the Offer in accordance with the terms and conditions of the Offer Document
“ACE Market”	:	ACE Market of Bursa Securities
“Acquisition”	:	Acquisition by HIB of the entire equity interest in HFL from HHSB for a total purchase consideration of RM480.0 million to be satisfied via the issuance and allotment of the Consideration Shares
“Act”	:	Companies Act, 2016
“Board”	:	Board of Directors
“Bursa Depository”	:	Bursa Malaysia Depository Sdn. Bhd. (Registration No.: 198701006854 (165570-W))
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Circular”	:	Circular to the shareholders of HIB dated 27 September 2022 in relation to the Acquisition
“Closing Date”	:	(a) First Closing Date; or (b) if the Offer is extended in accordance with the Rules and the terms and conditions of the Offer Document, such other extended closing date as the Offeror may decide and as may be announced by M&A Securities on behalf of the Offeror, at least 2 days before the closing date as the case may be.
“CMSA”	:	Capital Markets and Services Act, 2007
“Consideration Shares”	:	1,600,000,000 new Shares to be issued and allotted at an issue price of RM0.30 per Share pursuant to the Acquisition
“Director(s)”	:	Director(s) of HIB
“Dissenting Holder(s)”	:	Holder(s) who do/does not accept the Offer and/or who has/have failed or refused to transfer the Offer Shares to the Offeror in accordance with the terms and conditions of the Offer Document
“Distribution”	:	Any dividend and/or any distribution declared, made and/or paid by HIB to its shareholders
“EPS”	:	Earnings per Share
“First Closing Date”	:	5.00 p.m. (Malaysian time) on Wednesday, 23 November 2022, being 21 days from the Posting Date
“Form of Acceptance and Transfer”	and:	Form of acceptance and transfer for the Offer Shares, as enclosed with the Offer Document

DEFINITIONS (CONT'D)

“FPE”	:	Financial period ending/ended, as the case may be
“HFL”	:	Hextar Fertilizers Limited (1809869) (<i>Incorporated in the British Virgin Islands</i>)
“HFL Group”	:	Collectively, HFL and its subsidiaries
“FYE”	:	Financial year ending/ended, as the case may be
“HIB Share(s)” or “Share(s)”	:	Ordinary share(s) in HIB
“Holder(s)”	:	Holder(s) of the Offer Shares
“Independent Advice Circular” or “IAC”	:	The independent advice circular dated 14 November 2022 in relation to the Offer comprising the letter from the Board as contained in Part A, the IAL as contained in Part B and the accompanying appendices
“Independent Advice Letter” or “IAL”	:	Independent advice letter dated 14 November 2022 issued by Malacca Securities in relation to the Offer in Part B of this IAC
“Industrial Production Index”	:	Bursa Malaysia Industrial Production Index
“LAT”	:	Loss after taxation
“LBT”	:	Loss before taxation
“Listing Requirements”	:	ACE Market Listing Requirements of Bursa Securities
“LPS”	:	Loss per Share
“LPD”	:	7 November 2022, being the latest practicable date of this IAC
“LTD”	:	11 October 2022, being the last full trading day prior to the date of the Notice
“M&A Securities”	:	M&A Securities Sdn. Bhd. (Registration No.: 197301001503 (15017-H))
“Malacca Securities” or “Independent Adviser”	:	Malacca Securities Sdn. Bhd. (Registration No. 197301002760 (16121-H))
“Market Day”	:	Any day on which Bursa Securities is open for trading in securities
“MCO”	:	Movement Control Order enforced by the Government of Malaysia in relation to the Covid-19 pandemic
“NA”	:	Net assets
“Notice”	:	Notice of the Offer dated 12 October 2022, served on the Board by M&A Securities, on behalf of the Offeror
“Non-Interested Directors”	:	Dato’ Chan Choun Sien, Ang Sui Aik (Benny), Wong Kin Seng, Sim Yee Fuan and Dato’ Sri Chee Hong Leong
“Offer”	:	Unconditional mandatory take-over offer by the Offeror, through M&A Securities, to acquire the Offer Shares at the Offer Price, in accordance with the terms and conditions as set out in the Offer Document, including any revision thereof

DEFINITIONS (CONT'D)

“Offeree” or “HIB”	:	Hextar Industries Berhad (Registration No.: 201101044580 (972700-P))
“Offeree Group” or “HIB Group” or “Group”	:	Collectively, HIB and its subsidiaries
“Offer Document”	:	The offer document dated 2 November 2022, which sets out the details of the Offer, together with the enclosed Form of Acceptance and Transfer
“Offer Document LPD”	:	27 October 2022, being the latest practicable date of the Offer Document
“Offer For Sale”	:	Offer for sale of such number of Consideration Shares to the Placees
“Offer Period”	:	The period commencing from 8 August 2022, being the date of the announcement of the possible Offer, until the earlier of either: (a) the Closing Date; or (b) the date on which the Offer lapses or is withdrawn with the SC’s prior written consent
“Offer Price”	:	Cash offer price of RM0.38175 per Offer Share
“Offer Share(s)”	:	All the remaining Share(s) not already owned by the Offeror. For information purposes, as at the Offer Document LPD, the Offer Shares which are not already owned by the Offeror comprise 623,412,723 Shares, representing 54.34% of the total issued Shares in the Offeree
“Offeror” or “HHSB”	:	Hextar Holdings Sdn. Bhd. (Registration No.: (200601002945 (722692-V))
“OFS Shares”	:	Such number of Consideration Shares to be received by the Offeror which will be on-sold and issued and allotted directly to the Placees, such that upon issuance of all the Consideration Shares and OFS Shares, the Offeree shall at all times be in compliance with the Public Spread Requirement
“Official List”	:	A list specifying all securities which are listed on Bursa Securities
“PACs”	:	Persons acting in concert with the Offeror in relation to the Offer in accordance with subsections 216(2) and 216(3) of the CMSA
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PER”	:	Price to earnings ratio
“Placee(s)”	:	Independent investor(s) to be identified who/which are deemed as public under the Listing Requirements, qualify under Schedule 6 of the CMSA, are independent of the Offeror and its PACs and who are not shareholders of HIB during the Offer Period
“Posting Date”	:	2 November 2022, being the date of posting of the summary notification of the Offer Document

DEFINITIONS (CONT'D)

“Public Spread Requirement”	:	The requirement under Rule 8.02(1) of the Listing Requirements which states that a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders to ensure its continued listing on the ACE Market
“RM” and “sen”	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
“Revaluation Exercise”	:	The revaluation exercise conducted by HIB as announced on 22 July 2022 on the 3 properties owned by HIB’s subsidiaries under its heavy equipment segment, namely Sin Chee Heng Sdn. Bhd., SCH Machinery & Equipment Sdn. Bhd. and Sin Chee Heng (Johore) Sdn. Bhd.
“RPGT”	:	Real property gains tax
“Rules”	:	Rules on Take-overs, Mergers and Compulsory Acquisitions issued by the SC
“SC”	:	Securities Commission Malaysia
“SOPV”	:	Sum of parts valuation
“SSA”	:	Conditional share sale agreement dated 8 August 2022 entered into between the Offeror and HIB in relation to the Acquisition
“Valid Acceptance(s)”	:	The acceptance(s) of the Offer by a Holder in accordance with the terms and conditions of the Offer Document, which is deemed by the Offeror to be valid and complete in all respects
“VWAP”	:	Volume weighted average market price

In this IAC, the words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include corporations, unless otherwise specified.

Where a period specified in the Rules, as appearing in this IAC, ends on a day which is not a Market Day, the period is extended until the next Market Day.

All references to “you” or “Holder” in this IAC are to each Holder, being the person to whom the Offer is being made.

All references to “we”, “us” and “our” in this IAC are to Malacca Securities, being the Independent Adviser for the Offer.

All references to dates and times in this IAC shall be references to Malaysian dates and times, unless otherwise indicated.

Any reference to any enactment or guideline in this IAC is reference to that enactment or guideline as amended or re-enacted from time to time.

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EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

THIS EXECUTIVE SUMMARY HIGHLIGHTS THE SALIENT INFORMATION OF THE OFFER. WE ADVISE HOLDERS TO READ BOTH PART A: LETTER FROM THE BOARD AND PART B: INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES (THE INDEPENDENT ADVISER) FOR THEIR VIEWS AND RECOMMENDATIONS IN RELATION TO THE OFFER. THIS IAC SHOULD ALSO BE READ TOGETHER WITH THE OFFER DOCUMENT.

1. INTRODUCTION

On 8 August 2022, M&A Securities had on behalf of the Board, announced that HIB and HHSB had on even date entered into the SSA. Under the SSA, the purchase consideration of RM480.0 million for the Acquisition is to be satisfied by the issuance of the Consideration Shares.

Upon issuance of the Consideration Shares, the Offeror's shareholding will increase from 45.66% to 77.31%, an increase by more than 2% of the voting shares of the Offeree in a 6-month period. Pursuant to subsection 218(3) of the CMSA and subparagraph 4.01(b) of the Rules, the Offeror is obliged to extend the Offer to acquire the Offer Shares immediately upon the SSA becoming unconditional.

On 12 October 2022, upon the receipt of HIB's shareholders' approval for the Acquisition, the SSA became unconditional. Accordingly, M&A Securities, on behalf of the Offeror, served the Notice to the Board informing the Offeree of the Offeror's obligation to extend the Offer to acquire the Offer Shares at the Offer Price on 12 October 2022, in accordance with subparagraph 9.10(1)(b)(i) of the Rules.

Notwithstanding the above, the issuance of the Consideration Shares will result in the Offeree not complying with the Public Spread Requirement. In conjunction thereto, the Offeror will be undertaking a sell down of its shareholdings in the Offeree via the Offer For Sale. In this respect, part of the Consideration Shares to be received by the Offeror pursuant to the Acquisition will be on-sold and issued and allotted directly to the Placees, such that upon issuance of all the Consideration Shares and the OFS Shares, the Offeree shall at all times be in compliance with the Public Spread Requirement.

The Offer For Sale will be implemented after the close of the Offer, and the issuance of the OFS Shares will be simultaneous with the issuance of the Consideration Shares. Upon the completion of the Acquisition, the eventual collective shareholdings of the Offeror and persons deemed not as public will not be more than 75%. For avoidance of doubt, the Acquisition and the Offer For Sale will be completed simultaneously. The Acquisition is expected to be completed by the end of December 2022.

You should have by now received a copy of the summary notification of the Offer Document to inform you of the publication of the Offer Document on the websites of the Offeree and Bursa Securities. You are advised to read the Offer Document dated 2 November 2022 which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer.

Pursuant to Rule 11 of the Rules, the SC had on 11 November 2022, given its notification that it has no further comments on this IAC and such notification shall not be taken to suggest that SC agrees with the recommendations of the Independent Adviser and the Non-Interested Directors or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

Further information on the Offer is set out in Part A and Part B of this IAC.

THE PURPOSE OF THIS IAC IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE OFFER AND THE VIEWS AND RECOMMENDATIONS OF THE NON-INTERESTED DIRECTORS AND MALACCA SECURITIES ON THE OFFER. YOU ARE ADVISED TO READ BOTH THIS IAC AND THE OFFER DOCUMENT AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE TAKING ANY ACTION.

2. TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are as follows:

<p>Consideration for the Offer</p>	<p>The Offeror will pay RM0.38175 per Offer Share to Accepting Holders and shall be satisfied in cash.</p> <p>The Offer Price represents a premium to the issue price per Consideration Share pursuant to the Acquisition. The Offer Price is equivalent to the highest price (excluding stamp duty and commission) paid by a PAC for the Offer Shares for the period commencing 6 months prior to the beginning of the Offer Period and up to the Offer Document LPD. The Offer Price will be revised in the event there is any acquisition by the Offeror or the PACs for the Offer Shares at a price higher than the Offer Price (excluding stamp duty and commission) during the Offer Period. In this regard, the Offer Price complies with subparagraph 6.03(1) of the Rules.</p> <p>If the Offeree declares, makes or pays any Distribution on or after the date of the Notice but before the Closing Date and you are entitled to retain such Distribution, the Offeror will reduce the Offer Price by an amount equivalent to the net Distribution per Share that you are entitled to retain. For the avoidance of doubt, no adjustment shall be made to the Offer Price in the event the entitlement date for the Distribution is after the Closing Date. As at the Offer Document LPD, the Offeree has not declared any Distribution.</p> <p>You may accept the Offer in respect of all or part of your Offer Shares.</p> <p>The Offeror will not pay fractions of a sen, if any, to Accepting Holders. The Offeror will round down the cash consideration to the nearest whole sen payable to Accepting Holders in respect of valid acceptances.</p>
<p>Condition for the Offer</p>	<p>The Offer is not conditional upon any minimum level of acceptances of the Offer Shares as the Offeror will hold more than 50% of the voting shares in the Offeree upon issuance of the Consideration Shares pursuant to the Acquisition.</p>
<p>Duration of the Offer</p>	<p>The Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) on Wednesday, 23 November 2022, being the First Closing Date, or such other later dates as the Offeror may decide. Any extension for the period for acceptance of the Offer by the Offeror will be announced by M&A Securities, on behalf of the Offeror, at least 2 days before the Closing Date. Notice of such extension will be posted to you accordingly.</p> <p>Please refer to section 2 of Appendix I of the Offer Document for further details on the duration of the Offer.</p>

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EXECUTIVE SUMMARY (Cont'd)

Method of settlement	<p>The Offeror will settle all valid acceptances for the Offer Shares in Ringgit Malaysia. The settlement for the acceptance of the Offer will be effected through remittance into your bank account, details of which have been registered with Bursa Depository for the purpose of cash dividend/distribution or in the form of cheque, banker's draft or cashier's order, which will be posted to you (or your designated agents, as you may direct) by ordinary mail at your registered Malaysian address last maintained with Bursa Depository, at your own risk within 10 days from the date of such valid acceptances of the Offer.</p> <p>This is provided that all such acceptances are deemed by the Offeror to be valid and complete in all respects in accordance with the terms and conditions set out in the Offer Document.</p> <p>You are strongly encouraged to register and/or update your bank accounts details with Bursa Depository through your stockbroker in order to receive the consideration for the Offer Shares in your bank accounts.</p> <p>Accepting Holders who are non-residents who wish to convert the consideration received into foreign currency for repatriation may do so after payment of the appropriate fees and/or charges levied by the respective financial institutions.</p>
Other terms and conditions and procedures for acceptance	Please refer to Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for details on the procedures for accepting the Offer and method of settlement of the consideration for the Offer Shares.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, the Offeror and its PACs have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there were no announcements made in relation to any acceptance of the Offer.

4. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with paragraphs 1 to 6 of Schedule 2: Part III of the Rules, where the term "fair and reasonable" should generally be analysed as two distinct criteria i.e. whether the offer is "fair"; and whether the offer is "reasonable", rather than as a composite term.

Paragraph 2 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer can be considered "fair", the independent adviser should assess if the offer price or value of consideration is equal to or greater than the value of the securities that are the subject of the take-over offer. If the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities of the offeree, the take-over offer is considered as "fair". If the offer price is equal to or higher than the market price, but is lower than the value of the securities of the offeree, the take-over offer is considered as "not fair".

EXECUTIVE SUMMARY (Cont'd)

Paragraph 4 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer is “reasonable”, the independent adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

Paragraph 6 of Schedule 2: Part III of the Rules states that in the event the independent adviser concludes that a take-over offer is “not fair but reasonable”, the independent adviser must clearly explain the following:

- (a) what is meant by “not fair but reasonable”;
- (b) how has the independent adviser reached to this conclusion; and
- (c) the course of action that the shareholders are recommended to take pursuant to the conclusion.

4.1 Fairness of the Offer

We are of the view that the Offer is **not fair** after having considered the following:

- **Valuation of the HIB Shares**

The Offer Price represents:

- (a) a **premium** of **RM0.08919** or approximately **30.49%** to the equity value attributable to each HIB Share of **RM0.29256** as at the LPD; and
- (b) **discounts** ranging from RM0.05025 to RM0.23475 (or 11.63% to 38.08%) over the closing price as at the LPD of RM0.5750 and the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAPs up to and including the LPD ranging from RM0.4320 to RM0.6165 and a **premium** of RM0.03325 (or 9.54%) over the twelve (12)-month VWAP of HIB Shares up to and including the LPD of RM0.3485.

For the purpose of evaluation of the Offer, other than our valuation of HIB Shares as set out in sections 6.1 and 6.1.1 of the IAL, we are of the view that the closing price as at the LPD, five (5)-day and one (1)-month VWAPs up to the LPD are reflective of the recent market transactions and market prices of HIB Shares and would serve as a more meaningful reference for our evaluation on the fairness of the Offer.

As such, even though the Offer Price of RM0.38175 is higher by RM0.08919 or approximately 30.49% than the estimated value of HIB Share of **RM0.29256** as at the LPD, we are of the view that the Offer for the Offer Shares is **not fair** after taking into consideration that the Offer Price is:

- (a) RM0.19325 or 33.61% lower than the closing price as at the LPD of RM0.5750;
- (b) RM0.23475 or 38.08% lower than the five (5)-day VWAP up to the LPD of RM0.61650; and
- (c) RM0.18675 or 32.85% lower than the one (1)-month VWAP up to the LPD of RM0.56850.

