

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

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

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**HEXTAR GLOBAL BERHAD**  
(Registration No. 199001014551 (206220-U))  
(Incorporated in Malaysia)

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE**

**PART A**

- (I) **PROPOSED DISPOSAL OF 2 ADJOINING PARCELS OF LEASEHOLD INDUSTRIAL LANDS HELD UNDER INDIVIDUAL TITLES NO. PN 12168, LOT 88089, AND PN 12170, LOT 88105, LOCATED IN MUKIM KLANG, DISTRICT OF KLANG, STATE OF SELANGOR, MEASURING APPROXIMATELY 229,311 SQUARE FEET IN TOTAL LAND AREA, TOGETHER WITH THE BUILDINGS ERRECTED THEREON (“KLANG PROPERTIES”) BY HEXTAR CHEMICALS SDN BHD, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HEXTAR GLOBAL BERHAD, TO PACIFIC TRUSTEES BERHAD, BEING THE TRUSTEE OF KIP REAL ESTATE INVESTMENT TRUST FOR A CASH CONSIDERATION OF RM27.00 MILLION (“PROPOSED DISPOSAL”); AND**
- (II) **PROPOSED LEASEBACK OF THE KLANG PROPERTIES BY HEXTAR CHEMICALS SDN BHD FROM PACIFIC TRUSTEES BERHAD FOR A TENURE OF 15 YEARS, COMMENCING ON THE DAY IMMEDIATELY AFTER COMPLETION OF THE PROPOSED DISPOSAL (“PROPOSED LEASEBACK”)**
- (COLLECTIVELY, THE “PROPOSED DISPOSAL AND LEASEBACK”)**

**PART B**

**INDEPENDENT ADVICE LETTER FROM ECO ASIA CAPITAL ADVISORY SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF HEXTAR GLOBAL BERHAD IN RELATION TO THE PROPOSED DISPOSAL AND LEASEBACK**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Principal Adviser for Part A**



**TA SECURITIES HOLDINGS BERHAD**  
(Registration No. 197301001467 (14948-M))

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**Independent Adviser for Part B**



**ECO ASIA CAPITAL ADVISORY SDN BHD**  
(Registration No. 201801022562 (1284581-H))

The Notice of Extraordinary General Meeting (“EGM”) together with the Proxy Form are enclosed with this Circular. Details of the Company’s EGM which to be conducted on a **fully virtual basis** by way of live streaming and online remote voting via Remote Participation and Voting (“RPV”) facilities via TIIH Online websites at <https://tjih.online> or at <https://tjih.my> (Domain Registration No. MYNIC:D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia are set out below:

Date and time of EGM : Tuesday, 11 October 2022 at 2.00 p.m.  
Last day, date and time for lodging the Proxy Form : Sunday, 9 October 2022 at 2.00 p.m.

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

This Circular is dated 23 September 2022

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

<b>BNM</b>	:	Bank Negara Malaysia
<b>Board</b>	:	Board of Directors of Hextar
<b>Bursa Securities</b>	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
<b>Circular</b>	:	The circular to Shareholders in relation to the Proposed Disposal and Leaseback
<b>Directors</b>	:	Directors of the Company for the time being and shall have the meaning ascribed to it in Section 2(1) of the Companies Act 2016 and Section 2(1) of the Capital Markets and Services Act 2007 and Director shall be construed accordingly
<b>Disposal Consideration</b>	:	Cash consideration of RM27.00 million for the disposal of the Klang Properties
<b>Eco Asia or Independent Adviser</b>	:	Eco Asia Capital Advisory Sdn Bhd (201801022562 (1284581-H)), the independent adviser in relation to the Proposed Disposal and Leaseback
<b>EGM</b>	:	Extraordinary general meeting of the Company
<b>EPS</b>	:	Earnings per Share
<b>FYE</b>	:	Financial year ended /ending, as the case may be
<b>Hextar or the Company</b>	:	Hextar Global Berhad (199001014551 (206220-U))
<b>Hextar Chemicals or the Vendor</b>	:	Hextar Chemicals Sdn Bhd (198501000618 (133061-V)), an indirect wholly-owned subsidiary of Hextar
<b>Hextar Group or the Group</b>	:	Collectively, Hextar and its subsidiaries
<b>Hextar Holdings</b>	:	Hextar Holdings Sdn Bhd (200601002945 (722692-V))
<b>Hextar Shares or the Shares</b>	:	Ordinary shares in Hextar
<b>Interested Directors</b>	:	Has the meaning ascribed to it in Section 9, Part A of this Circular
<b>Interested Major Shareholders</b>	:	Has the meaning ascribed to it in Section 9, Part A of this Circular
<b>Interested Parties</b>	:	Has the meaning ascribed to it in Section 9, Part A of this Circular
<b>KIP REIT</b>	:	KIP Real Estate Investment Trust, further details of which are set out in Section 2.1.7, Part A of this Circular
<b>Klang Properties</b>	:	2 adjoining parcels of leasehold industrial lands held under individual titles no. PN 12168, Lot 88089, and PN 12170, Lot 88105, located in Mukim Klang, District of Klang, State of Selangor, measuring approximately 229,311 sqft in total land area, together with the buildings erected thereon

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**DEFINITIONS (CONT'D)**

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<b>Lease Agreement</b>	:	Lease agreement signed in escrow between Pacific Trustees and Hextar Chemicals in relation to the Proposed Leaseback of the Klang Properties, which will be commenced upon completion of the Proposed Disposal
<b>Listing Requirements</b>	:	Main Market Listing Requirements of Bursa Securities, as amended from time to time
<b>LPD</b>	:	5 September 2022, being the latest practicable date prior to the printing of the Circular
<b>NA</b>	:	Net assets
<b>Pacific Trustees or the Purchaser</b>	:	Pacific Trustees Berhad (199401031319 (317001-A)), being the trustee of KIP REIT
<b>Proposed Disposal</b>	:	The proposed disposal of the Klang Properties by Hextar Chemicals to Pacific Trustees for the Disposal Consideration pursuant to the SPA
<b>Proposed Disposal and Leaseback</b>	:	Collectively, the Proposed Disposal and Proposed Leaseback
<b>Proposed Leaseback</b>	:	The proposed leaseback of the Klang Properties by Hextar Chemicals from Pacific Trustees at the Rental Rates for a tenure of 15 years, commencing on the day immediately after completion of the Proposed Disposal
<b>Rental Rates</b>	:	The rental rates for the leaseback of the Klang Properties, details of which are set out in Section 2.2, Part A of this Circular
<b>RM and sen</b>	:	Ringgit Malaysia and sen respectively
<b>Shareholders</b>	:	Registered holders of Hextar Shares
<b>SPA</b>	:	Conditional sale and purchase agreement dated 12 July 2022 entered into between the Vendor and the Purchaser in relation to the Proposed Disposal
<b>sqft</b>	:	Square feet
<b>TA Securities or the Principal Adviser</b>	:	TA Securities Holdings Berhad (197301001467 (14948-M))
<b>Valuer</b>	:	Henry Butcher Malaysia (Sel) Sdn Bhd (199901020603 (495503-K))

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**DEFINITIONS (CONT'D)**

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All references to “you” in this Circular are to the Shareholders.

In this Circular, words referring to the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise stated. Any discrepancies in the tables between the amounts stated, actual figures and the totals thereof in this Circular are due to rounding.

Certain statements in this Circular may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved, and the inclusion of a forward-looking statement in this Circular should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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**TABLE OF CONTENTS**

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	<b>PAGE</b>
<b>EXECUTIVE SUMMARY</b>	<b>v</b>
<b>PART A: LETTER TO THE SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED DISPOSAL AND LEASEBACK CONTAINING:</b>	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED DISPOSAL AND LEASEBACK	2
3. RATIONALE AND BENEFITS FOR THE PROPOSED DISPOSAL AND LEASEBACK	7
4. RISK FACTORS FOR THE PROPOSED DISPOSAL AND LEASEBACK	8
5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS	9
6. EFFECTS OF THE PROPOSED DISPOSAL AND LEASEBACK	11
7. APPROVALS REQUIRED AND CONDITIONALITY	13
8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION	13
9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM	14
10. DIRECTORS' STATEMENT AND RECOMMENDATION	17
11. AUDIT COMMITTEE STATEMENT	17
12. INDEPENDENT ADVICE	17
13. ESTIMATED TIMEFRAME FOR COMPLETION	18
14. EGM	18
15. FURTHER INFORMATION	19
<b>PART B: INDEPENDENT ADVICE LETTER FROM ECO ASIA TO THE NON-INTERESTED SHAREHOLDERS OF HEXSTAR IN RELATION TO THE PROPOSED DISPOSAL AND LEASEBACK</b>	<b>20</b>
<b>APPENDICES</b>	
I FURTHER INFORMATION	61
II INFORMATION ON THE KLANG PROPERTIES	63
III SALIENT TERMS OF THE SPA	65
IV SALIENT TERMS OF THE LEASE AGREEMENT	71
V VALUATION CERTIFICATE FOR THE KLANG PROPERTIES	74
NOTICE OF EGM	ENCLOSED
PROXY FORM	ENCLOSED

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## EXECUTIVE SUMMARY

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This Executive Summary only highlights the key information from other parts of the Circular. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Circular for further details before voting at the EGM.

### Summary

#### **Summary of the Proposed Disposal and Leaseback**

- (i) The proposed disposal of the Klang Properties by Hextar Chemicals to Pacific Trustees for the Disposal Consideration pursuant to the SPA; and
- (ii) The proposed leaseback of the Klang Properties by Hextar Chemicals from Pacific Trustees at the Rental Rates for a tenure of 15 years, commencing on the day immediately after completion of the Proposed Disposal.

(Collectively, Proposed Disposal and Leaseback)

Please refer to Section 2, Part A of this Circular for further information.

#### **Rationale for the Proposed Disposal and Leaseback**

- (i) unlock the value of its investments in the Klang Properties;
- (ii) monetise its investments in the Klang Properties;
- (iii) improve its financial position and financial performance; and
- (iv) the Proposed Leaseback allows the Group to ensure that its existing business operations (operated in the Klang Properties) are not disrupted.

Please refer to Section 3, Part A of this Circular for further information.

#### **Risk Factors for the Proposed Disposal and Leaseback**

**(i) Completion risk**

The completion of the Proposed Disposal and Leaseback is subject to the fulfilment of the conditions precedent as stipulated in the SPA and Lease Agreement. If any of these conditions precedent are not fulfilled or waived, the SPA and Lease Agreement may be terminated. Pursuant thereto, Hextar Chemicals will not be able to complete the Proposed Disposal and Leaseback.

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

The Disposal Consideration is based on the prevailing market values appraised by the Valuer. Therefore, effecting the Proposed Disposal could result in the Group not realising a potentially higher value from the Klang Properties if it is disposed of later.

**(iii) Leasing risk**

Post completion of the Proposed Disposal, the Group may continue to occupy and utilise the Klang Properties throughout the tenure of the lease (15 years). However, there is no provision in the Lease Agreement for the renewal of the lease upon expiry of the 15-year lease. If the Group is unable to renew its lease for the Klang Properties after the expiry of the 15-year lease or relocate its operations to a suitable alternative location, the Group's operations which are currently being carried out in the Klang Properties may be affected.

Please refer to Section 4, Part A of this Circular for further information.

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<b>Summary</b>
<p><b><u>Approvals required</u></b></p> <ul style="list-style-type: none"><li>(i) non-interested Shareholders at the forthcoming EGM;</li><li>(ii) unitholders of KIP REIT at its EGM in respect of the proposed acquisition of the Klang Properties;</li><li>(iii) consent from the State Authority for the transfer of the Klang Properties from Hextar Chemicals to Pacific Trustees; and</li><li>(iv) any other relevant authorities and/or parties, if required.</li></ul> <p>Please refer to Section 7, Part A of this Circular for further information.</p>
<p><b><u>Interests of Directors, major Shareholders, chief executive and/or persons connected with them</u></b></p> <p>Save as disclosed below, none of the Directors, major Shareholders, chief executive and persons connected with them has any interest, direct or indirect in the Proposed Disposal and Leaseback:</p> <ul style="list-style-type: none"><li>(i) Dato' Ong Choo Meng is an Executive Director of Hextar and a major Shareholder with direct interest of 7.79% and indirect interest of 59.06% by virtue of his interest in Hextar Holdings as at the LPD. In addition, Dato' Ong Choo Meng is also a major unitholder of KIP REIT with indirect interest of 17.53% by virtue of his interest in Hextar Rubber Sdn Bhd as at the LPD. In addition, he is the son of Dato' Ong Soon Ho;</li><li>(ii) Dato' Ong Soon Ho is the Non-Independent Non-Executive Vice Chairman of Hextar and a major Shareholder with indirect interest of 59.06% by virtue of his interest in Hextar Holdings as at the LPD. In addition, he is the father of Dato' Ong Choo Meng; and</li><li>(iii) Hextar Holdings is a major Shareholder with direct interest of 59.06% in Hextar as at the LPD. Dato' Ong Choo Meng and Dato' Ong Soon Ho are shareholders and directors in Hextar Holdings. As such, Hextar Holdings is deemed interested in the Proposed Disposal and Leaseback.</li></ul> <p>Please refer to Section 9, Part A of this Circular for further information.</p>
<p><b><u>Board's recommendation</u></b></p> <p>The Board (save for the Interested Directors), having considered all aspects of the Proposed Disposal and Leaseback, including the salient terms of the SPA and Lease Agreement, the basis and justification for the Disposal Consideration and Rental Rates, the rationale and benefits for the Proposed Disposal and Leaseback as well as the effects of the Proposed Disposal and Leaseback, the Board (save for the Interested Directors) recommends that the non-interested shareholders vote in favour of the resolutions pertaining to the Proposed Disposal and Leaseback to be tabled at the forthcoming EGM.</p> <p>Please refer to Section 10, Part A of this Circular for further information.</p>

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**PART A**

**LETTER TO THE SHAREHOLDERS OF THE COMPANY IN RELATION TO THE  
PROPOSED DISPOSAL AND LEASEBACK**





**HEXTAR GLOBAL BERHAD**  
(Registration No. 199001014551 (206220-U))  
(Incorporated in Malaysia)

**Registered Office:**

Unit 30-01, Level 30, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

23 September 2022

**Board of Directors**

Y.D.H. Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir (Independent Non-Executive Chairman)  
Y. Bhg. Dato' Ong Soon Ho (Non-Independent Non-Executive Vice Chairman)  
Y. Bhg. Dato' Ong Choo Meng (Executive Director)  
Lee Chooi Keng (Executive Director)  
Yeoh Chin Hoe (Senior Independent Non-Executive Director)  
Liew Jee Min @ Chong Jee Min (Independent Non-Executive Director)

**To: The Shareholders**

Dear Sir / Madam,

- (I) **PROPOSED DISPOSAL; AND**
- (II) **PROPOSED LEASEBACK**

**(COLLECTIVELY, THE "PROPOSED DISPOSAL AND LEASEBACK")**

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**1. INTRODUCTION**

On 12 July 2022, TA Securities had, on behalf of the Board, announced that Hextar Chemicals, an indirect wholly-owned subsidiary of Hextar, had on 12 July 2022 entered into the SPA with Pacific Trustees, the trustee of KIP REIT for the Proposed Disposal.

In conjunction with the Proposed Disposal, Hextar Chemicals had also signed in escrow the Lease Agreement with Pacific Trustees to lease the Klang Properties for 15 years. The aforesaid lease will commence on the day immediately upon the completion of the Proposed Disposal and the Lease Agreement will be dated on the same day.

In view of the interests of the Interested Major Shareholder and Interested Directors as set out in the Section 9, Part A of this Circular, the Proposed Disposal and Leaseback is deemed as a related party transaction. Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, Eco Asia was appointed as the Independent Adviser to advise the non-interested Directors and non-interested shareholders on:

- (i) whether the Proposed Disposal and Leaseback is fair and reasonable so far as the non-interested shareholders are concerned;

- (ii) whether the Proposed Disposal and Leaseback is to the detriment to the non-interested shareholders; and
- (iii) whether the non-interested shareholders should vote in favour of the Proposed Disposal and Leaseback.

**THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH RELEVANT INFORMATION ON THE PROPOSED DISPOSAL AND LEASEBACK AND TO SET OUT THE VIEWS AND RECOMMENDATION OF THE BOARD AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSED DISPOSAL AND LEASEBACK WHICH WILL BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE PROXY FORM ARE ENCLOSED IN THIS CIRCULAR.**

**YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTIONS TO GIVE EFFECT TO THE PROPOSED DISPOSAL AND LEASEBACK TO BE TABLED AT THE FORTHCOMING EGM.**

## **2. DETAILS OF THE PROPOSED DISPOSAL AND LEASEBACK**

### **2.1 Details of the Proposed Disposal**

The Proposed Disposal entails the disposal of the Klang Properties by Hextar Chemicals to Pacific Trustees for the Disposal Consideration free from all encumbrances and subject to the terms and conditions contained in the SPA.

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

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

#### **2.1.1 Basis and justification for the Disposal Consideration**

Hextar Chemicals had appointed the Valuer, who is registered with the Board of Valuers, Appraisers and Estate Agents Malaysia to conduct an independent valuation on the Klang Properties. The market value of the Klang Properties as appraised by the Valuer from both the Investment Method and Cost Approach is RM27.00 million.

In the Investment Method, the market value of the Klang Properties is derived from an estimate of the market rental which the Klang Properties can reasonably be receiving. Rental may be obtained from current or contractual rents for the term interest and the market rent based on similar properties for the reversionary term (i.e. remaining unexpired term of the property after the expiry of the lease term). Outgoings, such as property taxes, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is then capitalised to arrive at the property's market value at an appropriate current market yield.

The Cost Approach method of valuation is based on an estimate of the current market value of land for its existing use, plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

The Disposal Consideration was arrived at on a willing-buyer willing-seller basis and after taking into account the following:

- (i) the Disposal Consideration is equivalent to the market value of the Klang Properties as appraised by the Valuer;

- (ii) the net pro forma gain arising from the Proposed Disposal of approximately RM4.26 million as detailed in Section 2.1.4, Part A of this Circular; and
- (iii) the rationale and benefits for the Proposed Disposal as set out in Section 3, Part A of this Circular.

### 2.1.2 Liabilities to be assumed

Save for the monthly rental pursuant to the Proposed Leaseback, there are no liabilities, contingent liabilities and guarantees to be assumed by the Group pursuant to the Proposed Disposal. Further, Hextar will not provide any guarantees to the Purchaser in respect of the Proposed Disposal.

### 2.1.3 Original cost of investment

Hextar Chemicals acquired the Klang Properties on 12 October 2005. The total cost of investment by Hextar Chemicals in the Klang Properties, including land acquisition cost, building cost and renovation cost up to the LPD is RM12.58 million.

### 2.1.4 Expected gain from the Proposed Disposal

Based on the Company's audited consolidated financial statements for the FYE 31 December 2021, the Group is expected to realise a net pro forma gain of approximately RM4.26 million pursuant to the Proposed Disposal, calculated as follows:

	<b>Amount (RM' million)</b>
Disposal Consideration	27.00
Less: Net book value of the Klang Properties	(27.00)
<b>Pro forma gain from the Proposed Disposal</b>	<b>-</b>
Reversal of deferred taxation	4.26
<b>Net gain from the Proposed Disposal</b>	<b>4.26</b>

### 2.1.5 Utilisation of proceeds

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

	<b>Expected utilisation timeframe from the receipt of proceeds</b>	<b>Amount (RM'000)</b>
(i) Working capital	Within 24 months	26,500
(ii) Estimated expenses	Immediate	500
<b>Total</b>		<b>27,000</b>

#### (i) Working capital

The Group intends to utilise RM26.50 million to fund its working capital requirements. This includes financing the Group's operating expenses, which shall include, amongst others, purchase of raw materials for the Group's agriculture, specialty chemicals and consumer products segment, payment of administrative expenses such as rental, utilities, transportation costs, upkeep of the office, staff salaries, factory expenses such as upkeep of factory building and equipment, as well as repair and maintenance of machinery. However, the actual breakdown of these expenses cannot be determined at this juncture as it will depend on the actual administrative requirements of the Group at the relevant time.

(ii) **Estimated expenses**

The breakdown of estimated expenses for the Proposed Disposal and Leaseback is illustrated as follows:

<b>Estimated expenses</b>	<b>Amount (RM'000)</b>
Professional fees	420
Fees to relevant authorities	20
Printing, despatch and advertising expenses	20
Miscellaneous expenses and contingencies	40
	<b>500</b>

Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for working capital.

Pending utilisation of the proceeds from the Proposed Disposal, the proceeds may be placed in deposits with financial institutions and/or short-term money market instruments. The interest derived from the deposits with financial institutions and/or any gains arising from the short-term money market instruments will be used as additional funds for the working capital requirements of the Group.

**2.1.6 Information on the Vendor**

Hextar Chemicals is a private limited company incorporated in Malaysia on 9 January 1985. Hextar Chemicals is a wholly-owned subsidiary of Hextar Chemicals Group Sdn Bhd, which in turn is a wholly-owned subsidiary of Hextar. As at the LPD, the issued share capital of Hextar Chemicals is RM10,000,000 comprising 10,000,000 ordinary shares. The principal activities of Hextar Chemicals are manufacturing, exporting and distributing of chemicals.

As at the LPD, Hextar Chemicals Group Sdn Bhd, a wholly-owned subsidiary of Hextar, is the sole shareholder of Hextar Chemicals.

As at the LPD, the directors of Hextar Chemicals are Teh Li King and Lo Ngen Loi.

**2.1.7 Information on the Purchaser**

**KIP REIT**

KIP REIT is a real estate investment trust established in Malaysia on 2 November 2016 under the trust deed dated 2 November 2016 and amended and restated by the restated trust deed dated 12 December 2019, between KIP REIT Management Sdn Bhd and Pacific Trustees. KIP REIT was listed on Main Market of Bursa Securities on 6 February 2017. As at the LPD, the unitholders' capital is RM552,255,554.13 comprising 578,950,000 units.

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

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

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

Directors	Direct		Indirect	
	No. of units	(1)%	No. of units	(1)%
Dato' Dr Syed Hussain bin Syed Husman, JP	60,000	0.01	-	-
Dato' Ong Kook Liong	61,486,283	10.62	<sup>(2)</sup> 3,878,492	0.67
Datuk Mohamed Arsad bin Sehan	60,000	0.01	-	-
Chiam Tau Meng	-	-	-	-
Ong Pui Shan	200,000	0.03	-	-
Ong Tzu Chuen	-	-	<sup>(3)</sup> 101,500,000	17.53

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

Unitholders	Direct		Indirect	
	No. of units	(1)%	No. of units	(1)%
Dato' Ong Kook Liong	61,486,283	10.62	<sup>(2)</sup> 3,878,492	0.67
Hextar Rubber Sdn Bhd	101,500,000	17.53	-	-
Dato' Ong Choo Meng	4,976,000	0.86	<sup>(3)</sup> 101,500,000	17.53
Ong Tzu Chuen	-	-	<sup>(3)</sup> 101,500,000	17.53
Datin Teoh Siew Chin	34,347,288	5.93	-	-

**Notes:**

- (1) Based on 578,950,000 KIP REIT units.
- (2) Deemed interested by virtue of the interest held through his spouse and child.
- (3) Deemed interested by virtue of his / her interest in Hextar Rubber Sdn Bhd.

**Pacific Trustees**

Pacific Trustees was incorporated in Malaysia on 21 September 1994 and was registered as a trust company on 29 September 1995. As at the LPD, the issued share capital of Pacific Trustees is RM9,200,000 comprising 920,000 ordinary shares.

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

As at the LPD, the directors of Pacific Trustees are Tan Sri Datuk Amar Steve Shim Lip Khong, Tan Sri Abdul Gani Patail, Cheah Boon Hoe, Wee Choo San, Razak Bin Ahmad, Ong Kim Eng, George Cheah Ken-Lee, Edward Cheah Ken-Sze, Isaac Cheah Ken-Young (Alternate Director to Wee Choo San) and Jas Bir Kaur A/P Lol Singh.

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## 2.2 Proposed Leaseback

The Proposed Leaseback entails Hextar Chemicals leasing the Klang Properties from Pacific Trustees for a period of 15 years, commencing on the day immediately after the completion of the SPA, subject to the terms and conditions in the Lease Agreement with the rental rates set out below:

Lease term	Year	Rental per month (RM)	Rental per sqft (RM)	Rental increment per term (%)
Term 1	1 to 3	146,260.42	1.30	-
Term 2	4 to 6	165,274.25	1.47	13.0
Term 3	7 to 10	186,759.92	1.66	13.0
Term 4	11 to 15	211,038.67	1.88	13.0

Pursuant to the Lease Agreement, there is no provision for the renewal of the lease upon expiry of the 15-year lease.

Please refer to Appendix IV of this Circular for the salient terms of the Lease Agreement.

### 2.2.1 Basis and justification for the Rental Rates

The Rental Rates have been compared against the comparable rental analysis conducted by the Valuer.

The rental value comparison approach involves comparing Klang Properties with asking rental rates for properties of a similar nature or offers for rental of similar properties in the area. In addition, asking rental rates for similar properties situated within the vicinity which are pertinent to substantiate a value indication for the subject are reviewed.