It should be noted that the closing market prices of the HIB Shares had traded above the Offer Price subsequent to the Notice and up to the LPD. However, this may not be an indication of future performance of the market prices of HIB Shares. There is also no assurance that the market price of the HIB Shares will continue to trade at the current level or will remain at current levels after the Closing Date.

EXECUTIVE SUMMARY (Cont'd)

Holders are also reminded that the market prices of HIB Shares as shown above represent the historical market prices of HIB Shares which may not reflect the fair value of HIB Shares. The market prices of HIB Shares may be influenced by amongst others, the performance and prospect of HIB, prevailing economic conditions and outlook, stock market condition, market sentiments and other general macroeconomic conditions as well as company specific factors. Accordingly, the historical market prices of HIB Shares may not be a reliable indicator of the future price levels, and its recent market prices should not in any way be relied upon as an indication of the current value of HIB Shares.

4.2 Reasonableness of the Offer

We are of the view that the Offer is **not reasonable** after having considered the following:

- **Listing status of HIB**

We note that **it is the intention of the Offeror to maintain the listing status of HIB on the ACE Market**. Therefore, HIB Shares will remain traded on Bursa Securities and the Holders will have the opportunity to realise their investments in HIB Shares in the open market after the Closing Date. However, there is no assurance that the market price of HIB Shares will continue to trade at current price levels after the Closing Date.

- **Compulsory acquisition and rights of Dissenting Holders**

We note that **the Offeror does not intend to invoke the provisions of subsection 222(1) of the CMSA** to compulsorily acquire any outstanding Offer Shares for which the valid acceptances have not been received prior to the Closing Date even if the conditions stipulated in subsection 222(1) of the CMSA are fulfilled.

- **Liquidity of HIB Shares**

HIB Shares are **liquid** after taking the following into consideration:

- (i) the average monthly trading volume of HIB Shares was approximately 254.1 million HIB Shares, representing approximately 59.94% of the free float of HIB Shares for the past 12 months up to October 2022, being the last month prior to the LPD;
- (ii) the average monthly trading volume of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) was approximately 277.0 million HIB Shares, representing approximately 66.86% of the free float of HIB Shares for the past 12 months (excluding December 2021, February 2022 and July 2022 which are outliers) up to October 2022, being the last month prior to the LPD;
- (iii) the average monthly trading liquidity of HIB Shares of 59.94% is higher than the average monthly trading liquidity of Industrial Production Index of 13.87% over the same period; and
- (iv) the average monthly trading liquidity of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) of 66.86% is higher than the average monthly trading liquidity of the Industrial Production Index of 13.87% over the same period.

Hence, Holders who intend to exit their investments in the Offer Shares may consider selling their HIB Shares in the open market if they are able to sell at prices higher than the Offer Price, net of related expenses.

5. CONCLUSION AND RECOMMENDATION

5.1 Malacca Securities' conclusion and recommendation

In arriving at our recommendation, we have reviewed and evaluated the factors which we deemed to have significant relevance to our assessment of the Offer.

We are of the opinion that the Offer is **NOT FAIR AND NOT REASONABLE**.

Accordingly, Malacca Securities:

- (a) advises the Non-Interested Directors to recommend the Holders to **REJECT** the Offer; and
- (b) recommends that the Holders **REJECT** the Offer.

5.2 Non-Interested Directors' conclusion and recommendation

After careful examination of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation and recommendation of Malacca Securities, the Non-Interested Directors **CONCUR** with the evaluation and recommendation of Malacca Securities that the Offer is **NOT FAIR AND NOT REASONABLE**.

Accordingly, the Non-Interested Directors recommend that the Holders **REJECT** the Offer.

However, Holders who intend to exit their investments in the Offer Shares may consider selling their HIB Shares in the open market if they are able to sell at prices higher than the Offer Price, net of related expenses.

The decision to be made would rest on the individual risk appetite and specific requirements of the individual Holders. Holders should be mindful that there may be continuous fluctuations in the market prices of HIB Shares prior to and after the Closing Date. As such, Holders are advised to closely monitor the prices and volume of HIB Shares before deciding on the Offer.

6. IMPORTANT DATES AND EVENTS

The important dates and events for the Offer are set out as follows:

Event	Day and date⁽¹⁾
Notice served on the Board	Wednesday, 12 October 2022
Posting of the summary notification of the Offer Document	Wednesday, 2 November 2022
Issuance of IAC ⁽²⁾	Monday, 14 November 2022
First Closing Date ⁽³⁾	Wednesday, 23 November 2022

Notes:

- (1) *The above timeline is subject to such extension or revision as may be approved or required by the SC.*
- (2) *As the last day for the issuance of the IAC falls on 12 November 2022, which is not a Market Day, the said period is extended until the next Market Day i.e. 14 November 2022 in accordance with paragraph 2.02 of the Rules.*
- (3) *The Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) on 23 November 2022, being the First Closing Date unless extended in accordance with the Rules and the terms and conditions of this Offer Document as may be announced by M&A Securities, on behalf of the Offeror, at least 2 days before the Closing Date. Notice of such extension will be posted to you accordingly.*

EXECUTIVE SUMMARY (Cont'd)

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY BEFORE FORMING AN OPINION ON THE OFFER AND MAKING A DECISION ON THE COURSE OF ACTION TO BE TAKEN.

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PART A
LETTER FROM THE BOARD



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

Registered Office:

Level 5, Block B, Dataran PHB
Saujana Resort, Section U2
40150 Shah Alam
Selangor

14 November 2022

Board of Directors

Dato' Chan Choun Sien (*Independent Non-Executive Chairman*)
Ang Sui Aik, Benny (*Group Managing Director*)
Wong Kin Seng (*Executive Director*)
Dato' Ong Choo Meng (*Non-Independent Non-Executive Director*)
Ong Tzu Chuen (*Non-Independent Non-Executive Director*)
Sim Yee Fuan (*Independent Non-Executive Director*)
Dato' Sri Chee Hong Leong (*Independent Non-Executive Director*)

To: The Holders

Dear Sir/Madam,

UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR THROUGH M&A SECURITIES TO ACQUIRE THE OFFER SHARES AT A CASH CONSIDERATION OF RM0.38175 PER OFFER SHARE

1. INTRODUCTION

On 8 August 2022, M&A Securities had on behalf of the Board, announced that HIB and HHSB had on even date entered into the SSA. Under the SSA, the purchase consideration of RM480.0 million for the Acquisition is to be satisfied by the issuance of the Consideration Shares.

As at the LPD, the Offeror holds 523,928,900 Shares, representing approximately 45.66% equity interest in HIB.

Upon issuance of the Consideration Shares, the Offeror's shareholding will increase from 45.66% to 77.31%, an increase by more than 2% of the voting shares of the Offeree in a 6-month period. Pursuant to subsection 218(3) of the CMSA and subparagraph 4.01(b) of the Rules, the Offeror is obliged to extend the Offer to acquire the Offer Shares immediately upon the SSA becoming unconditional.

On 8 August 2022, the Board (save for the Abstaining Directors) announced the appointment of Malacca Securities as the Independent Adviser to advise the Non-Interested Directors and the Holders in relation to the Offer. Malacca Securities had, on 9 August 2022, declared to the SC its independence from any conflict of interest or potential conflict of interest to act as the Independent Adviser in relation to the Offer, followed by a supplemental declaration letter provided to the SC on 10 August 2022.

On 12 October 2022, upon the receipt of HIB's shareholders' approval for the Acquisition, the SSA became unconditional. Accordingly, M&A Securities, on behalf of the Offeror, served the Notice to the Board informing the Offeree of the Offeror's obligation to extend the Offer to acquire the Offer Shares at the Offer Price on 12 October 2022, in accordance with subparagraph 9.10(1)(b)(i) of the Rules.

A copy of the Notice was despatched to the Holders on 19 October 2022.

On 2 November 2022, a copy of the summary notification of the Offer Document, which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance of the Offer had been posted to the Holders.

Notwithstanding the above, the issuance of the Consideration Shares will result in the Offeree not complying with the Public Spread Requirement. In conjunction thereto, the Offeror will be undertaking a sell down of its shareholdings in the Offeree via the Offer For Sale. In this respect, part of the Consideration Shares to be received by the Offeror pursuant to the Acquisition will be on-sold and issued and allotted directly to the Placees, such that upon issuance of all the Consideration Shares and the OFS Shares, the Offeree shall at all times be in compliance with the Public Spread Requirement.

The Offer For Sale will be implemented after the close of the Offer, and the issuance of the OFS Shares will be simultaneous with the issuance of the Consideration Shares. Upon the completion of the Acquisition, the eventual collective shareholdings of the Offeror and persons deemed not as public will not be more than 75%. For avoidance of doubt, the Acquisition and the Offer For Sale will be completed simultaneously. The Acquisition is expected to be completed by the end of December 2022.

For information purposes, as at the LPD, the Offeree does not hold any Shares as treasury shares and does not have any convertible securities in issue.

There is no ultimate offeror in relation to the Offer. As at the LPD, the PACs who hold Offer Shares pursuant to paragraphs 216(3)(b) and 216(3)(f) of the CMSA are as follows:

- (a) Dato' Ong Soon Ho, the director and major shareholder of the Offeror and indirect major shareholder of the Offeree. He is the father of Dato' Ong Choo Meng;
- (b) Dato' Ong Choo Meng, the director and controlling shareholder of the Offeror and Non-Independent Non-Executive Director as well as indirect major shareholder of the Offeree. He is the son of Dato' Ong Soon Ho and Datin Teoh Siew Yoke @ Teoh Siew Chin;
- (c) Datin Teoh Siew Yoke @ Teoh Siew Chin, the substantial shareholder of the Offeror. She is the spouse of Dato' Ong Soon Ho and mother of Dato' Ong Choo Meng;
- (d) Ong Soon Hooi, a shareholder of the Offeree, and the sibling of Dato' Ong Soon Ho;
- (e) Ong Soon Lim, a shareholder of the Offeree, and the sibling of Dato' Ong Soon Ho;
- (f) Lim Ah Ker, a shareholder of the Offeree, and the spouse of Ong Soon Hooi;
- (g) Vo Nghia Huu, a shareholder of the Offeree, and the son-in-law of Dato' Ong Soon Ho and Datin Teoh Siew Yoke @ Teoh Siew Chin, brother-in-law of Dato' Ong Choo Meng and spouse of Ong Tzu Chuen, the Non-Independent Non-Executive Director of the Offeree, who is the daughter of Dato' Ong Soon Ho and Datin Teoh Siew Yoke @ Teoh Siew Chin and sister of Dato' Ong Choo Meng; and
- (h) Lian Dazhi, a shareholder of the Offeree, and the 21% shareholder of Hextar Biogas BEE Sdn Bhd, which is a 55%-owned subsidiary of Hextar Global Berhad, which in turn is a 59.06%-owned subsidiary of the Offeror.

The shareholdings of the Offeror and PACs as at the LPD are as follows:

Name	Direct		Indirect	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Offeror				
HHSB	523,928,900	45.66	-	-
PACS				
Dato' Ong Soon Ho	2,700,000	0.24	523,928,900 ⁽²⁾	45.66 ⁽²⁾
Dato' Ong Choo Meng	-	-	523,928,900 ⁽²⁾	45.66 ⁽²⁾
Datin Teoh Siew Yoke @ Teoh Siew Chin	100,000	0.01	-	-
Ong Soon Hooi	50,000	*	-	-
Ong Soon Lim	400,000	0.03	-	-
Lim Ah Ker	1,100,000	0.10	-	-
Vo Nghia Huu	630,000	0.05	-	-
Lian Dazhi	1,140,000	0.10	-	-

Notes:

* *Negligible*

(1) *Computed based on 1,147,341,623 HIB Shares as at the LPD.*

(2) *Deemed interested by virtue of his shareholding in HHSB pursuant to section 8(4) of the Act.*

For the avoidance of doubt, the Offer will be extended to the Offer Shares held by the PACs. As at the LPD, the Offeror has not received any irrevocable undertaking from any Holder to accept or reject the Offer.

Pursuant to Rule 11 of the Rules, the SC had on 11 November 2022, given its notification that it has no further comments on this IAC and such notification shall not be taken to suggest that SC agrees with the recommendations of the Independent Adviser and the Non-Interested Directors or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

THE PURPOSE OF THIS IAC IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE OFFER AND THE VIEWS AND RECOMMENDATIONS OF THE NON-INTERESTED DIRECTORS AND MALACCA SECURITIES ON THE OFFER. YOU ARE ADVISED TO READ BOTH THIS IAC AND THE OFFER DOCUMENT AND CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED HEREIN BEFORE TAKING ANY ACTION.

It is important for you to register your e-mail address with Bursa Depository via:

- (i) https://www.bursamalaysia.com/trade/our_products_services/central_depositor_y_system/request_for_estatement; or
- (ii) **Bursa Anywhere mobile application which can be downloaded from Google Play Store or Apple App Store. You are advised to read the IAC, together with the Offer Document and carefully consider the recommendations contained herein before taking any action.**

2. TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are set out in section 2 of Part B of this IAC. Please refer to Appendix I of the Offer Document for further information on the other terms and conditions of the Offer, section 1 of Appendix II of the Offer Document for details on the procedures for accepting the Offer and section 2 of Appendix II of the Offer Document for the method of settlement of the consideration for the Offer.

3. NON-INTERESTED DIRECTORS' COMMENTS

3.1 Rationale for the Offer

The Non-Interested Directors take cognisance of the rationale for the Offer as set out in section 3 of the Offer Document.

HIB Group is principally involved in the fertilisers, heavy equipment (primarily for the use in the quarry industry) and equipment rental (which include forklifts, industrial batteries and/or related products/peripherals) industries.

As set out in the Circular, the Acquisition represents a strategic investment and HIB is undertaking the Acquisition in-line with its long-term plan to grow its fertiliser business and to enhance the Group's business prospects, profits and shareholders' value through the following complementary synergies:

- (i) allows the HIB Group to expand its fertiliser operations in Peninsular Malaysia and Sabah as the HFL Group currently owns manufacturing plants and sales offices in these locations; and
- (ii) enable both HIB and the HFL Group to leverage on their combined strengths in relation to key management experience, market position, production capabilities and their respective business relationships with industry stakeholders.

The Acquisition will eliminate the conflict of interest arising from the involvement of the directors and major shareholders of HIB, through their interests in the HFL Group. Upon completion of the Acquisition, the HFL Group will become subsidiaries of HIB, thereby enabling HIB to consolidate the financial results of the HFL Group.

The issuance of the Consideration Shares to satisfy the purchase consideration will enable HIB to conserve cash which can be used as working capital and channel it towards financing its day-to-day operations and/or pursue other business opportunities. In addition, the issuance of the Consideration Shares will strengthen the HIB Group's capital base to commensurate with its enlarged fertiliser business activities and with the larger combined asset base, the HIB Group is expected to be able to gain better access to both debt and equity capital markets to fund the enlarged HIB Group's business activities.

The Non-Interested Directors note the Offer was made by the Offeror pursuant to subsection 218(3) of the CMSA and subparagraph 4.01(b) of the Rules as a result of the Offeror's shareholdings in HIB increasing from approximately 45.66% to approximately 77.31% following the Acquisition.

The Non-Interested Directors note that the Holders will also be provided with an opportunity to realise their investment in HIB Shares for cash at the Offer Price.

Please refer to section 9 of Part B of this IAC for further details.

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3.2 Future plans for HIB Group and its employees

The Non-Interested Directors note from section 5 of the Offer Document on the intention of the Offeror and PACs with respect to the future plans for HIB Group and its employees as follows:

(a) Continuation of HIB Group's business

The Offeror intends to continue with HIB Group's existing businesses which are principally involved in the fertilisers, heavy equipment (primarily for the use in the quarry industry) and equipment rental (which include forklifts, industrial batteries and/or related products/peripherals) industries. Nevertheless, the Offeror may review the business and operations of HIB Group to formulate future plans and strategies for HIB Group, including exploring further opportunities to facilitate its future growth. The Offeror retains and reserves the right and flexibility at any time and from time to time to consider any option or opportunity in relation to the Offeree and which the Offeror may regard to be in the best interest of the Offeree.

(b) Major changes to HIB Group's business

The Acquisition was undertaken in-line with HIB Group's long-term plan to grow its fertiliser business and to enhance the Group's business prospects, profits and shareholders' value. Upon completion of the Acquisition, the HFL Group will be wholly-owned subsidiaries of the Offeree.

The Offeror does not have any immediate plans to introduce any major change to the existing businesses of the HIB Group, liquidate any companies within the HIB Group, dispose any major assets or undertake any major redeployment of the fixed assets of the HIB Group. Nevertheless, the Offeror may review options with regards to the businesses or assets of the HIB Group and where appropriate, undertake changes, disposal and/or redeployment as part of the process to rationalise the business activities of the HIB Group, including any expansion activities, divestment of non-core businesses or monetisation of assets to drive the business direction of the HIB Group.