The Rental Rates were arrived at after taking into consideration the following:

- (i) the market rental rate of comparable properties vide the comparable rent analysis conducted by the Valuer. The Rental Rates of the Klang Properties is within the range of the market rental rates of comparable properties derived from the comparable rent analysis;
- (ii) the rental increment for each term of 13% above the prevailing total monthly rental, would translate into an effective annual rental increment rate of 3.08%<sup>(1)</sup>. The effective annual rental increment rate is within the market range (i.e. 3.00% to 3.22%) of comparable properties<sup>(2)</sup> derived from the comparable rent increment analysis; and
- (iii) the rationale and benefits of the Proposed Leaseback as set out in Section 3, Part A of this Circular.

Notes:

- (1) Based on the rental rates set out in Section 2.2, Part A of this Circular, the total lease payment throughout the tenure of the 15-year lease is RM32.8 million. This translates to an effective annual rental increment rate of 3.08% from the first year rental of RM1.76 million.

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(2) The comparable properties are as follows:

Property Address	Date of Lease / Tenancy Agreement	Rental Rate	Rental Incremental per Term	Effective Annual Rental Increment rate
89A, Jalan i-Park 1/6, Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor.	13 January 2020	<b><u>1<sup>st</sup> Term (3 years and 1 month)</u></b> RM89,933.87 per month <b><u>2<sup>nd</sup> Term (3 years)</u></b> RM101,925.05 per month <b><u>3<sup>rd</sup> Term (4 years)</u></b> RM113,916.23 per month	<b><u>2<sup>nd</sup> Term</u></b> 13.3% <b><u>3<sup>rd</sup> Term</u></b> 11.8%	3.01%
150F, Block A, Jalan Kampung Jawa, Taman Perindustrian Bayan Lepas, Bayu Lepas, Pulau Pinang	12 February 2019	<b><u>1<sup>st</sup> Term (1 year)</u></b> RM379,864.00 per month	Annual increment 3.0% (for the 15 years lease term)	3.00%
Balai Berita Shah Alam, No.16, Jalan Astaka U8/88, Taman Perindustrian Bukit Jelutong, Shah Alam, Selangor	30 August 2018	<b><u>1<sup>st</sup> Term (3 year)</u></b> RM660,326.00 per month <b><u>2<sup>nd</sup> Term (3 year)</u></b> RM726,538.60 per month <b><u>3<sup>rd</sup> Term (3 year)</u></b> RM798,994.46 per month <b><u>4<sup>th</sup> Term (3 year)</u></b> RM918,843.63 per month <b><u>5<sup>th</sup> Term (3 year)</u></b> RM1,056,670.17 per month	<b><u>2<sup>nd</sup> Term</u></b> 10.0% <b><u>3<sup>rd</sup> Term</u></b> 10.0% <b><u>4<sup>th</sup> Term</u></b> 15.0% <b><u>5<sup>th</sup> Term</u></b> 15.0%	3.22%

(Source: Extracted from the valuation report dated 12 July 2022 prepared by the Valuer)

The above comparable properties are the most recent available transactions which are relevant to the Klang Properties, as (i) these transactions are for industrial properties; (ii) long lease tenure; and (iii) the lease arrangements features a step-up mechanism.

### 3. RATIONALE AND BENEFITS FOR THE PROPOSED DISPOSAL AND LEASEBACK

The Proposed Disposal and Leaseback is expected to allow the Group to achieve the following:

- (i) unlock the value of its investments in the Klang Properties. In this respect, the Group is expected to record a net pro forma gain of disposal of RM4.26 million as set out in Section 2.1.4, Part A of this Circular;
- (ii) monetise its investments in the Klang Properties. The Group will be able to utilise the Disposal Consideration of RM27.00 million in the manner set out in Section 2.1.5, Part A of this Circular, which is expected to allow the Group to ease funding requirements from its existing business operations including working capital;
- (iii) improve its financial position and financial performance. The net pro forma gain of disposal of RM4.26 million is expected to increase the NA and earnings of the Group; and
- (iv) the Proposed Leaseback allows the Group to ensure that its existing business operations (operated in the Klang Properties) are not disrupted.

## **4. RISK FACTORS FOR THE PROPOSED DISPOSAL AND LEASEBACK**

### **4.1 Completion risk**

The completion of the Proposed Disposal and Leaseback is subject to the fulfilment of the conditions precedent as stipulated in the SPA and Lease Agreement. If any of these conditions precedent are not fulfilled or waived, the SPA and Lease Agreement may be terminated. Pursuant thereto, Hextar Chemicals will not be able to complete the Proposed Disposal and Leaseback.

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

Nonetheless, if the Proposed Disposal and Leaseback does not materialise, the Group will continue to own the Klang Properties and benefit from such ownership, either for own use and/or by leasing the Klang Properties to external tenants.

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

The Disposal Consideration is based on the prevailing market values appraised by the Valuer. Therefore, effecting the Proposed Disposal could result in the Group not realising a potentially higher value from the Klang Properties if it is disposed of later.

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

### **4.3 Leasing risk**

The Proposed Leaseback allows the Group to ensure that its existing business operations (operated in the Klang Properties) are not disrupted. Post completion of the Proposed Disposal, the Group may continue to occupy and utilise the Klang Properties throughout the tenure of the lease (15 years). However, pursuant to the Lease Agreement, there is no provision for the renewal of the lease upon expiry of the 15-year lease.

If the Group is unable to renew its lease for the Klang Properties after the expiry of the 15-year lease or relocate its operations to a suitable alternative location, the Group's operations which are currently being carried out in the Klang Properties may be affected.

Notwithstanding this, the Group will endeavour to take all reasonable steps to mitigate the aforesaid risk by, amongst others, commencing early negotiations to renew the lease term or source for a new location to relocate its business operations.

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## 5. INDUSTRY OVERVIEW, OUTLOOK AND PROSPECTS

### 5.1 Overview and outlook of the Malaysian economy

The Malaysian economy registered a strong growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While growth was lifted to some extent by the low base from the Full Movement Control Order (FMCO) in June 2021, growth in April and May 2022 was particularly robust, underpinned by the continued recovery in labour market conditions and policy support. The improvement also reflected normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for E&E products. In terms of economic activity, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy increased by 3.5% (1Q 2022: 3.8%).

During the quarter, domestic demand registered a higher growth of 13.0% (1Q 2022: 4.4%). This was mainly supported by a robust growth in private expenditure amid further normalisation of economic activity, as well as improving labour market conditions. On the external front, demand for Malaysia's exports, particularly for E&E products, remained strong.

Private consumption grew at a faster pace of 18.3% (1Q 2022: 5.5%), driven by higher spending on necessities and selected discretionary items such as restaurants and hotels, recreational services and household furnishings. The strength in consumer expenditure was primarily driven by the recovery in the labour market. Policy support, including the implementation of minimum wage hike,<sup>1</sup> Bantuan Keluarga Malaysia and an Employees Provident Fund (EPF)-related measure also provided additional lift to consumer spending.

Public consumption expanded at a moderate pace of 2.6% (1Q 2022: 6.7%), weighed down by lower supplies and services spending, reflecting smaller COVID-19 related expenditure

Gross fixed capital formation (GFCF) registered a higher growth of 5.8% (1Q 2022: 0.2%) as capital spending by both private and public sectors improved. By type of asset, investments in structures and other assets expanded by 3.8% (1Q 2022: -7.9%) and 0.2% (1Q 2022: -0.9%) respectively. Meanwhile, machinery and equipment (M&E) investments grew by 9.6% (1Q 2022: 12.0%).

Private investment expanded by 6.3% (1Q 2022: 0.4%), supported by increased capital spending in the services and manufacturing sectors. Structures investments improved, as businesses across the key sectors resumed investment projects, particularly in the non-residential segment. Furthermore, capital spending in manufacturing and ICT-related machinery and equipment continued to lift investment growth. This is in line with firms' efforts to expand capacity amid continued demand and further adoption of automation and digitalisation.

Public investment registered a growth of 3.2% (1Q 2022: -0.9%), driven mainly by improvement in capital expenditure by public corporations in the oil and gas, and telecommunication sectors.

(Source: BNM Quarterly Bulletin Vol. 37, No. 2, the Second Quarter of 2022, BNM)

The Malaysian economy improved in 2021, registering a growth of 3.1%. The recovery momentum in the early part of the year was affected by the reimposition of nationwide containment measures from June to September 2021, following a rapid resurgence of cases due to the Delta variant. However, unlike the movement restrictions in the second quarter of 2020, more essential economic sectors were allowed to operate, while businesses and households were better adapted to the containment measures and standard operating procedures (SOPs).

Notwithstanding this, some sectors, such as high-touch services, tourism related industries and construction, were slower to recover due to continued restrictions on movement and operating capacity. As these restrictions were eventually lifted in October 2021 amid rapid progress in domestic vaccinations, economic activities picked up and labour market conditions improved. The expansion in employment and subsequent increase in private sector wages contributed towards increased household spending. Private investment growth was supported by expansion in productive capacity, especially in the manufacturing sector, alongside higher capital spending by firms on automation and digitalisation. In addition, external demand also provided additional support to our economic growth in 2021.

The Malaysian economy is expected to improve further, with growth projected to be between 5.3% and 6.3% in 2022: The economic recovery is underpinned by the continued expansion in external demand, full upliftment of containment measures, reopening of international borders, and further improvement in labour market conditions. In addition, the implementation of investment projects and targeted policy measures will provide further support to economic activity and aggregate demand.

(Source: Economic and Monetary Review 2021, BNM)

## **5.2 Overview and outlook of the Malaysian manufacturing industry**

The manufacturing sector expanded by 9.5% (2020: -2.6%) as the recovery in global and domestic demand supported production activity. The overall effect of global supply chain disruptions on production activity was partly mitigated as manufacturers were able to implement measures to cushion the impact. This included building inventory buffers, negotiating with clients to spread orders, paying for expedite fees and using alternative modes of transportation to avoid shipment delays. For the year as a whole, growth was mainly driven by the expansion in electrical and electronics (“E&E”), primary, and consumer-related clusters. Aided by structural shifts towards digitalisation, the E&E sector recorded a robust growth of 14.6% (average: 2010-2019: 6.4%) driven by strong demand for products associated with remote working, e-commerce, cloud-based services, and medical devices. In addition, E&E firms’ ability to adapt to SOPs and the highly automated nature of many large semiconductor firms lessened the impact of operating restrictions imposed during the National Recovery Plan (NRP), enabling firms to continuously meet demand. Meanwhile, production in the primary sector benefited from pandemic-induced demand (e.g. rubber gloves and pharmaceuticals) while the consumer-related cluster (e.g. food and beverages and passenger cars) was supported by improvement in domestic household spending and continued fiscal support (e.g. PEMERKASA+ extended sales and service tax (“SST”) exemption on passenger cars).

(Source: Economic and Monetary Review 2021, BNM)

The manufacturing sector expanded by 9.2% (1Q 2022: 6.6%), supported by both the export and domestic-oriented industries. The effect of global supply disruptions was partly mitigated, as manufacturers were able to implement proactive measures to cushion the impact such as building inventory buffers through advance bookings and using alternative modes of transportation. The E&E cluster continued to record double-digit growth driven by global demand for semiconductors. The consumer cluster grew at a faster pace, supported by strong domestic spending activities. In particular, the motor vehicle and transport equipment segment ramped up production to meet order backlogs and fulfil demand as orders accelerated ahead of the expiration of SST exemption on 30 June 2022. However, growth in the primary-related cluster moderated as the production of selected pandemic-induced products such as rubber gloves continued to normalise.

(Source: BNM Quarterly Bulletin Vol. 37, No. 2, the Second Quarter of 2022, BNM)

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The manufacturing sector is expected to expand by 4.7% in 2022, attributed to the steady performance of both export- and domestic-oriented industries. As one of the key players in the world semiconductor trade, the stronger global demand for E&E products will continue to provide the impetus for Malaysia's manufacturing sector. Stricter global healthcare regulations and increasing hygiene awareness will help in boosting production in the rubber and chemical related segments. Concurrently, the anticipation of more vibrant industrial and construction activities as well as higher demand for household-related products are expected to give an additional boost to the sector.

(Source: Economic Outlook 2022, Ministry of Finance Malaysia)

### **5.3 Prospects of the Group**

Hextar Group is principally involved in:

- (i) Agriculture – manufacturing and distribution of agrochemicals such as herbicides, insecticides, fungicides, rodenticides and miticides;
- (ii) Specialty chemicals – manufacturing and distribution of specialty cleaning chemicals products, such as latex polymer coatings, cleaning chemicals, chlorine sanitiser and other specialty cleaning chemicals products; and
- (iii) Consumer products – manufacturing and trading of consumer products, such as wet wipes, tissue and cotton-based products.

In recent years, the Group has undertaken several expansion plans through merger and acquisition to strengthen its foothold in the agriculture segment as well as expanding into the specialty chemicals segment. Accordingly, the Group has been utilising bank borrowings to fund the aforesaid expansion as well as for the Group's working capital requirements. As a result, the Group's borrowings increased from RM58.89 million as at 31 December 2020 to RM266.86 million as at 30 June 2022.