As at the LPD, the Offeror and its PACs have not entered into any negotiation, arrangement or understanding with any third party with regards to any significant change in the HIB Group's businesses, assets and/or shareholding structure.

(c) Employees of the HIB Group

Upon completion of the Acquisition, the HFL Group's employees will become employees under the HIB Group. The Offeror has no immediate plans to dismiss or make redundant any of the HIB Group's existing employees as a direct consequence of the Offer. Nevertheless, the Offeror may from time to time introduce constructive measures to improve the efficiency of operations and to optimise the human resources requirements of the HIB Group, which may lead to rationalisation of staff employment and/or streamlining of the business activities of the HIB Group's operations. Any such action taken involving employees will be dealt with in accordance with the relevant legislation and the terms of employment of the employees concerned.

Premised on the rationale for the Offer and future plans for HIB Group and its employees as disclosed in sections 3 and 5 of the Offer Document, the Non-Interested Directors is of the opinion that the business and management of HIB will remain intact and continue as a going concern.

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3.3 Listing status of HIB

The Non-Interested Directors take note that **the Offeror intends to maintain the listing status of HIB on the ACE Market.**

Accordingly, in the event the Offeror receives valid acceptances under the Offer resulting in the Offeree not complying with the Public Spread Requirement, the Offeror will work together with the Offeree to explore options or proposals to rectify the non-compliance of the Public Spread Requirement.

The Offeror intends to undertake the Offer For Sale to facilitate the Offeree's compliance with the Public Spread Requirement. In this regards, part of the Consideration Shares to be received by the Offeror pursuant to the Acquisition will be on-sold and issued and allotted directly to the Placees, such that upon issuance of all the Consideration Shares and OFS Shares, the Offeree shall at all times be in compliance with the Public Spread Requirement. The Acquisition can only be completed provided that such number of OFS Shares is successfully placed out to the Placees so that the Offeree meets the Public Spread Requirement at all times. In the event, the OFS Shares are not able to be placed out sufficiently to Placees so that the Offeree meets the Public Spread Requirement, the Consideration Shares will not be issued and the Acquisition will be pending completion.

Please refer to section 7(a) in Part B of this IAC for further details.

3.4 Compulsory acquisition and rights of Dissenting Holders

Compulsory acquisition

The Non-Interested Directors take note that **the Offeror does not intend to invoke the provisions of subsection 222(1) of the CMSA** to compulsorily acquire any outstanding Offer Shares for which valid acceptances have not been received prior to the Closing Date even if the conditions stipulated in subsection 222(1) of the CMSA are fulfilled.

Rights of Dissenting Holders

Notwithstanding the above and subject to section 224 of the CMSA, section 223 of the CMSA provides that if the Offeror acquires Shares and/or receives valid acceptances from the Holders resulting in the Offeror and its PACs, holding not less than 9/10 in the value of all the Shares on or before the Closing Date, a Dissenting Shareholder may exercise his rights under subsection 223(1) of the CMSA, by serving a notice on the Offeror to require the Offeror to acquire his Offer Shares on the same terms as set out in the Offer Document or such other terms as may be agreed.

Please refer to section 7(b) in Part B of this IAC for further details.

4. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, the Offeror and its PACs have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there were no announcements made in relation to any acceptance of the Offer.

5. INDEPENDENT ADVISER'S LETTER

You are advised to read and consider the views and recommendation of Malacca Securities, the Independent Adviser appointed to advise you and the Non-Interested Directors in relation to the Offer. The IAL is included as Part B of this IAC.

6. DIRECTORS' DISCLOSURE OF INTERESTS AND INTENTION RELATING TO THE OFFER

As at the LPD, save as disclosed below, the Directors of HIB do not have any interest (direct and indirect) in HIB Shares:

Name	Direct		Indirect	
	No. of HIB Shares	% ⁽¹⁾	No. of HIB Shares	% ⁽¹⁾
Dato' Chan Choun Sien	2,200,200	0.19	-	-
Dato' Ong Choo Meng	-	-	523,928,900 ⁽²⁾	45.66
Sim Yee Fuan	152,000	0.01	-	-
Wong Kin Seng	15,836,694	1.38	-	-

Notes:

(1) Computed based on 1,147,341,623 HIB Shares as at the LPD. For the avoidance of doubt, the Company does not have any treasury shares as at the LPD.

(2) Deemed interest by virtue of his shareholding interest in HHSB pursuant to section 8 of the Act.

Dato' Ong Choo Meng is deemed interested in relation to the Offer by virtue of his interest in HHSB pursuant to the Acquisition.

In addition, Ong Tzu Chuen is the Non-Independent Non-Executive Director of the Company. Ong Tzu Chuen is not a director and neither is she a shareholder of HHSB. She is the daughter of Dato' Ong Soon Ho, a major shareholder of HHSB, and sister of Dato' Ong Choo Meng. Although Ong Tzu Chuen has no interest in the Acquisition, she is a person connected to Dato' Ong Soon Ho and Dato' Ong Choo Meng.

The Abstaining Directors have duly abstained and will continue to abstain from deliberations and making any recommendation in respect of the Offer.

Dato' Chan Choun Sien, Sim Yee Fuan and Wong Kin Seng have confirmed their intention to **reject** the Offer in respect of their holdings of the Offer Shares.

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

- (a) no statement and/or information relating to HIB Group in this IAC is incomplete, false and/or misleading;
- (b) there are no other facts and/or information, the omission of which would render any statement and/or information relating to HIB Group in this IAC incomplete, false and/or misleading;
- (c) all material facts and/or information in relation to the Offer (including those required under the Rules) have been accurately and completely disclosed in this IAC; and
- (d) opinions expressed by the Board have been arrived at after due and careful consideration.

The responsibility of the Board in respect of:

- (a) the information relating to the Offeror, PACs and the Offer (as extracted from the Offer Document) is to ensure that such information is accurately reproduced in this IAC; and

- (b) the independent advice and expression of opinion by Malacca Securities in relation to the Offer as set out in Part B of this IAC, is to ensure that accurate information in relation to HIB Group was provided to Malacca Securities for its evaluation of the Offer and to ensure that all information in relation to HIB Group that is relevant to Malacca Securities' evaluation of the Offer have been completely disclosed to Malacca Securities and that there is no omission of material facts which would make any information provided to Malacca Securities false or misleading.

8. NON-INTERESTED DIRECTORS' RECOMMENDATION

After careful examination of the terms and conditions of the Offer as contained in the Offer Document and taking into consideration the evaluation and recommendation of Malacca Securities, the Non-Interested Directors **CONCUR** with the evaluation and recommendation of Malacca Securities that the Offer is **NOT FAIR AND NOT REASONABLE**.

Accordingly, the Non-Interested Directors recommend the Holders to **REJECT** the Offer.

However, Holders who intend to exit their investments in the Offer Shares may consider selling their HIB Shares in the open market if they are able to sell at prices higher than the Offer Price, net of related expenses. Holders should also be mindful that there may be continuous fluctuations in the market prices of the HIB Shares prior to and after the Closing Date. As such, Holders are advised to closely monitor the market prices and information/ announcements in relation to the Offer before deciding on the course of action to be taken in respect of the Offer Shares.

THE HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION CONTAINED IN THE OFFER DOCUMENT AND THIS IAC BEFORE DECIDING ON THE COURSE OF ACTION TO BE TAKEN.

THE NON-INTERESTED DIRECTORS HAVE NOT TAKEN INTO CONSIDERATION ANY SPECIFIC INVESTMENT OBJECTIVES, FINANCIAL AND TAX SITUATIONS, RISK PROFILE AND PARTICULAR NEEDS OF ANY INDIVIDUAL HOLDER OR ANY SPECIFIC GROUP OF HOLDERS. THE DECISION TO BE MADE WOULD REST ENTIRELY ON THE INDIVIDUAL RISK APPETITE AND SPECIFIC REQUIREMENTS OF THE HOLDERS.

THE NON-INTERESTED DIRECTORS RECOMMEND THAT HOLDERS WHO REQUIRE ADVICE IN RELATION TO THE OFFER IN THE CONTEXT OF THEIR INVESTMENT OBJECTIVES, FINANCIAL AND TAX SITUATIONS, RISK PROFILE OR PARTICULAR NEEDS, SHOULD CONSULT THEIR RESPECTIVE STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

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

ANG SUI AIK, BENNY
Group Managing Director

PART B

INDEPENDENT ADVICE LETTER FROM MALACCA SECURITIES

MALACCA SECURITIES SDN BHD

Registration No: 197301002760 (16121-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Registered Office:

No. 1, 3 & 5, Jalan PPM 9,
Plaza Pandan Malim,
(Business Park), Balai Panjang
75250 Melaka

14 November 2022

To: The Non-Interested Directors and the Holders

Dear Sir/Madam,

UNCONDITIONAL MANDATORY TAKE-OVER OFFER BY THE OFFEROR THROUGH M&A SECURITIES TO ACQUIRE ALL THE OFFER SHARES FOR A CASH CONSIDERATION OF RM0.38175 PER OFFER SHARE

1. INTRODUCTION

The purpose of this IAL is to highlight the relevant information relating to the Offer, our independent evaluation of the Offer together with our recommendation, subject to the scope and limitation of our role and evaluation specified in this IAL.

Please refer to section 1 of Part A of this IAC for the chronological order of events in relation to the Offer.

You should have by now received a copy of the summary notification of the Offer Document to inform you of the publication of the Offer Document on the websites of the Offeree and Bursa Securities. You are advised to read the Offer Document dated 2 November 2022 which sets out the details, terms and conditions of the Offer as well as the procedures for acceptance and method of settlement of the Offer.

Pursuant to Rule 11 of the Rules, the SC had on 11 November 2022, given its notification that it has no further comments on this IAC and such notification shall not be taken to suggest that SC agrees with the recommendations of the Independent Adviser and the Non-Interested Directors or assumes responsibility for the correctness of any statements made or opinions or reports expressed in this IAC.

HOLDERS ARE ADVISED TO CAREFULLY CONSIDER THE INFORMATION AND RECOMMENDATIONS CONTAINED IN THIS IAL, TOGETHER WITH THE OFFER DOCUMENT BEFORE DECIDING AS TO THE COURSE OF ACTION TO BE TAKEN. IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION YOU SHOULD TAKE IN RELATION TO THE OFFER, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

THIS IAL IS SOLELY FOR THE USE OF THE NON-INTERESTED DIRECTORS AND HOLDERS FOR THE PURPOSE OF CONSIDERING THE OFFER AND SHOULD NOT BE USED OR RELIED UPON BY ANY OTHER PARTY OR FOR ANY OTHER PURPOSE.

2. TERMS AND CONDITIONS OF THE OFFER

The salient terms and conditions of the Offer are as follows:

(a) Consideration for the Offer

The Offeror will pay RM0.38175 per Offer Share to Accepting Holders and shall be satisfied in cash.

The Offer Price represents a premium to the issue price per Consideration Share pursuant to the Acquisition. The Offer Price is equivalent to the highest price (excluding stamp duty and commission) paid by a PAC for the Offer Shares for the period commencing 6 months prior to the beginning of the Offer Period and up to the Offer Document LPD. The Offer Price will be revised in the event there is any acquisition by the Offeror or the PACs for the Offer Shares at a price higher than the Offer Price (excluding stamp duty and commission) during the Offer Period. In this regard, the Offer Price complies with subparagraph 6.03(1) of the Rules.

If the Offeree declares, makes or pays any Distribution on or after the date of the Notice but before the Closing Date and you are entitled to retain such Distribution, the Offeror will reduce the Offer Price by an amount equivalent to the net Distribution per Share that you are entitled to retain. For the avoidance of doubt, no adjustment shall be made to the Offer Price in the event the entitlement date for the Distribution is after the Closing Date. As at the Offer Document LPD, the Offeree has not declared any Distribution.

You may accept the Offer in respect of all or part of your Offer Shares.

The Offeror will not pay fractions of a sen, if any, to Accepting Holders. The Offeror will round down the cash consideration to the nearest whole sen payable to Accepting Holders in respect of valid acceptances.

(b) Condition for the Offer

The Offer is not conditional upon any minimum level of acceptances of the Offer Shares as the Offeror will hold more than 50% of the voting shares in the Offeree upon issuance of the Consideration Shares pursuant to the Acquisition.

(c) Duration of the Offer

The Offer will remain open for acceptances until 5.00 p.m. (Malaysian time) on Wednesday, 23 November 2022, being the First Closing Date, or such other later dates as the Offeror may decide. Any extension for the period for acceptance of the Offer by the Offeror will be announced by M&A Securities, on behalf of the Offeror, at least 2 days before the Closing Date. Notice of such extension will be posted to you accordingly.

Please refer to section 2 of Appendix I of the Offer Document for further details on the duration of the Offer.

(d) Method of settlement

The Offeror will settle all valid acceptances for the Offer Shares in Ringgit Malaysia. The settlement for the acceptance of the Offer will be effected through remittance into your bank account, details of which have been registered with Bursa Depository for the purpose of cash dividend/distribution or in the form of cheque, banker's draft or cashier's order, which will be posted to you (or your designated agents, as you may direct) by ordinary mail at your registered Malaysian address last maintained with Bursa Depository, at your own risk within 10 days from the date of such valid acceptances of the Offer.

This is provided that all such acceptances are deemed by the Offeror to be valid and complete in all respects in accordance with the terms and conditions set out in the Offer Document.

You are strongly encouraged to register and/or update your bank accounts details with Bursa Depository through your stockbroker in order to receive the consideration for the Offer Shares in your bank accounts.

Accepting Holders who are non-residents who wish to convert the consideration received into foreign currency for repatriation may do so after payment of the appropriate fees and/or charges levied by the respective financial institutions.

Please refer to Appendix I of the Offer Document for other terms and conditions of the Offer and Appendix II of the Offer Document for details on the procedures for accepting the Offer and method of settlement of the consideration for the Offer Shares.

3. DETAILS OF ACCEPTANCES

As at the Offer Document LPD, the Offeror and its PACs have not received any irrevocable undertaking from any Holder to accept or reject the Offer.

As at the LPD, there were no announcements made in relation to any acceptance of the Offer.

4. SCOPE AND LIMITATIONS OF THE EVALUATION AND OPINION

Malacca Securities was not involved in the formulation of, deliberations, negotiations or discussions of the terms of the Offer. Our scope as the independent adviser is limited to expressing comments, opinions, information and recommendation on the Offer and the fairness and reasonableness of the Offer as far as the Holders are concerned based on the following sources of information and documents which are available to us, including the following:

- (a) information contained in the Notice and the Offer Document;
- (b) annual reports of HIB Group for the past three (3) financial years for the FYE 31 August 2019 to 2021;
- (c) the unaudited financial results of HIB Group for the 12-month FPE 31 August 2022;
- (d) other relevant information, documents, confirmations and/or representations provided to us by the Board and the management of HIB;
- (e) discussions and consultation with the Board and management of HIB; and
- (f) other publicly available information which we consider relevant for our evaluation.

We have relied on the Board and management of HIB to exercise due care to ensure that all information, data, documents and representations that they had provided to us to facilitate our evaluation are accurate, valid and complete in all material respects. We have made due enquiries that were reasonable in the circumstances, are satisfied that the information provided or available to us is sufficient and have no reason to believe that the aforementioned information is unreliable, inaccurate, incomplete and/or misleading.

In evaluating the Offer and preparing this IAL, we have taken into consideration pertinent matters which we believe are of general importance to an assessment of the fairness and reasonableness of the Offer and therefore of concern to the Holders as a whole.

We are not in possession of information relating to and have not taken into consideration separate specific investment objectives, financial and tax situations, risk profile or any particular needs of any individual Holder or any specific group of Holders. We therefore recommend that any individual Holder or any specific group of Holders who may require specific advice in relation to the Offer within the context of their investment objectives, financial and tax situations, risk profile and particular needs to consult their stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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

We shall immediately disclose to the SC in writing and notify the Holders by way of announcement(s) if, after the issuance of the IAC, as guided by subparagraph 11.07(1) of the Rules, we become aware that the information or document previously circulated or provided:

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

If circumstances require, we shall issue a supplementary IAC to the Holders as guided by subparagraph 11.07(2) of the Rules.

5. EVALUATION OF THE OFFER

In arriving at our conclusion and recommendation, we have assessed the fairness and reasonableness of the Offer in accordance with paragraphs 1 to 6 of Schedule 2: Part III of the Rules, where the term “fair and reasonable” should generally be analysed as two distinct criteria i.e. whether the offer is “fair”; and whether the offer is “reasonable”, rather than as a composite term.

Paragraph 2 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer can be considered “fair”, the independent adviser should assess if the offer price or value of consideration is equal to or greater than the value of the securities that are the subject of the take-over offer. If the offer price is equal to or higher than the market price and is also equal to or higher than the value of the securities of the offeree, the take-over offer is considered as “fair”. If the offer price is equal to or higher than the market price, but is lower than the value of the securities of the offeree, the take-over offer is considered as “not fair”.