In this regard, the Proposed Disposal and Leaseback allows the Group to unlock and monetise the value of its investments in the Klang Properties and enable the Group to ease the funding requirements from its existing business operations. Further, the Proposed Disposal and Leaseback is not expected to cause any disruption to the business operations of the Group in view that the Proposed Leaseback allows the Group to continue with its existing business operations on the Klang Properties.

Premised on the above and after considering all the relevant aspects including overview of the Malaysian manufacturing industry, the Board is optimistic about the prospects of the Group.

## **6. EFFECTS OF THE PROPOSED DISPOSAL AND LEASEBACK**

### **6.1 Issued share capital**

The Proposed Disposal and Leaseback will not have any effect on the Company's issued share capital as the Proposed Disposal and Leaseback does not involve any issuance of Shares.

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## 6.2 NA and gearing

The pro forma effect of the Proposed Disposal and Leaseback on the NA and gearing of the Group are as follows:

	Audited as at 31 December 2021 (RM'000)	(I) (1)After the Proposed Disposal and Leaseback (RM'000)
Share capital	633,878	633,878
Revaluation reserve	17,192	7,012
Exchange reserve	102	102
Treasury shares	(10,299)	(10,299)
Merger deficit reserve	(488,523)	(488,523)
Retained profits	60,614	74,119
<b>Shareholders' equity / NA</b>	<b>212,964</b>	<b>216,289</b>
Non-controlling interests	14,621	14,621
<b>Total equity</b>	<b>227,585</b>	<b>230,910</b>
No. of Shares in issue <sup>(2)</sup> ('000)	1,304,899	1,304,899
NA per Share (RM)	0.16	0.17
Total borrowings (RM'000)	268,451	268,451
Gearing (times)	1.18	1.16

### Notes:

- (1) After accounting for the net pro forma gain on disposal of approximately RM4.26 million, reversal of revaluation reserve of approximately RM10.18 million, interest and cost saving of RM1.33 million arising from the Proposed Disposal, rental expenses of approximately RM1.76 million and after deducting estimated expenses of RM0.50 million for the Proposed Disposal and Leaseback.
- (2) Excluding 8,188,000 treasury shares.

## 6.3 Earnings and EPS

For illustrative purposes, based on the Company's latest audited consolidated financial statements for the FYE 31 December 2021 and assuming that the Proposed Disposal and Leaseback had been effected on 1 January 2021, being the beginning of the FYE 31 December 2021, the pro forma effects of the Proposed Disposal and Leaseback on the earnings and EPS of the Group are as follows:

	Amount (RM'000)	(1)Basic EPS (sen)
Profit after tax attributable to owners of the Company for the FYE 31 December 2021	39,210	2.99
Add:		
- Net pro forma gain from the Proposed Disposal	4,258	0.33
- Interest and cost saving arising from the Proposed Disposal <sup>(2)</sup>	1,327	0.10
Less:		
- Rental expenses	1,760	0.13
- Estimated expenses in relation to the Proposed Disposal and Leaseback	500	0.04
<b>Pro forma profit after tax attributable to owners of the Company for the FYE 31 December 2021</b>	<b>42,535</b>	<b>3.25</b>

Notes:

- (1) Computed based on the weighted average number of Shares in issue of 1,310,350,473 for the FYE 31 December 2021.
- (2) Assuming interest saving from interest expense arising from trade financing of approximately RM0.67 million based on an average trade financing interest rate of 2.8% per annum, cost saving from depreciation from Klang Properties of approximately RM0.36 million and expected tax saving of approximately RM0.30 million from the aforementioned net deductible expenses.

#### **6.4 Substantial Shareholder's shareholding**

The Proposed Disposal and Leaseback is not expected to have any effect on the substantial Shareholders' shareholdings in the Company as the Proposed Disposal and Leaseback does not involve any issuance of Shares.

#### **6.5 Convertible securities**

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

### **7. APPROVALS REQUIRED AND CONDITIONALITY**

The Proposed Disposal and Leaseback is subject to the following approvals being obtained:

- (i) non-interested Shareholders at the forthcoming EGM;
- (ii) unitholders of KIP REIT at its EGM in respect of the proposed acquisition of the Klang Properties;
- (iii) consent from the State Authority for the transfer of the Klang Properties from Hextar Chemicals to Pacific Trustees; and
- (iv) any other relevant authorities and/or parties, if required.

#### **Highest percentage ratio**

The highest percentage ratio applicable for the Proposed Disposal and Leaseback pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 28.10%.

#### **Conditionality**

The Proposed Disposal and Proposed Leaseback are inter-conditional.

The Proposed Disposal and Leaseback is not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

### **8. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION**

Save for the Proposed Disposal and Leaseback, there are no other corporate exercises / schemes which have been announced by the Company but pending completion as at the LPD.

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

Save as disclosed below, none of the Directors, major Shareholders, chief executive and persons connected with them has any interest, direct or indirect in the Proposed Disposal and Leaseback:

- (i) Dato' Ong Choo Meng is an Executive Director of Hextar and a major Shareholder with direct interest of 7.79% and indirect interest of 59.06% by virtue of his interest in Hextar Holdings as at the LPD. In addition, Dato' Ong Choo Meng is also a major unitholder of KIP REIT with indirect interest of 17.53% by virtue of his interest in Hextar Rubber Sdn Bhd as at the LPD. In addition, he is the son of Dato' Ong Soon Ho;
- (ii) Dato' Ong Soon Ho is the Non-Independent Non-Executive Vice Chairman of Hextar and a major Shareholder with indirect interest of 59.06% by virtue of his interest in Hextar Holdings as at the LPD. In addition, he is the father of Dato' Ong Choo Meng; and
- (iii) Hextar Holdings is a major Shareholder with direct interest of 59.06% in Hextar as at the LPD. Dato' Ong Choo Meng and Dato' Ong Soon Ho are shareholders and directors in Hextar Holdings. As such, Hextar Holdings is deemed interested in the Proposed Disposal and Leaseback.

(Collectively, all the parties above are referred to as the “**Interested Parties**” or “**Interested Major Shareholders**”, while Dato' Ong Choo Meng and Dato' Ong Soon Ho are referred to as the “**Interested Directors**”)

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

	Direct interest		Indirect interest	
	No. of Shares	(1)%	No. of Shares	(1)%
Dato' Ong Choo Meng	100,131,600	7.79	(2)759,424,022	59.06
Dato' Ong Soon Ho	-	-	(2)759,424,022	59.06
Hextar Holdings	759,424,022	59.06	-	-

Notes:

- (1) Computed based on 1,285,752,584 Shares (excluding 27,334,700 treasury shares) as at the LPD.
- (2) Deemed interested by virtue of their interest in Hextar Holdings.

The Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in relation to the Proposed Disposal and Leaseback.

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

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

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**Amount transacted with the Interested Parties for the preceding 12 months**

Save as disclosed below and the recurrent related party transactions which have been tabled and approved at the 31<sup>st</sup> annual general meeting of Hextar on 23 May 2022, there were no transactions entered into between the Company and the Interested Parties for the past 12 months preceding the LPD.

Related Party	Related party within Hextar Group	Nature of Transaction	Value transacted (12 months up to the LPD) (RM' million)	Interested Director, Major Shareholders and Person Connected	Nature of relationship
Hextar International Group Sdn Bhd	Hextar	Hextar had on 28 March 2022 entered into a share sale agreement with Hextar International Group Sdn Bhd for the acquisition of 99.91% equity interest in PT Agro Sentosa Raya for a total purchase consideration of RM10.2 million to be satisfied wholly in cash. The acquisition was completed on 20 May 2022.	10.2	Dato' Ong Soon Ho, Dato' Ong Choo Meng and Hextar Holdings	<ul style="list-style-type: none"> <li>- Dato' Ong Soon Ho is the Non-Independent Non-Executive Vice Chairman of Hextar and a major Shareholder with indirect interest of 59.06% by virtue of his interest in Hextar Holdings.</li> <li>- Dato' Ong Choo Meng is the Executive Director of Hextar and a major Shareholder with direct interest of 7.79% and indirect interest of 59.06% by virtue of his interest in Hextar Holdings.</li> <li>- Hextar Holdings is a major Shareholder with direct interest of 59.06% and the sole shareholder of Hextar International Group Sdn Bhd.</li> </ul>

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Related Party	Related party within Hextar Group	Nature of Transaction	Value transacted (12 months up to the LPD) (RM' million)	Interested Director, Major Shareholders and Person Connected	Nature of relationship
Pekata Solar Sdn Bhd	Hextar Chemicals	Hextar Chemicals had on 10 June 2022 awarded a contract to Pekata Solar Sdn Bhd, an indirect wholly-owned subsidiary of Pekata Group Berhad to design, supply, install, testing and commissioning of 185.3kWp Grid Connected Photovoltaic at Klang Properties for a contract sum of RM728,312.	0.7	Dato' Ong Soon Ho, Dato' Ong Choo Meng and Hextar Holdings	<p>- Dato' Ong Soon Ho is the Non-Independent Non-Executive Vice Chairman of Hextar and a major Shareholder with indirect interest of 59.06% by virtue of his interest in Hextar Holdings. In addition, Dato' Ong Soon Ho is also a major shareholder of Pekata Group Berhad with indirect interest of 20.16% by virtue of his interest in Hextar Holdings.</p> <p>- Dato' Ong Choo Meng is the Executive Director of Hextar and a major Shareholder with direct interest of 7.79% and indirect interest of 59.06% by virtue of his interest in Hextar Holdings. In addition, Dato' Ong Choo Meng is also a major shareholder of Pekata Group Berhad with indirect interest of 20.16% by virtue of his interest in Hextar Holdings.</p> <p>- Hextar Holdings is a major Shareholder with direct interest of 59.06% and a major shareholder of Pekata Group Berhad with direct interest of 20.16%.</p>

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## **10. DIRECTORS' STATEMENT AND RECOMMENDATION**

The Board (save for the Interested Directors), having considered all aspects of the Proposed Disposal and Leaseback, including the salient terms of the SPA and Lease Agreement, the basis and justification for the Disposal Consideration and Rental Rates, the rationale and benefits for the Proposed Disposal and Leaseback as well as the effects of the Proposed Disposal and Leaseback, is of the opinion that the Proposed Disposal and Leaseback is in the best interests of the Company.

Accordingly, the Board (save for the Interested Directors) recommends that the non-interested shareholders vote in favour of the resolutions pertaining to the Proposed Disposal and Leaseback to be tabled at the forthcoming EGM.

## **11. AUDIT COMMITTEE STATEMENT**

The Audit Committee of the Company, having considered amongst others, the view of the Independent Adviser and all aspects of the Proposed Disposal and Leaseback, including the salient terms of the SPA and Lease Agreement, the basis and justification for the Disposal Consideration and Rental Rates, the rationale and benefits for the Proposed Disposal and Leaseback as well as the effects of the Proposed Disposal and Leaseback, is of the opinion that the Proposed Disposal and Leaseback is:

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

## **12. INDEPENDENT ADVICE**

The Proposed Disposal and Leaseback is deemed a related party transaction pursuant to Paragraph 10.08(2) of the Listing Requirements. Accordingly, Eco Asia has been appointed as the Independent Adviser to advise on the Proposed Disposal and Leaseback in accordance with the Listing Requirements.

The role of the Independent Adviser is to:

- (i) comment as to:
  - (a) whether the Proposed Disposal and Leaseback is fair and reasonable so far as the non-interested Shareholders are concerned; and
  - (b) whether the Proposed Disposal and Leaseback is to the detriment to the non-interested Shareholders,

and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;

- (ii) advise the non-interested Shareholders on whether they should vote in favour of the Proposed Disposal and Leaseback; and
- (iii) take all reasonable steps to satisfy itself that it has reasonable basis to make the comments and advice in subparagraphs (i) and (ii) above.

The independent advice letter from Eco Asia is set out in Part B of this Circular. You should read the contents of the Circular (including the independent advice letter) carefully before voting on the resolutions pertaining to the Proposed Disposal and Leaseback to be tabled at the forthcoming EGM.

### 13. ESTIMATED TIMEFRAME FOR COMPLETION

Subject to the fulfilment of all conditions precedent as stipulated in the SPA and Lease Agreement and subject to all required approvals being obtained from the relevant authorities and/or parties, the Proposed Disposal and Leaseback is expected to be completed in the second quarter of 2023.

The tentative timeline for the implementation of the Proposed Disposal and Leaseback is as follows:

Date	Events
11 October 2022	EGM for the Proposed Disposal and Leaseback
Second quarter of 2023	Completion of the Proposed Disposal Commencement of the Proposed Leaseback

### 14. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted on a fully virtual basis by way of live streaming and online remote voting through the Remote Participation and Voting (“RPV”) facilities via TIIH Onlines websites at <https://tiih.online> or <https://tiih.com.my> (“Online Meeting Platform”) (Domain Registration No. with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd (“Share Registrar”, “Tricor” or “TIIH”) in Malaysia on the date and time indicated below or at any adjournment thereof for the purpose of considering and, if thought fit, passing the resolutions, with or without modifications, to give effect to the Proposed Disposal and Leaseback.

Day, Date and time of the EGM : Tuesday, 11 October 2022 at 2.00 p.m.

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

If you decide to appoint proxy(ies) to attend, participate, speak and vote at the EGM, the Proxy Form should be completed and deposited at our Share Registrar’s Office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not later than 48 hours before the time fixed for convening the EGM.

The proxy appointment may also be lodged electronically via Tricor’s TIIH Online website at <https://tiih.online> no later than Sunday, 9 October 2022 at 2.00 p.m. For further information on the electronic lodgement of the Proxy Form, kindly refer to the Administrative Details for the EGM. The lodging of the Proxy Form will not preclude you from attending and voting remotely at the meeting if you subsequently wish to do so.

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**15. FURTHER INFORMATION**

Please refer to Appendix I for further information.

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

**LEE CHOOI KENG**  
Executive Director

**PART B**

**INDEPENDENT ADVICE LETTER FROM ECO ASIA  
TO THE NON-INTERESTED SHAREHOLDERS OF HEXSTAR IN RELATION TO THE  
PROPOSED DISPOSAL AND LEASEBACK**

## **EXECUTIVE SUMMARY**

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*All words and expression used in this executive summary shall have the same meanings as defined in the Part A of the Circular, except where the context requires otherwise or as otherwise defined in this IAL.*

**This executive summary, highlighting the salient information pertaining to the Proposed Disposal and Leaseback, is intended to be a brief summary of the IAL prepared by Eco Asia. Non-interested shareholders of Hextar are advised to read and understand this IAL carefully together with Part A of the Circular and the appendices, to consider carefully the recommendation contained herein before voting on the resolutions to give effect to the Proposed Disposal and Leaseback at the forthcoming EGM. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.**

### **1. INTRODUCTION**

On 12 July 2022, TA Securities had, on behalf of the Board, announced that Hextar Chemicals, an indirect wholly-owned subsidiary of Hextar, had on 12 July 2022 entered into the SPA with Pacific Trustees, the trustee of KIP REIT for the Proposed Disposal. In conjunction with the Proposed Disposal, Hextar Chemicals had also signed in escrow the Lease Agreement with Pacific Trustees to lease the Klang Properties for 15 years. The aforesaid lease will commence upon the completion of the Proposed Disposal.

The Proposed Disposal and Leaseback is deemed as a related party transaction pursuant to the provisions of Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Parties as set out in Section 9, Part A of the Circular.

Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, the Board had on 20 January 2022 appointed Eco Asia as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company in relation to the Proposed Disposal and Leaseback.

The purpose of this IAL is to provide the non-interested shareholders of Hextar with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and Leaseback and whether the Proposed Disposal and Leaseback is detrimental to the non-interested shareholders of Hextar as well as to provide a recommendation thereon on the voting of the relevant resolution pertaining to the Proposed Disposal and Leaseback to be tabled at the forthcoming EGM.

This IAL is prepared solely for the use of the non-interested shareholders of the Company for the purpose of considering the merits of the Proposed Disposal and Leaseback and should not be used or relied upon by any other third party for any other purposes whatsoever.

## 2. EVALUATION OF THE PROPOSED DISPOSAL AND LEASEBACK

In evaluating the Proposed Disposal and Leaseback, we have taken into consideration the following:

Section in the IAL	Factors Evaluated	Comments
Section 7.1	Rationale and Benefits for the Proposed Disposal and Leaseback	<p>The Proposed Disposal allows the Group to monetise its property asset at its market value to raise additional funds for its working capital needs. By undertaking the Proposed Disposal at this point in time, the Group will be able to channel the funds raised into its business and reduce the usage of banking facilities.</p> <p>The Proposed Disposal is expected to record a net pro forma gain of approximately RM4.26 million, which will improve the financial position of the Group.</p> <p>The Proposed Leaseback allows the Group to continue operate at the Klang Properties for at least 15 years. This will ensure that the business of the Group will not be disrupted from the Proposed Disposal.</p> <p>Premised on the above, we are of the view that the rationale and benefits for the Proposed Disposal and Leaseback are <b>REASONABLE</b> and are <b>NOT DETRIMENTAL</b> to the non-interested shareholders of Hextar.</p>
Section 7.2	Utilisation of proceeds	<p>A majority portion of the proceeds raised from the Proposed Disposal will be utilised as working capital. If such working capital was to be financed by banking facilities, the Group is expected to incur additional interest expense. As such, the utilisation of proceeds as working capital will ease the Group's funding requirements for its existing business.</p> <p>Hence, we are of the view that the utilisation of proceeds is <b>REASONABLE</b> and is <b>NOT DETRIMENTAL</b> to the non-interested shareholders of Hextar.</p>
Section 7.3	Basis and justification for the Disposal Consideration	<p>In arriving at the valuation of the Klang Properties, the Valuer had adopted the investment method and cost approach of valuation.</p> <p>The investment method involves estimation of the market rental which the property can reasonably generate. Outgoings such as property taxes, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is then capitalised at an appropriate current market yield to arrive at its indicative market value.</p>

Section in the IAL	Factors Evaluated	Comments
		<p>The cost approach involves separate valuations for land and buildings, where the land is valued based on comparison approach (i.e. analysing recent transactions and asking prices of similar properties in and around the same locality for comparison purposes), whilst the buildings are valued at depreciated replacement cost (i.e. current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation), to arrive at the market value.</p> <p>We are of the view that the investment method of valuation is reasonable in view of the 15-year non-cancellable lease arrangement and the fixed rental during the lease term. As such, the investment method is appropriate as it is derived based on actual rental rates, outgoings, void factor and capitalised at current market yield.</p> <p>The cost approach as a counter-check method is reasonable taking into consideration that the Klang Properties is a purpose-built building for Hextar's operations. As such, the cost approach of valuing the land and buildings based on depreciated replacement cost is appropriate.</p> <p>The methodologies applied by the Valuer are reasonable and consistent with generally applied valuation methodologies.</p> <p>Based on our evaluation on the bases and assumptions used by the Valuer in deriving market value of the Klang Properties, we are satisfied with the reasonableness of the market value and have relied upon the valuation of the Klang Properties conducted by the Valuer. Accordingly, we are of the view that the Disposal Consideration based on the Valuer's appraisal of RM27.0 million is <b>FAIR</b> and <b>REASONABLE</b>.</p>
Section 7.4	Salient Terms of the SPA	<p>We have evaluated the salient terms of the SPA and are of the view that the salient terms of the SPA are <b>FAIR</b> and <b>REASONABLE</b> and are <b>NOT DETRIMENTAL</b> to the non-interested shareholders of Hextar.</p>
Section 7.5	Basis and justification for the Rental Rates	<p><b><u>Rental Rates</u></b></p> <p>The Rental Rates have been benchmarked against the comparable rental analysis conducted by the Valuer in its valuation report.</p> <p>The market rental was appraised by the Valuer by comparing the asking rental rates for comparative industrial properties located within the vicinity of the Klang Properties. References were also made to concluded rental rates of industrial properties in Shah Alam and Klang that is publicly available.</p>

Section in the IAL	Factors Evaluated	Comments
		<p>The asking rental rates derived was between RM1.23 per sqft to RM1.60 per sqft, within the vicinity of Klang Properties. The concluded rental rates derived was between RM1.50 per sqft to RM2.13 per sqft for industrial properties in Shah Alam and Klang. The starting rental rate for the Proposed Leaseback appears to be at the lower end of the market rental rates, however, it gradually increases over the tenure of the lease. Nonetheless, the Rental Rates are still within the range of comparable market rental rates.</p> <p>Based on the above, we are of the view that the Rental Rates is <b>FAIR AND REASONABLE</b> as it is within the range of market rental rates of comparable properties.</p> <p><b><u>Rental Increment</u></b></p> <p>The rental increment for each term is 13% above the prevailing total monthly rental, which translates into an effective annual rental increment rate of 3.08%. As the rent will be increased for each term and not on a yearly basis, the Valuer have computed the effective annual rental increment rate, which represents the annual rental increment rate to achieve the same total rental payment over the lease term. The effective annual increment rate was then benchmarked and compared with other similar concluded tenancy / lease agreements.</p> <p>Although the effective annual rental increment rate of 3.08% appears to be at the lower end of the comparable tenancy / lease arrangements, such increment was negotiated and agreed between KIP REIT and Hextar Chemicals taking into consideration: (i) the length of the lease term and (ii) the rental is on a triple net basis, where Hextar Chemicals is responsible for paying all the outgoings, costs, expenses or charges for the Klang Properties, including any increase thereof during the lease term. In addition, the effective annual rental increment rate is within the range of the comparable tenancy/ lease arrangements.</p> <p>The effective annual rental increment rate ranges between 3.00% to 3.22% for other similar concluded tenancy / lease agreements. As such, we are of the view that the rental increment for the Klang Properties is <b>FAIR AND REASONABLE</b>.</p>
Section 7.6	Salient terms of the Lease Agreement	<p>We have evaluated the salient terms of the Lease Agreement and are of the view that the salient terms of the Lease Agreement are <b>FAIR</b> and <b>REASONABLE</b> and are <b>NOT DETRIMENTAL</b> to the non-interested shareholders of Hextar.</p>



Section in the IAL	Factors Evaluated	Comments
Section 7.7	Effects of the Proposed Disposal and Leaseback	<p>The effects of the Proposed Disposal and Leaseback are as follows:</p> <p>(i) <u>Issued share capital and substantial shareholders' shareholdings</u></p> <p>The Proposed Disposal and Leaseback will not have any effect on the issued share capital and shareholdings of the substantial shareholders of Hextar as the Proposed Disposal and Leaseback does not involve any issuance of new Hextar shares.</p> <p>(ii) <u>NA and gearing</u></p> <p>The NA of the Company will increase from RM212.96 million to RM216.29 million. Consequently, the NA per share will also increase from RM0.16 to RM0.17. The gearing of the Company will improve from 1.18 times to 1.16 times.</p> <p>(iii) <u>Earnings and EPS</u></p> <p>Assuming the Proposed Disposal and Leaseback had been effected on 1 January 2021, being the beginning of the FYE 31 December 2021, the Company's profit after tax attributable to owners of the Company will improve from RM39.21 million to RM42.54 million. Consequently, the EPS will also improve from 2.99 sen to 3.25 sen.</p> <p>Based on the above, we are of the view that the financial effects of the Proposed Disposal and Leaseback are <b>NOT DETRIMENTAL</b> to the non-interested shareholders of Hextar.</p>
Section 7.8	Risk Factors	<p>The Proposed Disposal and Leaseback is conditional upon fulfilment of conditions precedents in the SPA and Lease Agreement. However, if due to unforeseen circumstances and the Proposed Disposal and Leaseback does not materialise, the Klang Properties will remain with Hextar for its own use.</p> <p>The Disposal Consideration is based on the current market valuation and the Group may lose out on any potential increase in capital value of the Klang Properties in the future. However, the Group will be able to utilise the Disposal Consideration as additional working capital, which is expected to ease the funding requirements of the Group.</p> <p>As there is no provision for renewal of the lease upon expiry of the lease period, there is no certainty that the Group will be able to extend its lease in the future. However, the Group will actively engage with KIP REIT to negotiate on the renewal terms and/or sought for suitable alternative locations to minimise the disruptions to its operations.</p>

Section in the IAL	Factors Evaluated	Comments
Section 7.9	Liabilities to be Assumed	We noted that save for the monthly rental pursuant to the Proposed Leaseback, there are no liabilities, contingent liabilities and guarantees to be assumed by the Group pursuant to the Proposed Disposal. Hence, we are of the view that the Proposed Disposal and Leaseback is <b>NOT DETRIMENTAL</b> to the non-interested shareholders of Hextar.
Section 7.10	Industry overview, outlook and prospects	We noted that the Group has undertaken several expansion plans over the recent years to strengthen its foothold in the agriculture segment as well as expanding into the specialty chemicals segment. With the positive support from the Government for the chemicals and chemical products industry, the outlook of the Proposed Disposal and Leaseback is not detrimental to the Group as it allows the Group to monetise its asset and utilise the proceeds to further expand its businesses.

### 3. CONCLUSION AND RECOMMENDATION

After taking into consideration of our overall assessment and evaluation of the Proposed Disposal and Leaseback based on the information available to us up to the LPD, we are of the view that the Proposed Disposal and Leaseback is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

Accordingly, we recommend that the non-interested shareholders of Hextar to **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Disposal and Leaseback to be tabled at the forthcoming EGM of the Company.