Paragraph 4 of Schedule 2: Part III of the Rules states that in considering whether a take-over offer is “reasonable”, the independent adviser should take into consideration matters other than the valuation of the securities that are the subject of the take-over offer. Generally, a take-over offer would be considered “reasonable” if it is “fair”. Nevertheless, an independent adviser may also recommend for shareholders to accept the take-over offer despite it being “not fair”, if the independent adviser is of the view that there are sufficiently strong reasons to accept the offer in the absence of a higher bid and such reasons should be clearly explained.

Paragraph 6 of Schedule 2: Part III of the Rules states that in the event the independent adviser concludes that a take-over offer is “not fair but reasonable”, the independent adviser must clearly explain the following:

- (a) what is meant by “not fair but reasonable”;
- (b) how has the independent adviser reached to this conclusion; and
- (c) the course of action that the shareholders are recommended to take pursuant to the conclusion.

In our evaluation of the Offer, we have taken into consideration the following factors in forming our opinion:

Fairness of the Offer	Section
Valuation of HIB Shares	6.1
Historical price performance of HIB Shares	6.2

Reasonableness of the Offer	Section
Listing status of HIB	7.1
Compulsory acquisition and rights of Dissenting Holders	7.2
Liquidity of HIB Shares	7.3

6. FAIRNESS OF THE OFFER

6.1 Valuation of HIB Shares

HIB is principally involved in investment holding. HIB Group is principally engaged in the following business segments:

Business segments	Principal Activities
Fertilisers	Manufacturing and trading of fertilisers primarily for the palm oil industry (" Fertilisers Segment ").
Equipment rental	Provision and trading of mobile air conditioners, tent and events related equipment, and trading of industrial products which include forklifts, industrial batteries and/or its related products/peripherals (" Equipment Rental Segment ").
Heavy equipment	Manufacturing, trading and distribution of heavy equipment, spare parts and industrial products primarily for use in the quarry industry (" Heavy Equipment Segment ").
Investment holding	Investment holding.

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The revenue and PAT/LAT of the business segments of HIB Group for the three (3) financial years up to FYE 31 August 2021 and the unaudited 12-month FPE 31 August 2022 are as follows:

Revenue

Revenue	Audited FYE 31 August						Unaudited	
	2019		2020		2021		12-month FPE 31 August 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fertilisers Segment	73,524	62.9	81,633	67.3	81,762	66.4	192,459	74.65
Equipment Rental Segment	16,878	14.4	17,162	14.2	24,695	20.1	32,686	12.68
Heavy Equipment Segment	26,492	22.7	22,491	18.5	16,583	13.5	32,670	12.67
Investment holding	-	-	-	-	-	-	-	-
HIB Group	116,894	100.0	121,286	100.0	123,040	100.0	257,815	100.0

(Source: Annual reports of HIB Group for the FYE 31 August 2019 to FYE 31 August 2021 and the unaudited financial results of HIB Group for the 12-month FPE 31 August 2022)

PAT/LAT

PAT/(LAT)	Audited FYE 31 August						Unaudited	
	2019		2020		2021		12-month FPE 31 August 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fertilisers Segment	(1,249)	(22.62)	753	9.54	3,503	182.83	4,192	47.52
Equipment Rental Segment	2,450	44.38	(2,300)	(29.15)	1,261	65.81	3,521	39.93
Heavy Equipment Segment	7,183	130.10	(5,426)	(68.76)	(149)	(7.78)	1,578	17.89
Investment holding	(2,863)	(51.86)	(918)	(11.63)	(2,699)	(140.87)	(472)	(5.35)
HIB Group	5,521	100.0	(7,891)	100.0	1,916	100.0	8,819	100.0

(Source: Annual reports of HIB Group for the FYE 31 August 2019 to FYE 31 August 2021 and the unaudited financial results of HIB Group for the 12-month FPE 31 August 2022)

As HIB Group's business segments have differing natures of business, offer different products and services and are managed separately, we have applied the SOPV method to arrive at the estimated fair value of HIB Shares. The SOPV method is a valuation method that sums the estimated equity values of each of the company's business segments as if each business segment were an independent going concern. This method of valuation is commonly used to value a company with segments in different industries that have different valuation characteristics.

The valuation methodologies which we have adopted for the valuation of the respective business segments are set out as follows:

	Business segment⁽¹⁾	Valuation method(s)
(i)	Fertilisers Segment	PER
(ii)	Equipment Rental Segment	NA
(iii)	Heavy Equipment Segment	NA

Note:

- (1) *No valuation was conducted for HIB's investment holding segment as it does not carry out any business activities that generates external revenue and did not record any external revenue for the past 3 financial years up to FYE 31 August 2021 and the 12-month FPE 31 August 2022.*

The PER is an earnings-based valuation method and represents the ratio of a company's market capitalisation to its historical net profit (attributable to shareholders after interest, taxation, depreciation and amortisation expenses). It can be useful to compare the PER of a company to that of its peers to give the company's value relative to its peers. A higher PER may indicate that investors are willing to pay more for an RM worth of earnings for a company. A relative valuation methodology such as the PER essentially values the subject matter against the valuation benchmark of comparable companies, premised on the fact that similar companies provide a relevant reference point for valuation due to the fact that, amongst others, they operate a broadly similar business and have broadly similar financial characteristics. Nonetheless, we wish to highlight that no single company is identical to our subject matter.

The asset-based valuation approach using NA involves the valuation of the Company's assets and liabilities as at balance sheet date, and is identified by subtracting total liabilities from total assets, assuming all assets to be recovered and all liabilities to be settled at their respective carrying amounts.

(i) Fertilisers Segment

We are of the view that the PER is the most appropriate valuation method for HIB's Fertilisers Segment based on the following:

- (a) the PER is a common and acceptable valuation metric which estimates a company's market value based on its PAT relative to its peers;
- (b) the PER is more likely to reflect the current sentiment of the market;
- (c) HIB's Fertilisers Segment has recorded PAT for the past 2 FYEs up to 31 August 2021 and the unaudited 12-month FPE 31 August 2022;

- (d) the value of HIB's Fertilisers Segment is more likely to be derived from its future earnings of its business operations instead of its assets. Hence, we did not evaluate HIB's Fertilisers Segment using the NA valuation method or revalued net asset valuation ("RNAV") method as it is mainly used as valuations of asset-based companies. Thus, the NA valuation or RNAV methods may not accurately reflect the market value of HIB's Fertilisers Segment; and
- (e) it is difficult to project the future cashflow of HIB's Fertilisers Segment as sales are based on spot terms and there are no long-term contracts with its customers. As such, we did not evaluate HIB's Fertilisers Segment using the discounted free cash flow to equity method as this valuation method is more appropriate for companies with a set of projected cash inflow and outflow that can be estimated with a high level of certainty.

We have selected the comparable companies based on the following criteria:

- (a) Principally operating in the manufacturing and distribution of fertilisers and agrochemicals, being the main contributor of revenue;
- (b) Due to the dearth of comparable companies listed on Bursa Securities, we have selected comparable companies which are listed within the Asia Pacific region; and
- (c) Adjusted market capitalisation of between RM850.0 million and RM1,150.0 million based on the enlarged market capitalisation of HIB (including HFL Group) of RM972.5 million as at the LPD. The enlarged market capitalisation is derived as follows:

	RM' million
Market capitalisation of HIB as at the LPD (A)	659.7
Revenue contribution of the Fertilisers Segment over total revenue of the Group (%) (B)	74.65
(A) x (B)	492.5
Add: purchase consideration for the Acquisition	480.0
Enlarged market capitalisation of HIB (including HFL Group)	972.5

(Referred to as the "**Comparable Companies**").

We wish to highlight that the selected comparable companies may differ from HIB's Fertilisers Segment in terms of size of operations, asset base, financial performance, operating and financial leverage, accounting and taxation policies, risk profile and future prospects.

Nevertheless, based on the above selection criteria, we are of the view that the following selected comparable companies can be used to ascertain the estimated market value of HIB's Fertilisers Segment.

Based on the selection criteria above, we have identified the following Comparable Companies:

No.	Comparable Companies	Country	Principal Activities
1.	Meghmani Organics Limited (" MOL ")	India	MOL manufactures and sells agrochemicals and pigments.
2.	Guangdong Tianhe Agricultural Means of Production Co.,Ltd. (" GTA ")	China	GTA wholesales agricultural products, nitrogen fertilizers, potash fertilizers, pesticides, seeds, and other products, as well as provides warehousing, logistics, and other services.

No.	Comparable Companies	Country	Principal Activities
3.	Zhejiang XinNong Chemical Co., Ltd ("ZXC")	China	ZXC manufactures and distributes agricultural chemical products, and produces fungicides, insecticides, herbicides, and other products.
4.	Norsyn Crop Technology Co., Ltd. ("NCT")	China	NCT manufactures and distributes agricultural chemicals, produces insecticides, fungicides, herbicides, agricultural equipment and other products.

The PER of Comparable Companies are as follows:

No.	Comparable Companies	Adjusted market capitalisation ⁽¹⁾ (RM'million)	PAT ⁽²⁾ (RM'million)	Adjusted PER ⁽³⁾ (times)
1.	MOL	1,134.19	170.62	6.65*
2.	GTA	1,104.13	69.07	15.99
3.	ZXC	942.22	91.76	10.27
4.	NCT	898.92	53.03	16.95
Average				14.40

Notes:

* Deemed as an outlier.

(1) As the comparable companies are listed in overseas stock exchanges, we have adjusted the market capitalisation of the respective comparable companies to the Malaysian context based on the relevant equity risk premiums as follows:

No.	Comparable Companies	(A)	(B)	(C)	[(A) / (B)] x (C)
		Market capitalisation ⁽ⁱ⁾ (RM'million)	Equity risk premium	Equity risk premium of the FBM KLCI Index ^(iv)	Adjusted market capitalisation (RM'million)
1.	MOL	1,718.75	18.20% ⁽ⁱⁱ⁾	12.01%	1,134.19
2.	GTA	2,103.46	22.88% ⁽ⁱⁱⁱ⁾	12.01%	1,104.13
3.	ZXC	1,795.00	22.88% ⁽ⁱⁱⁱ⁾	12.01%	942.22
4.	NCT	1,712.52	22.88% ⁽ⁱⁱⁱ⁾	12.01%	898.92

Notes:

(i) Extracted from Bloomberg as at the LPD.

(ii) Derived from the annualised standard deviation of the NIFTY 50 Index (a benchmark Indian stock market index that represents the weighted average of 50 of the largest Indian companies listed on the National Stock Exchange of India) for the past 1 year up to the LPD.

(iii) Derived from the annualised standard deviation of the Shenzhen Stock Exchange Composite Index for the past 1 year up to the LPD.

(iv) Derived from the annualised standard deviation of the FBM KLCI Index for the past 1 year up to the LPD.

(2) Extracted from Bloomberg as at the LPD.

(3) Computed based on the adjusted market capitalisation divided by the latest available trailing 12 months financial results as extracted from Bloomberg.

The valuation of HIB's Fertilisers Segment is premised on the assumption that the Acquisition will be completed. As such, we have considered the cumulative 2-year profit guarantee provided by HHSB in the SSA to be achieved for HFL Group for FYEs 31 December 2022 and 31 December 2023 ("**Guaranteed Period**") pursuant to the Acquisition. Under the terms of the profit guarantee, HHSB guarantees to HIB that HFL Group shall achieve an audited PAT of not less than RM94,000,000 ("**Guaranteed Sum**") for the Guaranteed Period.

Based on the average PER of the Comparative Companies, the PAT of HIB's Fertilisers Segment for the unaudited 12-month FPE 31 August 2022 and the average guaranteed sum per year of RM47.0 million ("**Average Guaranteed Sum**"), the indicative value of HIB's Fertilisers Segment is as follows:

	(RM'000)
PAT of HIB's Fertilisers Segment for the unaudited 12-month FPE 31 August 2022	4,192
Add: Average Guaranteed Sum	47,000
Adjusted PAT	51,192
Average PER of the Comparable Companies (times)	14.40
Valuation of HIB's Fertilisers Segment	737,165

From the computation above, we arrived at an equity value for HIB's Fertilisers Segment of **RM737.17 million**.

(ii) Equipment Rental Segment

We are of the view that the **NA method** is the most appropriate valuation method for HIB's Equipment Rental Segment based on the following:

- (a) the NA method values a company based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests;
- (b) despite recording a PAT for the audited FYE 31 August 2021 and unaudited 12-month FPE 31 August 2022, we were unable to identify suitable comparable companies for the purpose of conducting a valuation using relative earnings valuation methodologies such as the PER or enterprise value/earnings before interest tax, depreciation and amortisation ratio;
- (c) the management of HIB is unable to provide a meaningful profit and cash flow forecast and projections for HIB's Equipment Rental Segment as there are no long-term contracts entered into by HIB's Equipment Rental Segment. The business for HIB's Equipment Rental Segment is also highly cyclical and dependent on customer demand which can be unpredictable; and
- (d) the unaudited financial statements of HIB Group for the 12-month FPE 31 August 2022 provides a reasonable basis to approximate the fair value of the fixed assets of HIB's Equipment Rental Segment which accounts for 40.98% of the total assets and 61.54% of the NA of HIB's Equipment Rental Segment.

The composition of the total assets of HIB's Equipment Rental Segment based on the unaudited financial statements of HIB Group for the 12-month FPE 31 August 2022 is as follows:

	Notes	Unaudited as at 31 August 2022	
		RM'000	%
Non-current assets			
Fixed assets	(1)	15,383	40.98
Current assets			
Inventories	(2)	1,713	4.56
Receivables, deposits & prepayments	(3)	18,722	49.87
Amount due by related companies/ subsidiaries	(4)	317	0.84
Cash and bank balances	(5)	1,405	3.74
Total assets		37,540	100.00
NA (RM'000)			24,998
Fixed assets over total assets (%)			40.98
Fixed assets over NA (%)			61.54

Notes:

- (1) *The fixed assets which constitute 40.98% of HIB's Equipment Rental Segment's total assets as at the unaudited FPE 31 August 2022 consist of building, electrical and fittings, furniture and fittings, motor vehicles, office equipment, plant and machinery, renovation and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. The building represents the right-of-use asset pursuant to an operating lease agreement entered into for use of the building as a warehouse. During the unaudited FPE 31 August 2022, the Group did not recognise any impairment losses on the building, electrical and fittings, furniture and fittings, motor vehicles, office equipment, plant and machinery, renovation and equipment other than the depreciation charge based on the Company's accounting policies.*

As such, we are of the view that the carrying amount of the building, electrical and fittings, furniture and fittings, motor vehicles, office equipment, plant and machinery, renovation and equipment approximates their fair values.

- (2) *Inventories consist of forklifts which are stated at the lower of cost and net realisable value. The carrying amount of inventories approximates their fair values due to their relatively short-term nature.*
- (3) *Receivables, deposits & prepayments mainly consist of trade receivables, other receivables, deposits and prepayments. The carrying amount of trade and non-trade receivables approximates their fair values due to their relatively short-term nature.*
- (4) *Amount due by related companies/subsidiaries are non-interest bearing, unsecured and repayable on demand in cash and cash equivalents. As such, we are of the view that the amount due by related companies/subsidiaries approximates their fair values.*
- (5) *Cash and bank balances consist of cash at bank and on hand which are subject to an insignificant risk of changes in value. The cash and bank balances approximate their fair values due to their relatively short-term nature.*

The NA for the Equipment Rental Segment of HIB as at 31 August 2022 is RM25.00 million. As such, we arrived at an equity value for HIB's Equipment Rental Segment of **RM25.00 million**.

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(iii) **Heavy Equipment Segment**

We are of the view that the **NA method** is the most appropriate valuation method for HIB's Heavy Equipment Segment based on the following:

- (a) the NA method values a company based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. It is also generally used to value loss-making companies or companies with no significant profit;
- (b) HIB's Heavy Equipment Segment recorded a LAT of RM5.4 million and RM0.15 million for the FYE 31 August 2020 and FYE 31 August 2021 respectively but recorded a PAT of RM1.6 million in the unaudited 12-month FPE 31 August 2022;
- (c) the Revaluation Exercise of which the revaluation surplus arising had been incorporated into HIB's unaudited financial statements for the 9-month FPE 31 May 2022, provides a reasonable basis to approximate the fair value of the property assets which accounts for 88.08% of the fixed assets and 37.09% of its total assets of the Heavy Equipment Segment;
- (d) despite HIB's Heavy Equipment Segment recording a PAT for the unaudited 12-month FPE 31 August 2022, we were unable to identify suitable comparable companies for the purpose of conducting a valuation using relative earnings valuation methodologies such as the PER or enterprise value/earnings before interest tax, depreciation and amortisation ratio; and
- (e) the management of HIB is unable to provide a meaningful profit and cash flow forecast and projections for the Heavy Equipment Segment as there are no long-term contracts entered into by HIB's Heavy Equipment Segment and the business for HIB's Heavy Equipment Segment is also highly cyclical and dependent on customer demand which can be unpredictable. Hence, we did not evaluate HIB's Heavy Equipment Segment using the discounted free cash flow to equity method.

The composition of the total assets of HIB's Heavy Equipment Segment based on the unaudited financial statements of HIB Group for the 12-month FPE 31 August 2022 is as follows:

	Notes	Unaudited as at 31 August 2022	
		RM'000	%
Non-current assets			
Fixed assets	(1)	27,363	42.11
Investment in subsidiaries	(2)	8,789	13.53
Current assets			
Inventories	(3)	13,236	20.37
Receivables, deposits & prepayments	(4)	6,881	10.59
Amount due by related companies/ subsidiaries	(5)	4,049	6.23
Cash and bank balances	(6)	4,660	7.17
Total assets		64,979	100.00

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Notes:

(1) The fixed assets which constitute 42.11% of HIB's Heavy Equipment Segment total assets as at the unaudited FPE 31 August 2022 consist of the following:

(a) Three properties which were stated at revalued amount pursuant to the Revaluation Exercise based on valuations conducted by independent valuers registered with the Board of Valuers, Appraisers, Estate Agents & Property Managers. Details are as follows:

Location of properties	Description	Name of valuer	Date of valuation	Open market value (RM'000)
No. 106, Jalan Lagenda 6, Taman Lagenda Putra, 81000 Kulai, Johor	One and a half storey cluster factory	Henry Butcher Malaysia (Johor) Sdn. Bhd.	7 July 2022	1,750
Sublot No.10, Wisma com Industrial Park, 8 1/2 Mile, Batu Kitang Road, Kuching, Sarawak	Double storey semi-detached industrial building	Henry Butcher Malaysia (Sarawak) Sdn. Bhd.	7 July 2022	1,100
Lot 35, Jalan CJ 1/1, Kawasan Perusahaan Cheras Jaya, 43200 Cheras, Selangor	One and a half storey detached factory with an annexed four storey office building and ancillary buildings	JS Valuers Property Consultants Sdn. Bhd.	6 July 2022	21,250
Total				24,100

As such, we are of the view that the carrying amount of the property assets as at 31 August 2022 which had incorporated the revaluation surplus approximates their fair values.

(b) Other than the properties listed in note 1(a) above, the fixed assets comprising furniture and fittings, motor vehicles, office equipment, plant and machinery, renovation, tools and equipment, and mould and blocks are measured at cost less accumulated depreciation and accumulated impairment losses, if any. During the unaudited FPE 31 August 2022, the Group did not recognise any impairment losses on the furniture and fittings, motor vehicles, office equipment, plant and machinery, renovation, tools and equipment, and mould and blocks.

As such, we are of the view that the carrying amount of the furniture and fittings, motor vehicles, office equipment, plant and machinery, renovation, tools and equipment, and mould and blocks approximates their fair values.

(2) The investment in subsidiaries constitutes 13.53% of HIB's Heavy Equipment Segment total assets as at the unaudited FPE 31 August 2022.

Where financial guarantees in relation to loans or payables of subsidiaries under HIB's Heavy Equipment Segment, which are provided by the Company for no compensation, the fair value are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(3) Inventories mainly consist of finished goods which are stated at the lower of cost and net realisable value. The carrying amount of inventories approximates their fair values due to their relatively short-term nature.

- (4) *Receivables, deposits & prepayments mainly consist of trade receivables, other receivables, deposits and prepayments. The carrying amount of current trade and non-trade receivables approximates their fair values due to their relatively short-term nature.*
- (5) *Amount due by related companies/subsidiaries are non-interest bearing, unsecured and repayable on demand in cash and cash equivalents. As such, we are of the view that the amount due by related companies/subsidiaries approximates their fair values.*
- (6) *Cash and bank balances consist of cash at bank and on hand which are subject to an insignificant risk of changes in value. The cash and bank balances approximate their fair values due to their relatively short-term nature.*

The adjusted NA of the Heavy Equipment Segment of HIB as at the LPD is computed as follows:

	(RM'000)
NA of HIB's Heavy Equipment Segment as at 31 August 2022	41,326
Add:	
Estimated gain on disposal of the 2 units of 1½ storey light industrial buildings in Kuantan held under HIB's Heavy Equipment Segment ⁽¹⁾	255
Adjusted NA	41,581

Note:

- (1) *Pursuant to a sale and purchase agreement entered into between Sin Chee Heng (Kuantan) Sdn. Bhd., a wholly-owned subsidiary of the Company, and Ezwan Bin Me dated 17 April 2022 for the disposal of two units of 1 ½ storey terrace factory currently used as regional office and warehouse, which is currently pending completion and is expected to be completed by end of year 2022. The estimated gain on disposal is arrived at as follows:*

	RM'000
<i>Disposal price</i>	<i>550</i>
Less:	
<i>Unaudited net book value as at 31 August 2022</i>	<i>267</i>
<i>Deferred tax of 10%⁽ⁱ⁾</i>	<i>28</i>
Estimated gain on disposal	255

Note:

- (i) *The deferred tax is based on the RPGT which is computed in accordance with the Real Property Gains Tax Act 1976, where RPGT will be imposed when a company disposes its property assets depending on its date of acquisition. As the disposal of the abovementioned properties are within the 6th year after its date of acquisition or thereafter, the RPGT rate is 10%.*

From the computation above, we arrived at an equity value for HIB's Heavy Equipment Segment of **RM41.58** million.

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6.1.1 SOPV

In summary, the estimated fair value of HIB Share is computed as follows:

Segments	Valuation method	Fair value (RM'mil)
Fertilisers Segment	PER	737.17
Equipment Rental Segment	NA	25.00
Heavy Equipment Segment	NA	41.58
Enlarged HIB Group (inclusive of HFL Group)		803.75
Valuation per HIB Share⁽¹⁾ (RM)		0.29256

Note:

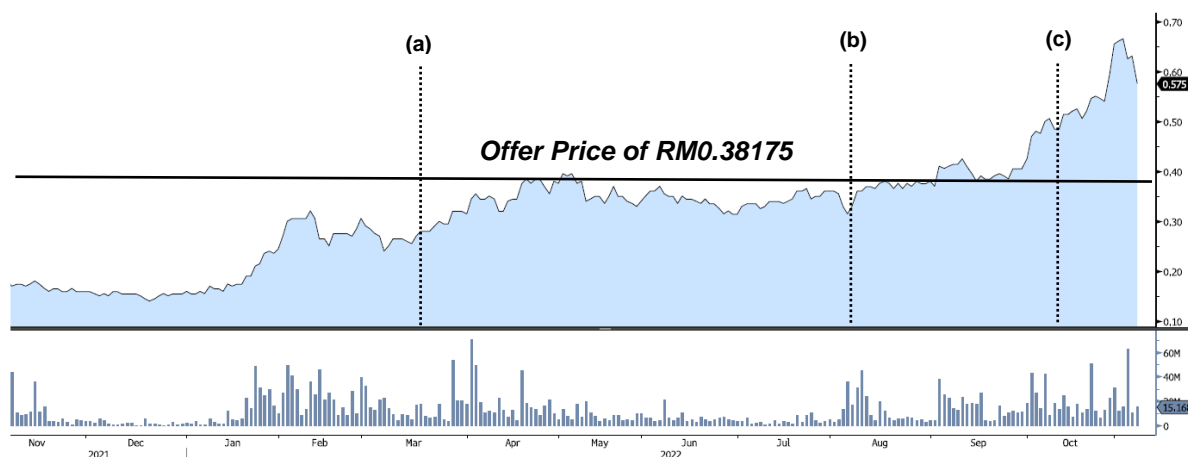
(1) Based on the enlarged issued shares of the Company of 2,747.34 million Shares, which includes the Consideration Shares.

Based on the above, the Offer Price of RM0.38175 per Offer Share represents a **premium** of **RM0.08919** or approximately **30.49%** to the equity value attributable to each HIB Share of **RM0.29256 as at the LPD**.

Notwithstanding the above, we wish to highlight that our evaluation is strictly premised on the assumption that the Acquisition will be completed. In the event that the Acquisition is not completed, the valuation of the HIB Shares will be significantly impacted. As at the LPD, the management of HIB and Malacca Securities are not aware of any factors and/or circumstances which may substantially affect the timeline for completion of the Acquisition.

6.2 Historical price performance of HIB Shares

In assessing the Offer Price, we have also taken into consideration the movement of the daily closing market prices of HIB Shares on the Bursa Securities for the past one (1) year up to the LPD, which is depicted in the share price chart below:



(Source: Bloomberg)

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For the past one (1) year up to the LPD, there have been no changes to the principal activities of HIB Group. Save for the announcements in relation to the Offer, annual reports, financial results, as well as the announcements as disclosed below that were made by HIB to Bursa Securities during the past one (1) year up to the LPD, there were no other material announcements made by HIB that may have affected the movement of the prices of HIB Shares:

- (a) On 18 March 2022, the Board announced the acquisition of the remaining 16.67% equity interest of PK Fertilizers (Sarawak) Sdn Bhd by the Company for a consideration of USD1,500,000 to be fully satisfied in cash.
- (b) On 8 August 2022, the Board announced the Acquisition and the Offer For Sale; and
- (c) On 12 October 2022, HIB shareholders approved the Acquisition and the SSA became unconditional. On the same date, the Board was served the notification from HHSB through M&A Securities of the Offeror's obligation to undertake the Offer;

In addition to the above, the tables below set out the discounts and premiums implied by the Offer Price to the:

- (a) closing market prices of HIB Shares as at the LTD;
- (b) historical VWAPs of the HIB Shares up to the LTD;
- (c) closing market prices of HIB Shares as at the LPD; and
- (d) historical VWAPs of the HIB Shares up to the LPD.

LTD

	Share price/ VWAP	Premium/(Discount) of the Offer Price over the market price/VWAP	
	RM	RM	%
Closing market price of HIB Shares as at the LTD	0.48500	(0.10325)	(21.29)
Five (5)-day VWAP of HIB Shares up to the LTD	0.48808	(0.10633)	(21.79)
One (1)-month VWAP of HIB Shares up to the LTD	0.43400	(0.05225)	(12.04)
Three (3)-month VWAP of HIB Shares up to the LTD	0.39665	(0.01490)	(3.76)
Six (6)-month VWAP of HIB Shares up to the LTD	0.38249	(0.00074)	(0.19)
Twelve (12)-month VWAP of HIB Shares up to the LTD	0.30845	0.07330	23.76

The Offer Price represents discounts ranging from RM0.00074 to RM0.10633 (or 0.19% to 21.79%) over the closing price as at the LTD of RM0.48500 and the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAPs up to and including the LTD ranging from RM0.38249 to RM0.48808, and a premium of RM0.07330 (or 23.76%) over the twelve (12)-month VWAP of HIB Shares up to and including the LTD of RM0.30845.

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LPD

	Share price/ VWAP	Premium/(Discount) of the Offer Price over the market price/VWAP	
	RM	RM	%
Closing market price of HIB Shares as at the LPD	0.57500	(0.19325)	(33.61)
Five (5)-day VWAP of HIB Shares up to the LPD	0.61650	(0.23475)	(38.08)
One (1)-month VWAP of HIB Shares up to the LPD	0.56850	(0.18675)	(32.85)
Three (3)-month VWAP of HIB Shares up to the LPD	0.46570	(0.08395)	(18.03)
Six (6)-month VWAP of HIB Shares up to the LPD	0.43200	(0.05025)	(11.63)
Twelve (12)-month VWAP of HIB Shares up to the LPD	0.34850	0.03325	9.54

The Offer Price also represents discounts ranging from RM0.05025 to RM0.23475 (or 11.63% to 38.08%) over the closing price as at the LPD of RM0.5750 and the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAPs up to and including the LPD ranging from RM0.4320 to RM0.6165, and a premium of RM0.03325 (or 9.54%) over the twelve (12)-month VWAP of HIB Shares up to and including the LPD of RM0.3485.

Malacca Securities' comments

For the past two (2) years up to and including the LPD, HIB Shares had closed at a high of RM0.665 on 2 November 2022 and at a low of RM0.129 on 1 June 2021 and 2 June 2021.

Based on the analysis above, we noted that the Offer Price represents:

- (i) a **premium** of **RM0.08919** or approximately **30.49%** to the equity value attributable to each HIB Share of **RM0.29256** as at the LPD; and
- (ii) **discounts** ranging from RM0.05025 to RM0.23475 (or 11.63% to 38.08%) over the closing price as at the LPD of RM0.5750 and the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAPs up to and including the LPD ranging from RM0.4320 to RM0.6165 and a **premium** of RM0.03325 (or 9.54%) over the twelve (12)-month VWAP of HIB Shares up to and including the LPD of RM0.3485.

For the purpose of evaluation of the Offer, other than our valuation of HIB Shares as set out in sections 6.1 and 6.1.1 above, we are of the view that the closing price as at the LPD, five (5)-day and one (1)-month VWAPs up to the LPD are reflective of the recent market transactions and market prices of HIB Shares and would serve as a more meaningful reference for our evaluation on the fairness of the Offer.

It should be noted that the closing market prices of the HIB Shares had traded above the Offer Price subsequent to the Notice and up to the LPD. However, this may not be an indication of future performance of the market prices of HIB Shares. There is also no assurance that the market price of the HIB Shares will continue to trade at the current level or will remain at current levels after the Closing Date.

Holdings are also reminded that the market prices of HIB Shares as shown above represent the historical market prices of HIB Shares which may not reflect the fair value of HIB Shares. The market prices of HIB Shares may be influenced by amongst others, the performance and prospect of HIB, prevailing economic conditions and outlook, stock market condition, market sentiments and other general macroeconomic conditions as well as company specific factors. Accordingly, the historical market prices of HIB Shares may not be a reliable indicator of the future price levels, and its recent market prices should not in any way be relied upon as an indication of the current value of HIB Shares.

Premised on our evaluation in section 6 above, even though the Offer Price of RM0.38175 is higher by RM0.08919 or approximately 30.49% than the estimated value of HIB Share of RM0.29256 as at the LPD, we are of the view that the Offer for the Offer Shares is not fair after taking into consideration that the Offer Price is:

- (a) RM0.19325 or 33.61% lower than the closing price as at the LPD of RM0.5750;
- (b) RM0.23475 or 38.08% lower than the five (5)-day VWAP up to the LPD of RM0.61650; and
- (c) RM0.18675 or 32.85% lower than the one (1)-month VWAP up to the LPD of RM0.56850.

7. REASONABLENESS OF THE OFFER

7.1 Listing status of HIB

(i) Provision of the Listing Requirements

Pursuant to Rule 8.02(1) of the Listing Requirements, a listed issuer must ensure that at least 25% of its total listed shares (excluding treasury shares) are held by public shareholders. Bursa Securities may accept a percentage lower than 25% of the total number of listed shares (excluding treasury shares) if it is satisfied that such lower percentage is sufficient for a liquid market in such shares.

A listed issuer which fails to maintained the Public Spread Requirement may request for an extension of time to rectify the situation in the manner as may be prescribed by Bursa Securities. If Bursa Securities does not grant an extension of time to rectify the Public Spread Requirement, it may, take or impose any type of action or penalty pursuant to Rule 16.19 of the Listing Requirements for a breach of Rule 8.02(1) of the Listing Requirements and may, at its discretion, suspend trading in the securities of the listed issuer pursuant to Rule 16.02(1) of the Listing Requirements. Notwithstanding that, non-compliance of the Public Spread Requirement will not automatically result in the delisting of HIB from the Official List of Bursa Securities.

Please refer to section 4.1 of the Offer Document for further details.

(ii) Intention of the Offeror in relation to the listing status of HIB

The Offeror intends to maintain the listing status of HIB on the ACE Market.

Pursuant to Rule 9.19(48) of the Listing Requirements, in the event that 90% or more of HIB Shares (excluding treasury shares) are being held by the Offeror either individually or jointly with its associates, an immediate announcement must be made by HIB. Upon such immediate announcement and where the Offeror has announced that it intends to maintain the listing status of HIB, Bursa Securities shall suspend the trading of the securities of HIB upon the expiry of 30 Market Days from the date of the immediate announcement pursuant to Rule 16.02(2) of the Listing Requirements. In this regard, the suspension will only be uplifted upon HIB's compliance with the Public Spread Requirement or as may be determined by Bursa Securities.

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The Offeror intends to undertake the Offer For Sale to facilitate the Offeree's compliance with the Public Spread Requirement. In this regards, part of the Consideration Shares to be received by the Offeror pursuant to the Acquisition will be on-sold and issued and allotted directly to the Placees, such that upon issuance of all the Consideration Shares and OFS Shares, the Offeree shall at all times be in compliance with the Public Spread Requirement. The Acquisition can only be completed provided that such number of OFS Shares is successfully placed out to the Placees so that the Offeree meets the Public Spread Requirement at all times. In the event, the OFS Shares are not able to be placed out sufficiently to Placees so that the Offeree meets the Public Spread Requirement, the Consideration Shares will not be issued and the Acquisition will be pending completion.

Please refer to section 4.1 of the Offer Document for further details.