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Date: 23 September 2022

**Hextar Global Berhad**

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59200 Kuala Lumpur

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**To: The Non-Interested Shareholders of Hextar Global Berhad**

Dear Sir/Madam,

**HEXTAR GLOBAL BERHAD ("HEXTAR" OR THE "COMPANY")**

**INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF THE  
COMPANY IN RELATION TO THE PROPOSED DISPOSAL AND LEASEBACK**

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*This IAL is prepared for inclusion in the Circular to shareholders of Hextar and should be read in conjunction with the same. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined herein in this IAL.*

**1. INTRODUCTION**

On 12 July 2022, TA Securities had, on behalf of the Board, announced that Hextar Chemicals, an indirect wholly-owned subsidiary of Hextar, had on 12 July 2022 entered into the SPA with Pacific Trustees, the trustee of KIP REIT, for the Proposed Disposal. In conjunction with the Proposed Disposal, Hextar Chemicals had also signed in escrow the Lease Agreement with Pacific Trustees to lease the Klang Properties for 15 years. The aforesaid lease will commence upon the completion of the Proposed Disposal.

The Proposed Disposal and Leaseback is deemed as a related party transaction pursuant to the provisions of Paragraph 10.08 of the Listing Requirements in view of the interests of the Interested Parties as set out in Section 9, Part A of the Circular.

Accordingly, in compliance with Paragraph 10.08(2) of the Listing Requirements, the Board had on 20 January 2022 appointed Eco Asia as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company in relation to the Proposed Disposal and Leaseback.

The purpose of this IAL is to provide the non-interested shareholders of Hextar with an independent evaluation on the fairness and reasonableness of the Proposed Disposal and Leaseback and whether the Proposed Disposal and Leaseback is detrimental to the non-interested shareholders of Hextar as well as to provide a recommendation thereon on the voting of the relevant resolution pertaining to the Proposed Disposal and Leaseback to be tabled at the forthcoming EGM.

This IAL is prepared solely for the use of the non-interested shareholders of the Company for the purpose of considering the merits of the Proposed Disposal and Leaseback and should not be used or relied upon by any other third party for any other purposes whatsoever.

**YOU ARE ADVISED TO READ AND FULLY UNDERSTAND BOTH THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES AND CAREFULLY CONSIDER THE RECOMMENDATION AS CONTAINED IN THIS IAL BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED DISPOSAL AND LEASEBACK TO BE TABLED AT THE FORTHCOMING EGM.**

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

**2. DETAILS OF THE PROPOSED DISPOSAL AND LEASEBACK**

Please refer to Section 2, Part A of the Circular for details of the Proposed Disposal and Leaseback.

**3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/OR PERSONS CONNECTED WITH THEM**

The details of the Interested Parties are set out in Section 9, Part A of the Circular.

Accordingly, the Interested Parties have abstained and will continue to abstain from all deliberations and voting on the resolution in respect to the Proposed Disposal and Leaseback.

**4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED DISPOSAL AND LEASEBACK**

Eco Asia was not involved in the formulation or any deliberation and negotiation of the terms and conditions of the Proposed Disposal and Leaseback nor have we participated in the Board's deliberation of the Proposed Disposal and Leaseback. The terms of reference of our appointment as the Independent Adviser to the non-interested directors and non-interested shareholders of Hextar in relation to the Proposed Disposal and Leaseback are in accordance with the requirements set out in Paragraph 10.08(2) and (3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters issued by Bursa Securities.

Our role as an Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Disposal and Leaseback as far as the non-interested directors and non-interested shareholders of Hextar is concerned. The terms and conditions of the Proposed Disposal and Leaseback are solely the responsibility of the Board, although we may draw upon their views in arriving at our opinion. As such, where comments or points of consideration are included on matters, which may be commercially oriented, these are incidental to our overall evaluation and concern matters, which we may deem material for disclosure. Further, our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposed Disposal and Leaseback.

The directors and management of Hextar are responsible to make available to us all relevant information pertaining to our evaluation, including informing us of any material changes in the subject matters which may have an impact on our opinion. Our work includes holding discussions and making enquiries to the directors and management of Hextar regarding representations made by Hextar. We have relied on the Board of Hextar and management's oral and written representations.

#### 4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED DISPOSAL AND LEASEBACK (CONT'D)

In carrying out our evaluation, we have taken into consideration various pertinent factors, which we believe are of general importance to our assessment of the Proposed Disposal and Leaseback and therefore would be of general concern to you.

Our scope of work as the Independent Adviser is limited to providing our comments, opinion, information and recommendation on the Proposed Disposal and Leaseback based on the information, data and documents furnished to us or which are available to us and making reasonable enquiries in the circumstances.

In performing our evaluation, we have relied on and/or taken into consideration the following sources of information:

- (i) information contained in Part A of the Circular and the appendices attached thereto;
- (ii) valuation report and valuation certificate for the Klang Properties by Henry Butcher;
- (iii) the SPA and Lease Agreement;
- (iv) annual reports of Hextar for FYE 31 December 2020 and FYE 31 December 2021;
- (v) information, documents, confirmations and/or representations provided by the directors and management of the Company ("**Management**"), or obtained in or derived from discussions with the Management; and
- (vi) other publicly available information which we deemed relevant to our evaluation.

In assuming the aforesaid role and in line with the terms of our appointment, we have requested for the relevant verifications and made the necessary due enquiries on Hextar, its directors and Management of Hextar. We have relied upon the information and/or documents as described above, and all relevant facts and information necessary for our evaluation of the Proposed Disposal and Leaseback and that such information is reasonable, reliable and accurate and there are no omissions of any material facts which would make any information incomplete, misleading or inaccurate.

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

Our views and advice as contained in this IAL only caters to the non-interested shareholders of Hextar at large and not to any non-interested shareholders individually. Hence, in carrying out our evaluation, we have not given consideration the specific investment objectives, risk profiles, financial and tax situations and particular needs of any individual non-interested shareholder or any specific group of non-interested shareholders.

We recommend that any individual non-interested shareholder or group of non-interested shareholders of Hextar who is in doubt as to the action to be taken or required advice in relation to the Proposed Disposal and Leaseback in the context of their individual objectives, risk profiles, financial and tax situations or particular needs, shall consult their respective stockbroker, banker, solicitor, accountant or other professional adviser immediately. We shall not be liable for any damage or loss sustained or suffered by any individual shareholder or any group of shareholders in reliance on the opinion stated herein for any purpose whatsoever which is particular to such individual shareholder or group of shareholders.

#### **4. SCOPE AND LIMITATIONS TO OUR EVALUATION OF THE PROPOSED DISPOSAL (CONT'D)**

The preparation of this IAL is based upon market, economic, industry and other conditions prevailing as at LPD, as well as publicly available information and information provided to us by the Management of Hextar. Such conditions may change significantly over a relatively short period of time.

We will immediately notify the non-interested shareholders of Hextar should Eco Asia become aware of any significant change affecting the information contained in this IAL which may have an impact on our opinion or have reasonable grounds to believe that any statement in this IAL is misleading, deceptive or that there is material omission in this IAL. If circumstances require, a supplementary IAL will be despatched accordingly to the shareholders of Hextar.

We have obtained responsibility statements from the Board and Management of Hextar that all material facts, financial and other information essential to our evaluation have been disclosed to us and that they have seen this IAL and they, individually and collectively, accept full responsibility for the accuracy of such information contained in this IAL and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts omitted which would make any statement herein false or misleading.

#### **5. DECLARATION OF CONFLICT OF INTEREST**

Except for the provision of financial due diligence and valuation services for Hextar's proposed acquisition of various target companies, Eco Asia does not have any other business relationship with Hextar at the present time or at any time during the past 2 years, prior to the date of the SPA. The scope of the financial due diligence includes identifying and reporting the key financial risk of the target companies to the Board and Management of Hextar. We have undertaken and completed 4 financial due diligence and valuation exercise in relation to the acquisition of PT Agro Sentosa Raya, Enra Kiamia Sdn Bhd, Nobel group of companies, and Chempro group of companies for Hextar in the past 2 years.

Eco Asia is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of our appointment as the Independent Adviser in respect of the Proposed Disposal and Leaseback.

Save for the professional fees earned for acting as the Independent Adviser for the Proposed Disposal and Leaseback, Eco Asia does not receive or derive any financial interest or benefit from the outcome of the Proposed Disposal and Leaseback. Accordingly, we have given our confirmation to the Company that we are not aware of any conflict of interest which exist or is likely to exist in our capacity as the Independent Adviser in respect of the Proposed Disposal and Leaseback.

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## 6. CREDENTIALS AND EXPERIENCE OF ECO ASIA

Eco Asia is licensed under the Capital Markets and Services Act 2007 to carry out the regulated activity of advising on corporate finance. Our team provides a full range of corporate finance advisory services including but not limited to initial public offerings advisory, financial due diligence, valuation, mergers and acquisitions, reverse takeover, fund raising, corporate & debt restructuring and independent advisory opinion.

Our key management's past experiences as an Independent Adviser are as follows:

- (i) Voluntary conditional take-over offer by Felda Global Ventures Holdings Berhad ("**Offeror**") through AmInvestment Bank Berhad to acquire all the Pontian United Plantations Berhad's shares which are not already held by the Offeror for a cash consideration of RM140.00 per Offer Share. The relevant independent advice letter was issued on 28 August 2013;
- (ii) Proposed extension of profit guarantee period to include financial period ("**FP**") commencing 1 January 2016 and ending 31 December 2016 for the profit guarantee to Grand-Flo Berhad ("**Grand-Flo**") that Innoceria Sdn Bhd ("**ISB**") shall have an aggregate audited profit after taxation of at least RM15 million arising from (i) RM5 million for the FP commencing 1 January 2014 and ending 31 December 2014 and (ii) RM10 million for the FP commencing 1 January 2015 and ending 31 December 2015, which form part of the basis of the total consideration of RM15 million for the acquisition by Grand-Flo of an aggregate 125,001 ordinary shares of RM1 each in ISB, representing 50.0004% of the total issued and paid-up share capital of ISB. The relevant independent advice letter was issued on 15 July 2016;
- (iii) Proposed disposal by Complete Logistic Services Berhad of 36,000,000 ordinary shares and 18,000,000 warrants in Classis Scenic Berhad for a total cash consideration of RM32,040,000 to Dato' Ong Choo Meng. The relevant independent advice letter was issued on 15 June 2022;
- (iv) Proposed disposal by Chin Hin Group Berhad of 129,100,000 ordinary shares in Solarvest Holdings Berhad to Divine Inventions Sdn Bhd for cash consideration of RM103,280,000. The relevant independent advice letter was issued on 14 July 2022; and
- (v) Proposed acquisition by Signature International Berhad of 120,000,000 ordinary shares in Fiamma Holdings Berhad for a total purchase consideration of RM180,000,000. The relevant independent advice letter was issued on 7 September 2022.

Premised on the above, Eco Asia's assigned personnel's professional qualification, experiences, expertise and past credentials, we are capable and competent in carrying out our role and responsibilities as Independent Adviser to advise the non-interested directors and non-interested shareholders of Hextar in respect of the Proposed Disposal and Leaseback.

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## 7. EVALUATION OF THE PROPOSED DISPOSAL AND LEASEBACK

In arriving at our conclusion and recommendation in respect of the Proposed Disposal and Leaseback, we have assessed and evaluated the Proposed Disposal and Leaseback based on the following pertinent factors:

Analysis	Section in the IAL
(i) Rationale and Benefits for the Proposed Disposal and Leaseback	Section 7.1
(ii) Utilisation of Proceeds	Section 7.2
(iii) Basis and Justification for the Disposal Consideration	Section 7.3
(iv) Salient Terms of the SPA	Section 7.4
(v) Basis and Justification for the Rental Rates	Section 7.5
(vi) Salient Terms of the Lease Agreement	Section 7.6
(vii) Effects of the Proposed Disposal and Leaseback	Section 7.7
(viii) Risk Factors	Section 7.8
(ix) Liabilities to be Assumed	Section 7.9
(x) Industry overview, outlook and prospects	Section 7.10

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## 7.1 Rationale and Benefits for the Proposed Disposal and Leaseback

We have considered the rationale and benefits for the Proposed Disposal and Leaseback as set out in Section 3, Part A of the Circular and our commentaries are as follow:

### Eco Asia's Comments

Hextar Group is mainly involved in:

- (i) Agriculture - manufacturing and distribution of agrochemicals, research and development activities. The Group's products are a wide range of pesticides such as herbicides, insecticides, fungicides, rodenticides and miticides;
- (ii) Consumer products - manufacturing and distribution of disposable healthcare products such as wet wipes, tissue and cotton-based products; and
- (iii) Specialty chemicals - manufacturing and distribution of institutional and industrial chemicals, detergent, sanitising chemicals, chemicals derivatives, coating, liquid odorant, dosing systems, gas and the chemical related services, polymers, adhesive products and provision of technical assistance.