7.2 Compulsory acquisition and rights of Dissenting Holders

As disclosed in section 4.2 of the Offer Document, if the Offeror receives valid acceptances of not less than nine-tenths in the nominal value⁽¹⁾ of the Offer Shares (excluding the HIB Shares already held as at the date of the take-over offer by the Offeror and its PACs as at the date of the Offer) on or before the Closing Date, **the Offeror does not intend to invoke the provisions of subsection 222(1) of the CMSA** to compulsorily acquire any outstanding Offer Shares for which valid acceptances have not been received prior to the Closing Date even if the conditions stipulated in subsection 222(1) of the CMSA are fulfilled.

Note:

(1) *Pursuant to section 74 of the Act, all shares issued before or upon commencement of the Act shall have no par or nominal value. As such, nominal value shall refer to the number of shares instead.*

Notwithstanding the above and subject to section 224 of the CMSA, section 223 of the CMSA provides that if the Offeror acquires Shares and/or receives valid acceptances from the Holders resulting in the Offeror and its PACs holding not less than 9/10 in the value of all the shares in the Offeree or of that class in the Offeree on or before the Closing Date, a Dissenting Holder may exercise his/her rights under subsection 223(1) of the CMSA, by serving a notice on the Offeror to require the Offeror to acquire his/her Offer Shares (as the case may be) on the same terms as set out in the Offer Document or such other terms as may be agreed.

Please refer to sections 4.2 and 4.3 of the Offer Document for further details.

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7.3 Liquidity of HIB Shares

For information purposes only, the liquidity of HIB Shares and the historical monthly trading volume of HIB Shares for the past 12 months up to October 2022, being the last month prior to the LPD are as follows:

	Monthly trading volume of HIB Shares ('000)	Monthly trading volume over free float (%)
2021		
November	303,325	55.11
December	36,347*	6.44
2022		
January	236,478	59.52
February	448,904*	113.00
March	342,860	86.31
April	376,828	94.86
May	147,464	37.12
June	121,738	30.65
July	71,649*	18.04
August	264,398	66.56
September	313,085	78.81
October	386,620	97.32
Simple average monthly trading volume⁽¹⁾	254,141	59.94⁽²⁾
Simple average monthly trading volume excluding outliers⁽³⁾	276,977	66.86⁽⁴⁾

(Source: Bloomberg)

Notes:

* The monthly trading volume of HIB Shares for December 2021, February 2022 and July 2022 are deemed outliers as December 2021 and July 2022 had recorded significantly lower monthly trading volume as compared to the other months, while February 2022 had recorded a significantly higher monthly trading volume as compared to the other months. There were no material announcements made by HIB that could have caused the significant drop in the monthly trading volume for December 2021 and July 2022 and the significant rise in the monthly trading volume for February 2022.

(1) The simple average monthly trading volume is computed by dividing the total monthly trading volume by 12 months.

(2) Calculated based on the average monthly free float for the past 12 months.

(3) The simple average monthly trading volume is computed by dividing the total monthly trading volume (excluding December 2021, February 2022 and July 2022 which are outliers) by 9 months.

(4) Calculated based on the average monthly free float for the past 12 months excluding December 2021, February 2022 and July 2022 which are outliers.

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In assessing the trading liquidity of HIB Shares, we have also compared the trading liquidity of HIB Shares against the Industrial Production Index as HIB is classified under the Industrial Products and Services sector of Bursa Securities. The trading liquidity of HIB Shares and the Industrial Production Index for the past 12 months up to October 2022, being the last month prior to the LPD are as follows:

Company/Index	Average monthly volume traded ⁽¹⁾	Free float	Average monthly volume traded over free float ⁽³⁾
	('000)	('000)	(%)
HIB	254,141	423,975 ⁽²⁾	59.94
HIB (excluding December 2021, February 2022 and July 2022 which are outliers)	276,977	414,274	66.86
Industrial Production index	9,539,692	68,797,568	13.87

(Source: Bloomberg)

Notes:

- (1) Average monthly trading volume for the past 12 months up to October 2022, being the last month prior to the LPD.
- (2) Calculated based on the average monthly free float for the past 12 months.
- (3) Calculated by dividing the average monthly volume traded by the free float.

HIB Shares are **liquid** after taking the following into consideration:

- (i) the average monthly trading volume of HIB Shares was approximately 254.1 million HIB Shares, representing approximately 59.94% of the free float of HIB Shares for the past 12 months up to October 2022, being the last month prior to the LPD;
- (ii) the average monthly trading volume of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) was approximately 277.0 million HIB Shares, representing approximately 66.86% of the free float of HIB Shares for the past 12 months (excluding December 2021, February 2022 and July 2022 which are outliers) up to October 2022, being the last month prior to the LPD;
- (iii) the average monthly trading liquidity of HIB Shares of 59.94% is higher than the average monthly trading liquidity of the Industrial Production Index of 13.87% over the same period; and
- (iv) the average monthly trading liquidity of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) of 66.86% is higher than the average monthly trading liquidity of the Industrial Production Index of 13.87% over the same period.

Hence, Holders who intend to exit their investments in the Offer Shares may consider selling their HIB Shares in the open market if they are able to sell at prices higher than the Offer Price, net of related expenses.

However, there is no assurance that the recent liquidity can be maintained at recent levels and that the Holders would be able to dispose of their HIB Shares in the open market. Holders who hold small blocks of HIB Shares may still have the opportunity to dispose their Offer Shares in the open market subsequent to the Closing Date as the Offeror intends to maintain the listing status of HIB on the ACE Market.

We wish to highlight that the above evaluation is based on the historical trading volume of HIB Shares as at the respective periods as well as the free float as the end of each respective month and should not be relied upon as an indication of the future trading liquidity of HIB Shares, which may be influenced by, amongst others, the performance and prospects of HIB, prevailing economic conditions, economic outlook, stock market conditions, market sentiments and other general macroeconomic conditions as well as company-specific factors.

Malacca Securities' comments

We note that **it is the intention of the Offeror to maintain the listing status of HIB on the ACE Market.** Therefore, HIB Shares will remain traded on Bursa Securities and the Holders will have the opportunity to realise their investments in HIB Shares in the open market after the Closing Date. However, there is no assurance that the market price of HIB Shares will continue to trade at current price levels after the Closing Date.

If the Offeror and their associates hold 90% or more of HIB Shares, HIB Shares will be suspended from trading on Bursa Securities upon expiry of thirty (30) Market Days from the date of the immediate announcement by HIB pursuant to Rule 16.02(2) of the Listing Requirements. The suspension of HIB Shares will only be uplifted upon HIB's full compliance with the Public Spread Requirement or as may be determined by Bursa Securities.

Holdes should note that in the event that HIB is unable to meet the Public Spread Requirement and is subsequently removed from the Official List, HIB Shares may become illiquid securities as they will not be traded on Bursa Securities and thus, there will be no active or ready market for the unlisted HIB Shares.

Holdes are advised to closely monitor any press releases and/or announcements made in relation to the level of acceptances and the outcome of the Offer.

We also note that if the Offeror receives valid acceptances of not less than nine-tenths in the nominal value⁽¹⁾ of the Offer Shares (excluding the HIB Shares already held as at the date of the take-over offer by the Offeror and/or any of its PACs), **the Offeror does not intend to invoke the provisions of subsection 222(1) of the CMSA** to compulsorily acquire any outstanding Offer Shares for which the valid acceptances have not been received prior to the Closing Date even if the conditions stipulated in subsection 222(1) of the CMSA are fulfilled.

Note:

- (1) *Pursuant to section 74 of the Act, all shares issued before or upon commencement of the Act shall have no par or nominal value. As such, nominal value shall refer to the number of shares instead.*

In addition, HIB Shares are **liquid** after taking the following into consideration:

- (i) the average monthly trading volume of HIB Shares was approximately 254.1 million HIB Shares, representing approximately 59.94% of the free float of HIB Shares for the past 12 months up to October 2022, being the last month prior to the LPD;
- (ii) the average monthly trading volume of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) was approximately 277.0 million HIB Shares, representing approximately 66.86% of the free float of HIB Shares for the past 12 months (excluding December 2021, February 2022 and July 2022 which are outliers) up to October 2022, being the last month prior to the LPD;
- (iii) the average monthly trading liquidity of HIB Shares of 59.94% is higher than the average monthly trading liquidity of Industrial Production Index of 13.87% over the same period; and
- (iv) the average monthly trading liquidity of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) of 66.86% is higher than the average monthly trading liquidity of the Industrial Production Index of 13.87% over the same period.

Hence, Holders who intend to exit their investments in the Offer Shares may consider selling their HIB Shares in the open market if they are able to sell at prices higher than the Offer Price, net of related expenses.

However, there is no assurance that the recent liquidity can be maintained at recent levels and that the Holders would be able to dispose of their HIB Shares in the open market. Holders who hold small blocks of HIB Shares may still have the opportunity to dispose their Offer Shares in the open market subsequent to the Closing Date as the Offeror intends to maintain the listing status of HIB on the ACE Market.

Holders are advised to consult their professional adviser(s) should they wish to exercise their rights under subsection 223(1) of the CMSA.

Malacca Securities, having considered all of the above factors, is of the view that the Offer for the Offer Shares is not reasonable as Holders who do not wish to accept the Offer would have the following options:

- (a) to continue to hold on to their HIB Shares under the direction of the Offeror and PACs who intend to grow its fertiliser business; or
- (b) to trade or sell their HIB Shares in the open market if the market price is higher than the Offer Price, net of related expenses.

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8. OFFEROR'S FUTURE PLANS FOR HIB GROUP AND ITS EMPLOYEES

We note the intention of the Offeror in relation to the future plans for HIB Group and its employees as stated in section 5 of the Offer Document.

Malacca Securities' comments

The Offeror intends to continue with HIB Group's existing businesses which are principally involved in the fertilisers, heavy equipment (primarily for the use in the quarry industry) and equipment rental (which include forklifts, industrial batteries and/or related products/peripherals) industries. Nevertheless, the Offeror may review the business and operations of HIB Group to formulate future plans and strategies for HIB Group, including exploring further opportunities to facilitate its future growth. The Offeror retains and reserves the right and flexibility at any time and from time to time to consider any option or opportunity in relation to the Offeree and which the Offeror may regard to be in the best interest of the Offeree.

The Acquisition was undertaken in-line with the HIB Group's long-term plan to grow its fertiliser business and to enhance the Group's business prospects, profits and shareholders' value. Upon completion of the Acquisition, the HFL Group will be wholly-owned subsidiaries of the Offeree.

We noted that the Offeror does not have any immediate plans to introduce any major change to the existing businesses of HIB Group, liquidate any companies within the HIB Group, dispose any major assets or undertake any major redeployment of the fixed assets of the HIB Group. Nevertheless, the Offeror may review options with regards to the businesses or assets of HIB Group and where appropriate, undertake changes, disposal and/or redeployment as part of the process to rationalise the business activities of HIB Group, including any expansion activities, divestment of non-core businesses or monetisation of assets to drive the business direction of HIB Group.

As at the LPD, the Offeror and its PACs have not entered into any negotiation, arrangement or understanding with any third party with regards to any significant change in HIB Group's businesses, assets and/or shareholding structure.

We noted that the HFL Group's employees will become employees under the HIB Group. The Offeror has no immediate plans to dismiss or make redundant any of HIB Group's existing employees as a direct consequence of the Offer. Nevertheless, the Offeror may from time to time introduce constructive measures to improve the efficiency of operations and to optimise the human resources requirements of HIB Group, which may lead to rationalisation of staff employment and/or streamlining of the business activities of HIB Group's operations. Any such action taken involving employees will be dealt with in accordance with the relevant legislation and the terms of employment of the employees concerned

Notwithstanding the above, the Offeror retain the flexibility at all times to consider any options which are in the interests of the Group.

Premised on the above, in view that the Offeror does not have any plans or intention to liquidate any company within the HIB Group, we are of the view that the businesses and management of HIB will remain intact and continue as a going concern.

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9. RATIONALE FOR THE OFFER

The rationale for the Offer is as set out in section 3 of the Offer Document.

Malacca Securities' comments

We note that the Acquisition represents a strategic investment and HIB is undertaking the Acquisition in-line with its long-term plan to grow its fertiliser business and to enhance the Group's business prospects, profits and shareholders' value. The Acquisition will eliminate the conflict of interest arising from the involvement of the directors and major shareholders of HIB, through their interests in the HFL Group. Upon completion of the Acquisition, the HFL Group will become subsidiaries of HIB, thereby enabling HIB to consolidate the financial results of the HFL Group.

We also noted the issuance of the Consideration Shares to satisfy the purchase consideration will enable HIB to conserve cash which can be used as working capital and channel it towards financing its day-to-day operations and/or pursue other business opportunities. In addition, the issuance of the Consideration Shares will strengthen the HIB Group's capital base to commensurate with its enlarged fertiliser business activities and with the larger combined asset base, the HIB Group is expected to be able to gain better access to both debt and equity capital markets to fund the enlarged HIB Group's business activities.

We also note that as the SSA has become unconditional, the Offeror is obliged to extend the Offer pursuant to subsection 218(3) of the CMSA and subparagraph 4.01(b) of the Rules. Upon the issuance of the Consideration Shares, the Offeror's and the PACs' shareholdings in the Offeree will increase by more than 2% of the voting shares of HIB in a 6-month period. The Offer is thus a mandatory obligation that is a consequence of the Acquisition.

10. FURTHER INFORMATION

Holders are advised to refer to the attached appendices and other relevant information as set out in the Offer Document for further information in relation to the Offer.

11. CONCLUSION AND RECOMMENDATION

The advice of Malacca Securities as contained in this IAL is addressed to the Holders at large and not to any individual Holder. Accordingly, in providing this advice, we have not taken into consideration any specific investment objectives of any individual Holder or any specific group of Holders. We recommend that any individual Holder or any specific group of Holders who may require advice in the context of their investment objectives, financial and tax situations and particular needs should consult their respective professional advisers immediately.

We have assessed and evaluated the Offer and have set our evaluation in this IAL. You should carefully consider the merits and demerits of the Offer based on all relevant and pertinent factors including those set out below and other considerations as set out in this IAL and the Offer Document.

In arriving at our recommendation, we have reviewed and evaluated the factors which we deemed to have significant relevance to our assessment of the Offer.

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We are of the view that the Offer is **not fair** after having considered the following:

• **Valuation of the HIB Shares**

The Offer Price represents:

- (i) a **premium** of **RM0.08919** or approximately **30.49%** to the equity value attributable to each HIB Share of **RM0.29256** as at the LPD; and
- (ii) **discounts** ranging from RM0.05025 to RM0.23475 (or 11.63% to 38.08%) over the closing price as at the LPD of RM0.5750 and the five (5)-day, one (1)-month, three (3)-month and six (6)-month VWAPs up to and including the LPD ranging from RM0.4320 to RM0.6165 and a **premium** of RM0.03325 (or 9.54%) over the twelve (12)-month VWAP of HIB Shares up to and including the LPD of RM0.3485.

For the purpose of evaluation of the Offer, other than our valuation of HIB Shares as set out in sections 6.1 and 6.1.1 of the IAL, we are of the view that the closing price as at the LPD, five (5)-day and one (1)-month VWAPs up to the LPD are reflective of the recent market transactions and market prices of HIB Shares and would serve as a more meaningful reference for our evaluation on the fairness of the Offer.

As such, even though the Offer Price of RM0.38175 is higher by RM0.08919 or approximately 30.49% than the estimated value of HIB Share of **RM0.29256** as at the LPD, we are of the view that the Offer for the Offer Shares is **not fair** after taking into consideration that the Offer Price is:

- (a) RM0.19325 or 33.61% lower than the closing price as at the LPD of RM0.5750;
- (b) RM0.23475 or 38.08% lower than the five (5)-day VWAP up to the LPD of RM0.61650; and
- (c) RM0.18675 or 32.85% lower than the one (1)-month VWAP up to the LPD of RM0.56850.

It should be noted that the closing market prices of the HIB Shares had traded above the Offer Price subsequent to the Notice and up to the LPD. However, this may not be an indication of future performance of the market prices of HIB Shares. There is also no assurance that the market price of the HIB Shares will continue to trade at the current level or will remain at current levels after the Closing Date.

Holder are also reminded that the market prices of HIB Shares as shown above represent the historical market prices of HIB Shares which may not reflect the fair value of HIB Shares. The market prices of HIB Shares may be influenced by amongst others, the performance and prospect of HIB, prevailing economic conditions and outlook, stock market condition, market sentiments and other general macroeconomic conditions as well as company specific factors. Accordingly, the historical market prices of HIB Shares may not be a reliable indicator of the future price levels, and its recent market prices should not in any way be relied upon as an indication of the current value of HIB Shares.

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We are of the view that the Offer is **not reasonable** after having considered the following:

<ul style="list-style-type: none">• Listing status of HIB <p>We note that it is the intention of the Offeror to maintain the listing status of HIB on the ACE Market. Therefore, HIB Shares will remain traded on Bursa Securities and the Holders will have the opportunity to realise their investments in HIB Shares in the open market after the Closing Date. However, there is no assurance that the market price of HIB Shares will continue to trade at current price levels after the Closing Date.</p>
<ul style="list-style-type: none">• Compulsory acquisition and rights of Dissenting Holders <p>We note that the Offeror does not intend to invoke the provisions of subsection 222(1) of the CMSA to compulsorily acquire any outstanding Offer Shares for which the valid acceptances have not been received prior to the Closing Date even if the conditions stipulated in subsection 222(1) of the CMSA are fulfilled.</p>
<ul style="list-style-type: none">• Liquidity of HIB Shares <p>HIB Shares are <u>liquid</u> after taking the following into consideration:</p> <ul style="list-style-type: none">(i) the average monthly trading volume of HIB Shares was approximately 254.1 million HIB Shares, representing approximately 59.94% of the free float of HIB Shares for the past 12 months up to October 2022, being the last month prior to the LPD;(ii) the average monthly trading volume of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) was approximately 277.0 million HIB Shares, representing approximately 66.86% of the free float of HIB Shares for the past 12 months (excluding December 2021, February 2022 and July 2022 which are outliers) up to October 2022, being the last month prior to the LPD;(iii) the average monthly trading liquidity of HIB Shares of 59.94% is higher than the average monthly trading liquidity of Industrial Production Index of 13.87% over the same period; and(iv) the average monthly trading liquidity of HIB Shares (excluding December 2021, February 2022 and July 2022 which are outliers) of 66.86% is higher than the average monthly trading liquidity of the Industrial Production Index of 13.87% over the same period. <p>Hence, Holders who intend to exit their investments in the Offer Shares may consider selling their HIB Shares in the open market if they are able to sell at prices higher than the Offer Price, net of related expenses.</p>

Malacca Securities, having considered all of the above factors, is of the view that the Offer for the Offer Shares is not reasonable as Holders who do not wish to accept the Offer would have the following options:

- (a) **to continue to hold on to their HIB Shares under the direction of the Offeror and PACs who intend to grow the fertiliser business; or**
- (b) **to trade or sell their HIB Shares in the open market if the market price is higher than the Offer Price, net of related expenses.**

Premised on the above, we are of the opinion that the Offer is **not fair and not reasonable**.

Accordingly, Malacca Securities:

- (a) advises the Non-Interested Directors to recommend the Holders to **REJECT** the Offer; and
- (b) recommends that the Holders **REJECT** the Offer.

The decision to be made would rest on the individual risk appetite and specific requirements of the individual Holders. Holders should be mindful that there may be continuous fluctuations in the market prices of HIB Shares prior to and after the Closing Date. As such, Holders are advised to closely monitor the prices and volume of HIB Shares before deciding on the Offer.

Yours faithfully,
For and on behalf of
MALACCA SECURITIES SDN. BHD.

TAN KOK TIAM
Head
Corporate Finance

YAP SIEW THEE
Senior Vice President
Corporate Finance

INFORMATION ON HIB**1. HISTORY AND PRINCIPAL ACTIVITIES**

HIB was incorporated in Malaysia on 22 December 2011 under the Companies Act 1965 as a public company under the name of SCH Group Berhad and is deemed registered under the Act. HIB was successfully listed on the ACE Market of Bursa Malaysia Securities Berhad on 13 February 2014. On 5 March 2021, the Company changed its name to HIB.

HIB principally is an investment holding company with subsidiaries engaged in fertiliser, equipment rental, heavy equipment and investment holding.

The Group has 4 business segments, namely:

- (a) manufacturing and trading of fertilisers primarily for the palm oil industry;
- (b) provision and trading of mobile air conditioners, tent and events-related equipment, and trading of industrial products which include forklifts, industrial batteries and/or its related products/peripherals;
- (c) manufacturing, trading and distribution of heavy equipment, spare parts and industrial products primarily for use in the quarry industry; and
- (d) investment holding.

2. SHARE CAPITAL**2.1 Issued share capital**

As at the LPD, the issued share capital of HIB is set out below:

	No. of HIB Shares	Total (RM)
Issued share capital	1,147,341,623	191,940,840

There is only one (1) class of shares in HIB which has voting rights. The holders of HIB Shares are entitled to any dividends, rights, allotments and/or distributions which may be declared, made or paid to shareholders.

2.2 Changes in the issued share capital

As at the LPD, there have been no changes to HIB's issued share capital since the end of the FYE 31 August 2022.

2.3 Convertible securities

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

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INFORMATION ON HIB (Cont'd)

3. SUBSTANTIAL SHAREHOLDERS

As at the LPD, the substantial shareholders of HIB are as follows:

Name of substantial shareholder	Nationality/ Country of incorporation	Direct		Indirect	
		No. of HIB Shares	% ⁽¹⁾	No. of HIB Shares	% ⁽¹⁾
HHSB	Malaysia	523,928,900	45.66	-	-
Dato' Ong Choo Meng	Malaysian	-	-	523,928,900 ⁽²⁾	45.66
Dato' Ong Soon Ho	Malaysian	-	-	523,928,900 ⁽²⁾	45.66

Note:

(1) Computed based on 1,147,341,623 HIB Shares as at the LPD.

(2) Deemed interest by virtue of his interest in HHSB pursuant to section 8 of the Act.

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INFORMATION ON HIB (Cont'd)

4. DIRECTORS AND THEIR HOLDINGS IN THE SHARES OF HIB

As at the LPD, the particulars of the Directors and their respective holdings of HIB Shares are set out below:

Name of director	Nationality	Designation	Direct		Indirect		Correspondence address
			No. of HIB Shares	% ⁽¹⁾	No. of HIB Shares	% ⁽¹⁾	
Dato' Chan Choun Sien	Malaysian	Independent Non-Executive Chairman	2,200,200	0.191	-	-	3, Lorong PJU 7/24A, Mutiara Damansara, 47810 Petaling Jaya,
Ang Sui Aik, Benny	Malaysian	Group Managing Director	-	-	-	-	174-1-4, Kiara Park, Taman Tun Dr Ismail, 60000 Kuala Lumpur.
Wong Kin Seng	Malaysian	Executive Director	15,836,694	1.375	-	-	No.44, Jalan 6/155A, Bukit Jalil Golf & Country Club, 57000 Kuala Lumpur.
Dato' Ong Choo Meng	Malaysian	Non-Independent Non-Executive Director	-	-	523,928,900 ⁽²⁾	45.66	31, Jalan TR 2/1, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor.
Ong Tzu Chuen	Malaysian	Non-Independent Non-Executive Director	-	-	-	-	No. 68 Jalan TR 9/2, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Malaysia.
Sim Yee Fuan	Malaysian	Independent Non-Executive Director	152,000	0.013	-	-	7, Jalan Jambu Mawar 3, Taman Jambu Mawar, 14000 Bukit Mertajam, Pulau Pinang .
Dato' Sri Chee Hong Leong	Malaysian	Independent Non-Executive Director	-	-	-	-	13, Jalan Bukit Desa 3, Taman Bukit Desa, 58100 Kuala Lumpur.

Notes:

(1) Computed based on 1,147,341,623 HIB Shares in issue as at the LPD.

(2) Deemed interest by virtue of his interest in HHSB pursuant to section 8 of the Act.

INFORMATION ON HIB (Cont'd)

5. SUBSIDIARY AND ASSOCIATED COMPANIES

The information of the subsidiary companies of HIB are as follows:

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
SCH Machinery & Equipment Sdn. Bhd.	Malaysia	100.0	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
SCH Wire-Mesh Manufacturing Sdn. Bhd.	Malaysia	100.0	Manufacturing, distributing and supplying of quarry grill
Sin Chee Heng (Cambodia) Company Limited	Malaysia	100.0	Supplying and distributing quarry machinery, quarry equipment and reconditioned quarry machinery as well as spare parts for quarry machinery, quarry equipment and reconditioned quarry machinery to the quarry industry
Sin Chee Heng (Kuantan) Sdn. Bhd.	Malaysia	100.0	Distributing all kinds of quarry products to the quarry industry
PK Fertilizers (Sarawak) Sdn. Bhd.	Malaysia	100.0	Business of manufacturing, merchandising, trading, distribution and wholesale warehouseman of fertilisers
PK Fert Sdn. Bhd. (Formerly known as Multifert Sdn. Bhd.)	Malaysia	100.0	Business of trading, marketing and distribution of fertilisers
TK Rentals Sdn. Bhd.	Malaysia	100.0	Business of renting and trading of mobile air conditioner, tent and event related equipment and tools, forklift and industrial battery
SCH Corporation Sdn. Bhd.	Malaysia	100.0	Investment holding

INFORMATION ON HIB (Cont'd)

Name of company	Place of incorporation	Effective equity interest (%)	Principal activities
<u>Held through SCH Corporation Sdn. Bhd.</u>			
Sin Chee Heng Sdn. Bhd.	Malaysia	100.0	Supplying and distributing all kinds of quarry industrial products and quarry machinery
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	50.0	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Butterworth) Sdn. Bhd.	Malaysia	100.00	Distributing all kinds of quarry products to the quarry industry
<u>Held through Sin Chee Heng Sdn. Bhd.</u>			
Sin Chee Heng (Sabah) Sdn. Bhd.	Malaysia	100.0	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Sarawak) Sdn. Bhd.	Malaysia	100.0	Distributing all kinds of quarry products to the quarry industry
Sin Chee Heng (Johore) Sdn. Bhd.	Malaysia	50.0	Distributing all kinds of quarry products to the quarry industry

As at the LPD, HIB does not have any associate companies.

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INFORMATION ON HIB (Cont'd)

6. PROFIT AND DIVIDEND RECORD

A summary of the results based on the audited consolidated financial statements of HIB for the past three (3) financial years up to the FYE 31 August 2021 and the unaudited consolidated financial statements of HIB for the 12-month FPE 31 August 2022 are set out below:

	Audited FYE 31 August			12-month unaudited FPE 31 August 2022 RM'000
	2019 RM'000	2020 RM'000	2021 RM'000	
Revenue	116,894	121,286	123,040	257,815
PBT/(LBT)	7,219	(7,620)	537	10,336
Taxation	(1,698)	(271)	1,379	(1,517)
PAT/(LAT)	5,521	(7,891)	1,916	8,819
PAT/(LAT) attributable to:				
Owners of the Company	5,759	(7,995)	1,642	8,863
Non-controlling interests	(238)	104	274	(44)
Number of HIB Shares in issue ('000)	555,512	555,512	185,973	1,147,342
Weighted average no. of HIB Shares in issue ('000)	555,512	555,512	239,968	1,007,656
EPS/(LPS) (sen) ⁽¹⁾	1.04	(1.44)	0.68	0.88
Net dividend per HIB Share (sen)	-	-	-	-
Total NA/ equity attributable to owners of the Company (RM'000)	85,978	77,980	79,871	209,954
NA per HIB Share (RM) ⁽²⁾	0.15	0.14	0.43	0.18
Borrowings (RM'000) ⁽³⁾	57,892	56,428	61,122	15,435
Gearing ratio (times) ⁽⁴⁾	0.67	0.72	0.77	0.07

(Source: Annual reports of HIB Group for the past three (3) financial years up to FYE 31 August 2021 and the unaudited financial results of HIB Group for the 12-month FPE 31 August 2022.)

Notes:

- (1) Computed by dividing the PAT/(LAT) attributable to the owners of the Company by the weighted average number of HIB Shares in issue as at the end of the financial year/period.
- (2) Computed by dividing the total equity attributable to owners of the Company by the total number of HIB Shares in issue as at the end of the financial year/period.
- (3) Inclusive of interest-bearing lease liabilities for hire purchase.
- (4) Computed by dividing the borrowings by the total equity attributable to owners of the Company.

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INFORMATION ON HIB (Cont'd)

The financial performance in respect of each of the three (3) audited financial years for FYE 31 August 2019 to FYE 31 August 2021 and unaudited FPE 31 August 2022 under review are summarised as follows:

FYE 31 August 2019

HIB recorded revenue of approximately RM116.89 million in the FYE 31 August 2019, representing an increase of approximately RM83.65 million or 251.58% from the previous financial year. The increase in revenue was mainly contributed by two newly acquired subsidiary companies, namely PK Fertilizers (Sarawak) Sdn. Bhd. and TK Rentals Sdn. Bhd. in FYE 2019 which are part of HIB's Fertilisers Segment and Equipment Rental Segments, respectively.

HIB recorded a PAT of approximately RM5.52 million in the FYE 30 August 2019, compared to a LAT of approximately RM8.88 million in the previous financial year. The PAT was in tandem with the increase in revenue. In addition, other operating income increased from RM3.2 million in FYE 2018 to RM8.7 million in FYE 2019. This was mainly due to the gain on disposal of properties amounting to RM7.7 million, which consist of three (3) units of factory erected on a piece of freehold land located at Balakong, Selangor.

FYE 31 August 2020

HIB recorded revenue of approximately RM121.29 million in the FYE 31 August 2020, representing an increase of approximately RM4.40 million or 3.76% from the previous financial year. The increase in revenue was attributed to revenue from HIB's Fertilisers Segment, which increased to RM81.6 million or 11.0% from the previous financial year.

Despite higher revenue attained, HIB recorded a LAT of approximately RM7.89 million in the FYE 30 August 2020, compared to a PAT of RM5.52 million in the previous financial year. The LAT was mainly due to the decrease in the sales of HIB's Heavy Equipment Segment and the Equipment Rental Segment, which were both significantly affected by Covid-19.

FYE 31 August 2021

HIB recorded revenue of approximately RM123.04 million in the FYE 31 August 2022, representing an increase of approximately RM1.75 million or 1.45% from the previous financial year. The increase in revenue was attributed to higher sales generated from the trading of industrial batteries but mitigated by the decrease in sales in Heavy Equipment Segment.

HIB recorded a PAT of approximately RM1.92 million in the FYE 31 August 2022, compared to a LAT of RM7.89 million in the previous financial year. The PAT was mainly due to lower selling and distribution expenses (by RM1.4 million), impairment loss for inventories (by RM2.4 million) and financial assets (by RM1.8 million), the reversal of tax refund and over provision of income tax of RM1.8 million in FYE 2021.

12-month FPE 31 August 2022

HIB recorded revenue of approximately RM257.82 million in the 12-month FPE 31 August 2022, representing an increase of approximately RM134.78 million or 109.54% from the corresponding 12-month period of the preceding year. The increase in revenue was mainly attributed to higher demand and selling price of the fertilisers and businesses recovery from the Covid 19 pandemic, as well as the recovery of HIB's Heavy Equipment Segment and Equipment Rental Segment divisions following the lifting of the full MCO. The full MCO was imposed by the government on 28 May 2021, whereby only essential economic and social services were allowed to operate in response to the Covid-19 pandemic.

INFORMATION ON HIB (Cont'd)

HIB recorded a PAT of approximately RM8.8 million in the 12-month FPE 31 August 2022 compared to a PAT of approximately RM1.92 million for the corresponding 12-month period of the preceding year. The increase in PAT was in tandem with the increase in revenue due to higher sales recorded from the HIB's Fertiliser, Heavy Equipment and Equipment Rental Segments.

7. STATEMENT OF ASSETS AND LIABILITIES

The statement of assets and liabilities of HIB Group based on its audited consolidated financial statements as at 31 August 2020 and 31 August 2021, as well as the unaudited 12-month financial statement for 31 August 2022, are set out below:

	Audited as at 31 August		12-month unaudited as at 31 August 2022
	2020	2021	
	RM'000	RM'000	RM'000
Non-Current Assets			
Property, plant and equipment	60,015	57,407	63,225
Goodwill on consolidation	19,215	19,276	19,276
Trade receivables	11	-	-
Other receivable	275	50	-
	79,516	76,733	82,501
Current Assets			
Inventories	19,672	29,637	41,553
Trade receivables	48,584	40,786	66,322
Other receivables	12,149	6,043	5,233
Contract assets	-	146	-
Tax recoverable	927	1,387	1,148
Fixed deposits with financial institutions	9,444	6,460	20
Cash and bank balances	7,471	9,846	50,712
	98,247	94,305	164,988
Assets classified as held for sale	669	-	267
	98,916	94,305	165,255
Total assets	178,432	171,038	247,756
Equity			
Share capital	75,918	76,159	191,941
Merger deficit	(23,859)	(23,859)	(23,859)
Revaluation reserve	-	-	7,732
Foreign currency translation reserve	(11)	(3)	-
Retained earnings / (accumulated losses)	25,932	27,574	34,140
Total equity attributable to shareholders of the Company	77,980	79,871	209,954
Non-controlling interests	3,746	4,020	-
Total equity	81,726	83,891	209,954
Non-Current Liabilities			
Lease liabilities	1,537	1,422	226
Bank borrowings	15,951	41,950	12,046
Deferred tax liabilities	7,056	6,540	8,981
	24,544	49,912	21,253

INFORMATION ON HIB (Cont'd)

	Audited as at 31 August		12-month unaudited as at 31 August 2022
	2020	2021	
	RM'000	RM'000	RM'000
Current Liabilities			
Trade payables	27,169	14,038	3,536
Other payables	3,227	4,697	9,025
Contract liabilities	788	259	450
Lease liabilities	472	399	146
Bank borrowings	40,477	17,840	3,389
Tax payable	29	2	3
	72,162	37,235	16,549
Total liabilities	96,706	87,147	37,802
Total equity and liabilities	178,432	171,038	247,756

Source: Annual reports of HIB Group for the FYE 31 August 2020, FYE 31 August 2021 and the unaudited financial results of HIB Group for the 12-month FPE 31 August 2022.