The revenue, PBT, PAT attributable to owners of the Company, total borrowings and total equity of the Company for the past 3 FYE up to 31 December 2021 are as follows:

	Audited FYE 31 December		
	2019 RM'000	2020 RM'000	2021 RM'000
Revenue	337,278	418,642	464,118
PBT	11,182	56,688	53,565
PAT attributable to owners of the Company	2,423	44,536	39,460
Total borrowings <sup>(i)</sup>	124,406	58,891	268,451
Total equity	185,340	201,267	227,585
Gearing (times) <sup>(ii)</sup>	0.67	0.29	1.18

(Source: Hextar's Annual reports for FYE 31 December 2021 and 31 December 2020)

#### Notes:

- (i) Including lease liabilities
- (ii) Computed as total borrowings over total equity.

The Group has been recording increasing revenue on a year-on-year basis for the past 3 financial years. The Group recorded a lower PBT and PAT attributable to owners of the Company in FYE 31 December 2019 mainly due to the impairment loss on goodwill of RM24.0 million arising from the acquisition of the entire equity interest in Hextar Chemicals Limited and its subsidiaries which was completed on 30 April 2019. The Group subsequently recorded healthy profits in FYE 31 December 2020 and FYE 31 December 2021.

However, we also noted that the outstanding total borrowings of the Group increased by approximately RM209.6 million or 355.8% from 31 December 2020 to 31 December 2021. Such increase was mainly due to the increase in term loans and bills payable as at 31 December 2021. The term loans were used to partially fund the various acquisitions of the specialty chemicals businesses, whilst the bills payables increased to fund the Group's working capital needs. Consequently, the gearing ratio of the Group increased from 0.29 times as at 31 December 2020 to 1.18 times as at 31 December 2021.

As such, it is a timely decision for the Group to monetise its property asset at its market value to raise additional funds for its working capital needs. By undertaking the Proposed Disposal at this point in time, the Group will be able to channel the funds raised into its business and reduce the usage of banking facilities.

In addition, the Proposed Disposal is expected to record a net pro forma gain of approximately RM4.26 million, which will further improve the financial position of the Group.

The Proposed Leaseback will allow the Group to continue operate at the Klang Properties for at least 15 years. This will ensure that the business of the Group will not be disrupted from the Proposed Disposal.

Premised on the above, we are of the view that the rationale and benefits for the Proposed Disposal and Leaseback are **REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

## **7.2 Utilisation of Proceeds**

As set out in Section 2.1.5, Part A of the Circular, RM26.5 million from the Proposed Disposal will be used by Hextar Group as working capital whilst the remaining RM0.5 million will be used to defray the expenses for the Proposed Disposal. The working capital will be used to finance the Group's operating expenses, which shall include, amongst others, purchase of raw materials, payment of administrative expenses such as rental, utilities, transportation costs, upkeep of the office, staff salaries, factory expenses, as well as repair and maintenance of machinery.

Based on average trade financing interest rate of 2.8% per annum and assuming RM26.5 million working capital was to be financed by trade financing, the Group is expected to incur additional RM0.74 million interest expense per annum. As such, the utilisation of proceeds as working capital will ease the Group's funding requirements for its existing business.

Hence, we are of the view that the utilisation of proceeds is **REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

## **7.3 Basis and Justification for the Disposal Consideration**

The basis and justification of the Disposal Consideration is set out in Section 2.1.1, Part A of the Circular.

### **Eco Asia's Comments**

We noted that the Disposal Consideration of RM27.0 million was arrived at on a willing-buyer willing-seller basis after taking into consideration, amongst others, the market value of the Klang Properties as appraised by Henry Butcher, based on its valuation report dated 12 July 2022.

We have reviewed the valuation report and valuation certificate prepared by Henry Butcher and noted that the valuation was prepared in accordance with the Asset Valuation Guidelines issued by the SC and Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers Malaysia, with the necessary professional responsibility and due diligence. In arriving at the valuation of the Klang Properties, the Valuer had adopted the following methods to value the Klang Properties:

<b>Investment method</b>	Under the investment method, the market value is derived from an estimate of the market rental which the property can reasonably generate. Outgoings such as property taxes, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is then capitalised at an appropriate current market yield to arrive at its indicative market value.
<b>Cost approach</b>	Under the cost approach, the market value is derived based on separate valuations for land and buildings, where the land is valued on its existing use, based on comparison approach (i.e. analysing recent transactions and asking prices of similar properties in and around the same locality for comparison purposes), whilst the buildings are valued at depreciated replacement cost (i.e. current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation), to arrive at the market value.

The investment method was the primary method of valuation adopted by the Valuer whilst the cost approach was a counter-check method.

We are of the view that the investment method of valuation is reasonable given the 15-year non-cancellable lease arrangement and the fixed rental during the lease term. As such, the investment method is appropriate as it is derived based on actual rental rates, outgoings, void factor and capitalised at current market yield.

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

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

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### 7.3.1 Parameters for the Investment Method

The bases and assumptions used by the Valuer in the investment method in deriving the market value of the Klang Properties are:

#### (i) Lease Term

Parameters	Assumptions	Our comments															
Gross rental per year	<table border="1"> <tr> <td colspan="2">Lease Term:</td> <td style="text-align: right;"><b>RM</b></td> </tr> <tr> <td>Year 1 to Year 3</td> <td>1,755,125.04 (RM1.30 per sqft)</td> <td></td> </tr> <tr> <td>Year 4 to Year 6</td> <td>1,983,291.00 (RM1.47 per sqft)</td> <td></td> </tr> <tr> <td>Year 7 to Year 10</td> <td>2,241,119.04 (RM1.66 per sqft)</td> <td></td> </tr> <tr> <td>Year 11 to Year 15</td> <td>2,532,464.04 (RM1.88 per sqft)</td> <td></td> </tr> </table>	Lease Term:		<b>RM</b>	Year 1 to Year 3	1,755,125.04 (RM1.30 per sqft)		Year 4 to Year 6	1,983,291.00 (RM1.47 per sqft)		Year 7 to Year 10	2,241,119.04 (RM1.66 per sqft)		Year 11 to Year 15	2,532,464.04 (RM1.88 per sqft)		<p><b>Fair and reasonable.</b></p> <p>The rental is based on the Lease Agreement. As such this assumption for the lease term is fair and reasonable.</p> <p>Please refer to Section 7.5 of this IAL for our comments on the rental rate.</p>
Lease Term:		<b>RM</b>															
Year 1 to Year 3	1,755,125.04 (RM1.30 per sqft)																
Year 4 to Year 6	1,983,291.00 (RM1.47 per sqft)																
Year 7 to Year 10	2,241,119.04 (RM1.66 per sqft)																
Year 11 to Year 15	2,532,464.04 (RM1.88 per sqft)																
Outgoings	No outgoings	<p><b>Fair and reasonable.</b></p> <p>Outgoings are expenses incurred to maintain the Klang Properties such as maintenance costs, insurances, quit rent and assessment. As the outgoings are born by the tenant based on the Lease Agreement, no outgoings were included during the lease term.</p>															
Capitalisation rate	6.75% (based on analysis of net yields of factories / warehouses within Klang and Shah Alam of between 6.04% and 7.37%)	<p><b>Fair and reasonable.</b></p> <p>Although the lettable area of such factories/ warehouses is between 149,605 sqft to 285,249 sqft, which is bigger as compared to Klang Properties of 112,508 sqft, these factories/warehouses are located within the vicinity of the Klang Properties. The comparable properties are also used as factory (manufacturing facility) and/ or warehouse which is similar to Klang Properties. In addition, the landlord of these factories/ warehouses is AXIS REIT, which is comparable to the Proposed Leaseback. As such, it is reasonable to base the capitalisation rate on the net yields of these comparable factories/ warehouses. As the capitalisation rate is within the range of yields of comparable factories/ warehouses within Klang and Shah Alam, it is fair and reasonable.</p>															

**(ii) Reversionary Term**

Reversionary term refers to the remaining unexpired term of the property after the expiry of the Lease Term.

<b>Parameters</b>	<b>Assumptions</b>	<b>Our comments</b>
Gross rental per year	RM1,566,111.36 (based on gross rental of RM1.40 per sqft per month and deducting the monthly outgoings and void factor)	<b>Fair and reasonable.</b>  Please refer to Section 7.5 of this IAL for our comments on the rental rate.
Outgoings per year	RM135,009.60, which translates to RM0.10 per sqft per month, which was derived from:  (i) the analysis of the past 3 years historical outgoings of the Klang Properties of average RM0.09 per sqft per month; and  (ii) monthly outgoings for factories/ warehouses located within Port Klang of between RM0.08 per sqft and RM0.15 per sqft. The other factories/ warehouses are between 40,000 sqft to 150,000 sqft, and are used as manufacturing and storage facility similar to the Klang Properties.	<b>Fair and reasonable.</b>  As the monthly outgoings of RM0.10 per sqft adopted is within the range of other factories/ warehouses within Port Klang and comparable to the average historical monthly outgoings of the Klang Properties of RM0.09 per sqft, it is fair and reasonable.
Capitalisation rate	7.25% (based on analysis of net yields of factories / warehouses within Klang and Shah Alam of between 6.04% and 7.37%)	<b>Fair and reasonable.</b>  Although the lettable area of such factories/ warehouses is between 149,605 sqft to 285,249 sqft, which is bigger as compared to Klang Properties of 112,508 sqft, these factories/warehouses are located within the vicinity of the Klang Properties. The comparable properties are also used as factory (manufacturing facility) and/ or warehouse which is similar to Klang Properties. In addition, the landlord of these factories/ warehouses is AXIS REIT, which is comparable to the Proposed Leaseback. As such, it is reasonable to base the capitalisation rate on the net yields of these comparable factories/ warehouses.  We noted the capitalisation rate for the reversionary term is higher than the capitalisation rate for the Lease Term as the Valuer has adjusted it to reflect higher risk due to future uncertainty. This is reasonable as the reversionary term only

Parameters	Assumptions	Our comments
		<p>commences 15 years from now which will be subject to more uncertainties.</p> <p>As the capitalisation rate is within the range of yields of comparable factories/ warehouses within Klang and Shah Alam, it is fair and reasonable.</p>
Void	10% of the gross rental rate to allow for vacancy periods	<p><b>Fair and reasonable.</b></p> <p>As there is no certainty that the Klang Properties will be rented out consistently subsequent to the Lease Term, the void factor allows for the vacancy periods between rent reviews including rent free and fitting out period. Hence this assumption is fair and reasonable</p>

### 7.3.2 Parameters for the Cost Approach

The bases and assumptions used by the Valuer in the cost approach to counter-check the market value of the Klang Properties are:

Parameters	Description	RM'million	Our comments
Land value	For the valuation of the land, comparison approach was used by analysing 3 recent transactions of comparable industrial land in Port Klang, with adjustments made for differences in size.	16.85 (RM73.50 per sqft)	<p><b>Fair and reasonable.</b></p> <p>Please refer to the table below for our commentaries on the comparables.</p>
Depreciated building costs	For the valuation of buildings, the Valuer has adopted the current construction costs to construct a similar building less depreciation assuming the building has a life span of 50 years.	10.13	<p><b>Fair and reasonable.</b></p> <p>The Valuer have relied on the JUBM &amp; Arcadis Construction Handbook Malaysia 2021 and checked with contractors in deriving the construction cost. JUBM &amp; Arcadis Construction Handbook Malaysia 2021 was prepared by Arcadis (Malaysia) Sdn Bhd, Arcadis Projek Sdn Bhd ("Arcadis Malaysia") and JUBM Sdn Bhd ("JUBM"). Arcadis Malaysia is one of the largest and longest established quantity surveying firm in Malaysia whilst JUBM is a bumiputera quantity surveying firm. Together, Arcadis Malaysia and JUBM compiles the Malaysian construction handbook annually and is widely referred to by the construction industry. Hence, it is fair and reasonable to adopt the construction costs based on the JUBM</p>

Parameters	Description	RM'million	Our comments
			& Arcadis Construction Handbook Malaysia 2021.  Further, a depreciation charge was imputed to reflect the age of the building to be consistent with the age of the Klang Properties.