As at the LPD, there was no material change in the financial position of the HIB Group subsequent to the last published audited financial statements for the FYE 31 August 2021.

8. ACCOUNTING POLICIES

Based on the audited financial statements of HIB for the FYE 31 August 2019 to FYE 31 August 2021, the financial statements have been prepared in accordance with the provisions of the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Act in Malaysia and there was no audit qualification for HIB's financial statements for the respective financial years under review.

9. BORROWINGS

As at 31 August 2022 which is not more than three (3) months preceding the LPD, HIB Group had total outstanding borrowings of approximately RM15.44 million as set out below:

Borrowings	(RM'000)
Short-term borrowings	
Bankers' acceptance	2,079
Invoice financing	-
Hire purchases	310
Term loans	1,000
	3,389
Long-term borrowings:	
Term loans	11,054
Hire purchases	992
	12,046
Total borrowings	15,435

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INFORMATION ON HIB (Cont'd)

10. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**(a) Material commitments**

As at the LPD, there were no material commitments, incurred or known to be incurred, by HIB Group, which will or may have a material effect on the results or financial position of HIB Group.

(b) Contingent liabilities

Save as disclosed below, as at the LPD, there were no contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have a substantial impact on the ability of HIB Group to meet its obligations, as and when they fall due:

Contingent liabilities	(RM'000)
Corporate guarantee extended to financial institutions for facilities granted to subsidiaries of HIB	
- Limit of guarantee	39,662
- Amount utilised	26,034

11. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, HIB Group has not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, which may have a material effect on its financial position and the Directors do not have any knowledge of any proceedings, pending or threatened against HIB Group or of any facts likely to give rise to any proceedings, which might materially and adversely affect the financial position or business of HIB Group.

12. MATERIAL CONTRACTS

As at the LPD, there were no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by HIB Group during the past two (2) years before the commencement of the Offer Period and up to the LPD.

- (a) On 8 August 2022, HIB had entered into the SSA with HHSB for the Acquisition. The Acquisition is pending completion and is expected to be completed by end of year 2022; and
- (b) On 18 March 2022, HIB had entered into a sale and purchase agreement (“SPA”) with Golden Barley International Pte Ltd to acquire the remaining 16.67% equity interest of PK Fertilizers (Sarawak) Sdn. Bhd. (“PKFS”), representing 3,000,000 ordinary shares in PKFS, for a cash consideration of USD1,500,000. The acquisition of PKFS was completed on 18 March 2022.

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INFORMATION ON HIB (Cont'd)

13. HISTORICAL MARKET PRICES OF HIB SHARES

The monthly highest and lowest prices of HIB Shares as traded on Bursa Securities for the past twelve (12) months from November 2021 to November 2022 (up to the LPD) are set out below:

	High (RM)	Low (RM)
2021		
November	0.190	0.140
December	0.160	0.140
2022		
January	0.255	0.150
February	0.325	0.240
March	0.330	0.225
April	0.395	0.310
May	0.400	0.315
June	0.385	0.310
July	0.370	0.315
August	0.385	0.310
September	0.435	0.370
October	0.680	0.415
November (up to the LPD)	0.690	0.530
Last transacted market price on 7 October 2022 being the LTD		0.505
Last transacted market price as at the LPD		0.575

(Source: Bloomberg)

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FURTHER INFORMATION

1. CONSENT

Malacca Securities has given and has not subsequently withdrawn its written consent to the inclusion in this IAC of its name, letter and all references thereto in the form and context in which it appears.

M&A Securities has given and has not subsequently withdrawn its written consent to the inclusion in this IAC of its name and all references thereto in the form and context in which it appears.

2. DISCLOSURE OF INTERESTS AND DEALINGS IN SECURITIES**2.1 By HIB****(a) Disclosure of interests in the Offeror**

HIB does not have any interest, whether direct or indirect, in any voting shares or convertible securities of HHSB as at the LPD.

(b) Dealing in the securities of the Offeror

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

(c) Dealing in the securities of HIB

HIB has not dealt, directly or indirectly, in securities of HIB during the period commencing six (6) months before the Offer Period and ending on the LPD.

2.2 By the Directors**(a) Disclosure of interests in the Offeror**

Save as disclosed below, the Directors do not have any interest, whether direct or indirect, in any securities of HHSB as at LPD.

As at the LPD, Dato' Ong Choo Meng holds 144,816,972 shares in HHSB, representing 64.73% equity interest in HHSB.

(b) Dealing in the securities of the Offeror

The Directors have not dealt, directly or indirectly, in any securities of HHSB during the period commencing six (6) months before the Offer Period and ending on the LPD.

(c) Disclosure of interests in HIB

The disclosure of interests of the Directors in accordance with the disclosure requirements of the Rules are set out in section 4 of Appendix I of this IAC.

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FURTHER INFORMATION (Cont'd)

(d) Dealing in HIB Shares

Save as disclosed below, the Offeror, PACs and the directors of the Offeror have not dealt, whether directly or indirectly, in the Shares during the period commencing six (6) months before the commencement of the Offer Period up to the LPD:

No.	Name of transacting party	Date	Nature of transaction	No. of HIB Shares transacted	Transacted price per HIB Share	Total consideration ⁽¹⁾	Percentage of shareholding ⁽²⁾
					(RM)	(RM)	(%)
1	Dato' Ong Soon Ho	23 March 2022	Acquisition	2,047,600	0.29500	604,042	0.18
		24 March 2022	Acquisition	652,400	0.29500	192,458	0.06
2	Datin Teoh Siew Yoke @ Teoh Siew Chin	16 February 2022	Acquisition	100,000	0.27000	27,000	0.01
3	Ong Soon Hooi	16 February 2022	Acquisition	50,000	0.27000	13,500	~
4	Ong Soon Lim	4 February 2022	Acquisition	3,500,000	0.29714	1,039,990	0.31
		7 February 2022	Disposal	2,100,000	0.30500	640,500	0.18
		8 February 2022	Acquisition	1,900,000	0.30000	570,000	0.17
		11 February 2022	Acquisition	1,205,700	0.31500	379,795.50	0.10
		14 February 2022	Acquisition	107,000	0.31500	33,705	0.01
		28 February 2022	Acquisition	500,000	0.29500	147,500	0.04
		1 March 2022	Disposal	562,700	0.29540	166,221.58	0.05
		4 March 2022	Disposal	1,400,000	0.27000	378,000	0.12
		11 March 2022	Disposal	1,650,000	0.26500	437,250	0.14
		14 March 2022	Disposal	1,500,000	0.26000	390,000	0.13
		17 March 2022	Acquisition	1,100,000	0.28000	308,000	0.10
		28 March 2022	Disposal	500,000	0.31000	155,000	0.04
		29 March 2022	Disposal	300,000	0.32000	96,000	0.03
		31 March 2022	Disposal	300,000	0.31000	93,000	0.03
		4 April 2022	Acquisition	2,000,000	0.35260	705,200	0.17
		18 April 2022	Disposal	2,000,000	0.37790	755,800	0.17
1 April 2022	Acquisition	200,000	0.34500	69,000	0.02		
4 April 2022	Acquisition	200,000	0.35500	71,000	0.02		
5	Lim Ah Ker	7 February 2022	Acquisition	10,000	0.28500	2,850	~
		9 February 2022	Acquisition	10,000	0.31000	3,100	~
		9 February 2022	Acquisition	10,000	0.30500	3,050	~
		9 February 2022	Acquisition	5,000	0.30500	1,525	~

FURTHER INFORMATION (Cont'd)

No.	Name of transacting party	Date	Nature of transaction	No. of HIB Shares transacted	Transacted price per HIB Share (RM)	Total consideration ⁽¹⁾ (RM)	Percentage of shareholding ⁽²⁾ (%)
		15 February 2022	Acquisition	50,000	0.26500	13,250	~
		15 February 2022	Acquisition	50,000	0.27500	13,750	~
		15 February 2022	Acquisition	50,000	0.29000	14,500	~
		15 February 2022	Acquisition	50,000	0.28500	14,250	~
		15 February 2022	Acquisition	20,000	0.28500	5,700	~
		17 February 2022	Acquisition	30,000	0.24500	7,350	~
		1 March 2022	Acquisition	50,000	0.29000	14,500	~
		7 March 2022	Acquisition	27,000	0.25500	6,885	~
		7 March 2022	Acquisition	100,000	0.26000	26,000	0.01
		7 March 2022	Acquisition	30,000	0.24500	7,35	~
		31 March 2022	Acquisition	10,000	0.31500	3,150	~
		7 April 2022	Acquisition	10,000	0.34500	3,450	~
		7 April 2022	Acquisition	10,000	0.34000	3,400	~
		11 April 2022	Acquisition	10,000	0.33000	3,300	~
		18 April 2022	Acquisition	50,000	0.37500	18,750	~
		21 April 2022	Acquisition	10,000	0.37500	3,750	~
		26 April 2022	Acquisition	20,000	0.37500	7,500	~
		29 April 2022	Acquisition	50,000	0.37500	18,750	~
6	Vo Nghia Huu	4 February 2022	Acquisition	100,000	0.28000	28,000	0.01
		7 February 2022	Acquisition	80,000	0.29813	23,850.40	0.01
		8 February 2022	Acquisition	40,000	0.29500	11,800	~
		10 February 2022	Acquisition	35,100	0.30000	10,530	~
		11 February 2022	Acquisition	1,500,000	0.31350	470,250	0.13
		16 February 2022	Acquisition	50,000	0.27000	13,500	~
		24 February 2022	Disposal	50,000	0.25600	12,800	~
		28 February 2022	Disposal	20,000	0.30000	6,000	~
		1 March 2022	Acquisition	50,000	0.29400	14,700	~
		3 March 2022	Acquisition	30,000	0.27500	8,250	~
		4 March 2022	Disposal	1,535,100	0.27000	414,477	0.13
		7 March 2022	Acquisition	45,000	0.24667	11,100.15	~
		11 March 2022	Acquisition	25,000	0.25500	6,375	~
		11 March 2022	Acquisition	25,000	0.25500	6,375	~
		15 March 2022	Disposal	30,000	0.25750	7,725	~
		17 March 2022	Disposal	45,000	0.28500	12,825	~

FURTHER INFORMATION (Cont'd)

No.	Name of transacting party	Date	Nature of transaction	No. of HIB Shares transacted	Transacted price per HIB Share (RM)	Total consideration ⁽¹⁾ (RM)	Percentage of shareholding ⁽²⁾ (%)
		23 March 2022	Acquisition	1,173,200	0.29710	348,557.72	0.10
		23 March 2022	Disposal	50,000	0.30000	15,000	~
		28 March 2022	Disposal	70,000	0.31714	22,199.80	0.01
		29 March 2022	Acquisition	60,000	0.31750	19,050	~
		1 April 2022	Disposal	15,000	0.34000	5,100	~
		1 April 2022	Disposal	20,000	0.33750	6,750	~
		4 April 2022	Disposal	30,000	0.35500	10,650	~
		5 April 2022	Acquisition	30,000	0.34500	10,350	~
		5 April 2022	Acquisition	50,000	0.34500	17,250	~
		11 April 2022	Acquisition	120,000	0.32208	38,649.60	0.01
		21 April 2022	Disposal	1,173,200	0.37500	439,950	0.10
		26 April 2022	Acquisition	80,000	0.37313	29,850.40	0.01
		27 April 2022	Acquisition	50,000	0.35000	17,500	~
7	Lian Dazhi	8 June 2022	Acquisition	1,140,000	0.38175	435,195	0.10

Notes:

~ Less than 0.01%

(1) The total consideration excludes brokerage and other incidental costs.

(2) Computed based 1,147,341,623 HIB Shares in issue as at the LPD.

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FURTHER INFORMATION (Cont'd)

2.3 By the persons with whom HIB or any persons acting in concert with it has any arrangement

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

2.4 By the persons with whom HIB or any persons acting in concert with it has borrowed or lent

As at the LPD, there is no person with whom HIB or any persons acting in concert with it has borrowed or lent any HIB Shares.

3. DISCLOSURE OF INTERESTS BY MALACCA SECURITIES AND FUNDS WHOSE INVESTMENTS ARE MANAGED BY MALACCA SECURITIES ON A DISCRETIONARY BASIS (“DISCRETIONARY FUNDS”)

Save as disclosed below, as at the LPD, Malacca Securities and funds whose investments are managed by Malacca Securities on a discretionary basis, do not have any interest, whether direct or indirect, in any voting shares, voting rights or convertible securities of HIB:

(a) Disclosure of interest in HIB

As at the LPD, Malacca Securities and the Discretionary Funds do not have any interest, direct or indirect, in any voting shares of HIB.

(b) Disclosure of dealings in HIB

Save as disclosed below, as at the LPD, Malacca Securities and the Discretionary Funds have not dealt directly or indirectly, in any voting shares of HIB during the period commencing 6 months before the commencement of the Offer Period and up to the LPD:

Date	Nature of transaction	No. of HIB Shares transacted	Transacted price per HIB Share (RM)	Total consideration (RM)	Percentage of shareholding ⁽¹⁾ (%)
11 February 2022	Acquisition	13,000	0.305000	3,965.00	*
17 February 2022	Disposal	13,000	0.245000	3,185.00	*
18 February 2022	Acquisition	13,000	0.267500	3,477.50	*
24 February 2022	Acquisition	5,000	0.280000	1,400.00	*
3 March 2022	Acquisition	50,000	0.290000	14,500.00	*
3 March 2022	Disposal	50,000	0.280000	14,000.00	*
30 March 2022	Acquisition	9,000	0.325000	2,925.00	*
30 March 2022	Acquisition	20,000	0.330000	6,600.00	*
30 March 2022	Disposal	20,000	0.325000	6,500.00	*
4 April 2022	Acquisition	300,000	0.350000	105,000.00	0.03
4 April 2022	Disposal	300,000	0.350000	105,000.00	0.03
18 April 2022	Acquisition	5,000	0.380000	1,900.00	*
18 April 2022	Acquisition	50,000	0.375000	18,750.00	*
18 April 2022	Disposal	50,000	0.375000	18,750.00	*
18 April 2022	Acquisition	10,000	0.375000	3,750.00	*
21 April 2022	Disposal	10,000	0.380000	3,800.00	*
21 April 2022	Disposal	12,000	0.375000	4,500.00	*
22 April 2022	Disposal	20,000	0.384850	7,697.00	*
22 April 2022	Acquisition	10,000	0.375000	3,750.00	*
22 April 2022	Disposal	10,000	0.375000	3,750.00	*
25 April 2022	Acquisition	70,000	0.390000	27,300.00	*
25 April 2022	Disposal	70,000	0.390000	27,300.00	*
20 July 2022	Acquisition	50,000	0.355000	17,750.00	*
20 July 2022	Disposal	50,000	0.355000	17,750.00	*

FURTHER INFORMATION (Cont'd)

Date	Nature of transaction	No. of HIB Shares transacted	Transacted price per HIB Share (RM)	Total consideration (RM)	Percentage of shareholding ⁽¹⁾ (%)
8 August 2022	Acquisition	120,000	0.370000	44,400.00	0.01
8 August 2022	Disposal	120,000	0.368333	44,199.96	0.01
4 October 2022	Acquisition	100	0.490000	49.00	*
4 October 2022	Disposal	100	0.485000	48.50	*

Notes:

* Negligible

(1) Computed based on 1,147,341,623 HIB Shares as at the LPD.

4. ARRANGEMENT AFFECTING DIRECTORS

- (a) As at the LPD, no payment or other benefits will be made or given to any Director as compensation for loss of office or otherwise in connection with the Offer.
- (b) As at the LPD, save for the Acquisition, there is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offer or otherwise connected with the outcome of the Offer.
- (c) As at the LPD, save for the Acquisition, there is no material contract entered into by the Offeror and its PACs in which any Director of HIB has a material personal interest.

5. DIRECTORS' SERVICE AGREEMENTS

As at the LPD, neither HIB nor its subsidiaries have any service contracts with any of its Directors or proposed Directors, which excludes contracts expiring or determinable by HIB or its subsidiaries, without payment or compensation (other than statutory compensation) within twelve (12) months from the date of this IAC, which have been entered into or amended within six months before the commencement of the Offer Period or which are fixed term contracts with more than 12 months to run.

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of HIB at Level 5, Block B, Dataran PHB, Saujana Resort, Section U2, 40150 Shah Alam, Selangor during normal business hours from Monday to Friday (except public holidays) up to and including the Closing Date of the Offer:

- (a) the Constitution;
- (b) the audited consolidated financial statements of the Company for the past three (3) FYE 31 August 2019 to 31 August 2022 and the unaudited quarterly report on consolidated results for the 12-month FPE 31 August 2022;
- (c) a copy of the Notice;
- (d) the letters of consent as referred to in section 1 above;
- (e) the material contract(s) of HIB Group as referred to in section 12 of Appendix I of this IAC; and
- (f) the letter from SC dated 11 November 2022 notifying it has no further comments on this IAC.