The details of the comparables are as follows:

	Comparable 1	Comparable 2	Comparable 3
Location	17, Jalan Perigi Nenas 8/7, Pulau Indah Industrial Park, Port Klang	56, Jalan Perigi Nenas 8/7, Pulau Indah Industrial Park, Port Klang	35, Jalan Sungai Pinang 4/2, Pulau Indah Industrial Park, Port Klang
Land area	87,120 sqft	79,750 sqft	104,539 sqft
Date of transaction	4 May 2021	19 March 2021	12 January 2021
Consideration	RM6,280,000 (RM72.08 per sqft)	RM5,981,250 (RM75.00 per sqft)	RM7,840,500 (RM75.00 per sqft)
<u>Adjustment factors:</u>			
Size	Downward 5% as the comparable has a smaller land area	Downward 5% as the comparable has a smaller land area	Downward 5% as the comparable has a smaller land area
Corner lot premium	Upward 5% as the comparable is an intermediate lot	Upward 5% as the comparable is an intermediate lot	No adjustments
Adjusted value	RM72.08 per sqft	RM75.00 per sqft	RM71.25 per sqft
Source	Valuation and Property Services Department ("JPPH")	JPPH	JPPH

Based on the analysis above, the Valuer has adopted RM73.50 per sqft, being the average adjusted land value for Comparables 1 and 2, for the land valuation, due to:

- (i) Comparables 1 and 2 are located within the same development scheme as Klang Properties;
- (ii) Comparables 1 and 2 are nearer to Klang Properties, which are about 1.3 kilometres and 2.5 kilometres respectively away from Klang Properties; and
- (iii) Comparable 3 is located within another development scheme.

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

Accordingly, we are of the view that the Disposal Consideration based on the Valuer's appraisal of RM27.0 million is **FAIR** and **REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

#### 7.4 Salient Terms of the SPA

The salient terms of the SPA are set out in Appendix III of the Circular. Our comments on the salient terms are as follows:

	Salient Terms of the SPA	Our comments
<b>(1)</b>	<p><b>Basis of sale</b></p> <p>The Klang Properties is sold:</p> <ul style="list-style-type: none"> <li>(a) free from all encumbrances;</li> <li>(b) subject to the existing category of land use affecting the Klang Properties;</li> <li>(c) subject to all restrictions in interest and conditions of title applicable thereto whether express or implied and as may be set out in the issue documents of title to the Klang Properties;</li> <li>(d) subject to fulfilment of the conditions precedent;</li> <li>(e) on the basis that each of the warranties relating to the Klang Properties is true and accurate in all respects;</li> <li>(f) subject to the Lease Agreement;</li> <li>(g) with all rights attaching thereto with effect from the completion date;</li> <li>(h) exclusive of all the Vendor's goods, fixtures (including trade fixtures), fittings, furniture, plant, machinery, or equipment temporarily or permanently placed affixed attached or fastened onto the Klang Properties; and</li> <li>(i) with vacant possession.</li> </ul> <p><b>"Completion Date"</b> means the day falling 3 months from the Unconditional Date or such other date as the parties may agree to in writing.</p> <p><b>"Unconditional Date"</b> means the date of the SPA becomes unconditional. The SPA shall become unconditional on the day which all the conditions precedent have been fulfilled.</p>	<p><b>Fair and reasonable.</b></p> <p>This term sets out the conditions for the transaction that has been agreed between the Vendor and Purchaser, which is typical for transactions of such nature.</p>



Salient Terms of the SPA	Our comments
<p><b>(2) Payment of the Disposal Consideration</b></p> <p>(i) Deposit</p> <p>The Purchaser shall pay a deposit for the sum of RM1,350,000.00 only representing 5% of the Disposal Consideration in the following manner:</p> <p>(a) the sum of RM810,000.00 only (Retention Sum) representing 3% of the Disposal Consideration which shall be paid by the Purchaser to the Purchaser's Solicitors upon execution of the SPA. The Purchaser's Solicitors is authorised by the Purchaser to release the Retention Sum and the interest accrued thereon to the Vendor within 7 Business Days upon the Purchaser's Solicitors' receipt of Forms CKHT 1A and CKHT 3; and</p> <p>(b) the sum of RM540,000.00 only (Balance Deposit) representing 2% of the Disposal Consideration which shall be paid by the Purchaser to the Vendor's Solicitors as stakeholders on the date of execution of the SPA. The Vendor's Solicitors is authorised by the Purchaser to release the Balance Deposit and the interest accrued thereon to the Vendor within 7 Business Days from the Unconditional Date.</p> <p>(ii) Balance Purchase Price</p> <p>The Purchaser shall on or before the Completion Date pay RM25,650,000.00 only representing 95% of the Disposal Consideration to the Vendor's Solicitors as stakeholders to hold and deal with in the manner as stated in the SPA. Subject always to the Vendor procuring the execution of the Lease Agreement, the Vendor's Solicitors shall and are hereby authorised to release the Balance Purchase Price received by them towards account of the Disposal Consideration or any part thereof, in the manner stated in Clause 6 of the SPA.</p>	<p><b>Fair and reasonable.</b></p> <p>This term sets out the terms of payment agreed by the Vendor and the Purchaser, which is customary to facilitate the completion of the Proposed Disposal.</p>

Salient Terms of the SPA	Our comments
<p><b>(3) Conditions Precedent</b></p> <p>The completion of the Proposed Disposal pursuant to the terms and subject to the conditions set out in the SPA shall in all respects conditional upon:</p> <ul style="list-style-type: none"> <li>(i) the Vendor obtaining approvals from the State Authority for the transfer of the Klang Properties to the Purchaser;</li> <li>(ii) the Vendor procuring all approvals, consents and sanctions from government, regulatory, third party, financial institution or otherwise, if required, for the Proposed Disposal upon the terms and conditions of the SPA;</li> <li>(iii) the Vendor procuring the approval of the shareholders of Hextar for the Proposed Disposal upon the terms and conditions of the SPA;</li> <li>(iv) the Purchaser obtaining the approval of the unitholders of KIP REIT for the purchase of the Klang Properties on the terms contained therein the SPA ("<b>Approval</b>");</li> <li>(v) the Purchaser obtaining the approval from the Financier for the grant of the Loan;</li> <li>(vi) the Purchaser procuring the completion of the private placement exercise to be undertaken for purposes of part-financing the Purchase Price; and</li> <li>(vii) the Vendor procuring the execution of the Lease Agreement by Hextar Chemicals to be held in escrow by the Purchaser's Solicitors.</li> </ul> <p>If any of the condition precedent is not fulfilled (unless waived by the Purchaser) within the Conditional Period, then either party shall be entitled to terminate the SPA by giving a Notice of Termination to the other party.</p> <p>"<b>Conditional Period</b>" means a date falling 6 months from the date of the SPA, or such other date as may be agreed upon between the parties as the last date by which the conditions precedent must be fulfilled.</p>	<p><b>Fair and reasonable.</b></p> <p>This term represents the necessary approvals / procedures which are required to facilitate the completion of the Proposed Disposal. The conditions precedents are ordinary terms typical to transactions of such nature.</p>

Salient Terms of the SPA	Our comments
<p><b>(4) Termination</b></p> <p>(i) Vendor's right to terminate</p> <p>(a) Each of the events or circumstance below, where capable of remedy and is not remedied within 14 Business Days after a notice to rectify is issued by the Vendor, constitutes an event of default (Event of Default):</p> <p>(aa) if the Purchaser defaults in the satisfaction of the Disposal Consideration in accordance with clause 2 above; or</p> <p>(bb) any of the Warranties under clause 7.2 of the SPA are found to be untrue or incorrect prior to Completion.</p> <p>(b) On and at any time after the occurrence of an Event of Default under clause 4(i)(a) above, the Vendor shall be entitled but not obliged to forthwith terminate the SPA by giving a Notice of Termination to the Purchaser.</p> <p>(ii) Purchaser's right to terminate</p> <p>(a) Each of the events or circumstances below, where capable of remedy and is not remedied within 14 Business Days after a notice to rectify is issued by the Purchaser to the Vendor, constitutes an Event of Default:</p> <p>(aa) any of the Warranties under clause 7.1 of the SPA are found at any time to be untrue or incorrect;</p> <p>(bb) the Vendor fails, neglects and/or refuses for any reason whatsoever to complete the Proposed Disposal in accordance with the provisions of the SPA.</p> <p>(b) On and at any time after the occurrence of an Event of Default under clause 4(ii)(a) above, the Purchaser shall be entitled but not obliged to forthwith terminate the SPA by giving a Notice of Termination to the Vendor.</p>	<p><b>Fair and reasonable.</b></p> <p>This term safeguards the interest of the Vendor in the event of a default by the Purchaser. We noted that under such circumstances, the Vendor may issue to the Purchaser a notice specifying the relevant breach and requiring the Purchaser to remedy such breach within 14 Business Days from the date of such notice. If the Purchaser fails to remedy the relevant breach within the 14 Business Days, the Vendor shall have the right to terminate the SPA.</p> <p>This term safeguards the interest of the Purchaser in the event of a default by the Vendor. We noted that under such circumstances, the Purchaser may issue to the Vendor a notice specifying the relevant breach and requiring the Vendor to remedy such breach within 14 Business Days from the date of such notice. If the Vendor fails to remedy the relevant breach within the 14 Business Days, the Purchaser shall have the right to terminate the SPA.</p>

Salient Terms of the SPA	Our comments
<p>(iii) Consequences of termination by the Vendor</p> <p>In the event of a Notice of Termination being duly given under the provisions of clause 4(i)(b) above:</p> <ul style="list-style-type: none"> <li>(a) the Deposit shall be absolutely forfeited by the Vendor as agreed liquidated damages;</li> <li>(b) the Purchaser shall return or cause to be returned, at the cost and expense of the Purchaser, the Transfer Documents to the Vendor with the Vendor's interest intact and free of any Encumbrances;</li> <li>(c) the Purchaser shall withdraw or cause to be withdrawn, at the cost and expense of the Purchaser, any private caveat lodged by the Purchaser or the Financier over the Lands, if any;</li> <li>(d) unless the Klang Properties are occupied by the Vendor or any person or entities related to the Vendor, the Purchaser shall re-deliver to the Vendor vacant possession of the Klang Properties, if the same has been delivered to the Purchaser; and</li> <li>(e) the Vendor shall, within 14 days from the date of Notice of Termination (Refund Period) in simultaneous exchange for Purchaser's compliance of clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) above, refund or cause to be refunded to the Purchaser, free of interest, the Balance Purchase Price or any part thereof received by the Vendor or the Vendor's Solicitors failing which clause 8.5 of the SPA shall ensue.</li> </ul> <p>(iv) Consequences of termination by the Purchaser</p> <p>In the event of a Notice of Termination being duly given under the provisions of clause 4(ii)(b) above:</p> <ul style="list-style-type: none"> <li>(a) the Purchaser shall return or cause to be returned the Transfer Documents to the Vendor with the Vendor's interest intact and free of any Encumbrances;</li> </ul>	<p>This term specified the steps that need to be taken in the event of a termination by the Vendor, which is typical for transactions of such nature.</p> <p>This term specified the steps that need to be taken in the event of a termination by the Purchaser, which is typical for transactions of such nature.</p>

**Salient Terms of the SPA**

**Our comments**

- (b) the Purchaser shall withdraw or cause to be withdrawn, at the cost and expense of the Purchaser, any private caveat lodged by the Purchaser or the Financier over the Lands, if any;
- (c) unless the Klang Properties are occupied by the Vendor or any person or entities related to the Vendor, the Purchaser shall re-deliver to the Vendor vacant possession of the Klang Properties, if the same has been delivered to the Purchaser; and
- (d) the Vendor shall –
  - (aa) within the Refund Period in simultaneous exchange for Purchaser's compliance of clauses 4(iv)(a), 4(iv)(b) and 4(iv)(c) above, refund or cause to be refunded to the Purchaser, free of interest, the Deposit and the Balance Purchase Price or any part thereof received by the Vendor or the Vendor's Solicitors; and
  - (bb) pay to the Purchaser an additional sum equivalent to the Deposit as agreed liquidated damages, failing which clause 8.5 of the SPA shall ensue.
- (v) Post-termination  
Following the giving of a Notice of Termination under any of the provisions of the SPA, neither party shall have any further obligation under the SPA to the other party, except in respect of:
  - (a) their respective obligations under clauses 4(iii) or 4(iv) above (as the case may be); and
  - (b) any obligation under the SPA which is expressly stated to apply after the termination of the SPA.The obligation shall refer to the clause 17.12 of the SPA which provides for the following:  
"Unless otherwise agreed by the parties, any indemnity provided under the SPA is independent and shall survive termination of the SPA. Any other provision which by its nature is intended to survive termination of the SPA shall survive termination of the SPA."

This term sets out the obligations of the Purchaser and the Vendor after the termination. It serves to ensure that the interests of both parties are protected at termination of the SPA.

Salient Terms of the SPA	Our comments
<p>(vi) Specific performance</p> <p>Notwithstanding the provisions of this clause, either party shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the sale or purchase in accordance with the provisions of the SPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default in the performance of the terms and conditions of the SPA) and for damages for the breach of the SPA.</p>	<p>This term protects the interests of the Purchaser and Vendor in the sense that either party will be able to compel the other party to complete transaction as set out in the SPA.</p>
<p><b>(5) Warranties</b></p> <p>(i) Vendor's Representations and Warranties</p> <p>The Vendor represents and warrants to the Purchaser as follows:</p> <p>(a) The Vendor is the registered and beneficial owner of the Klang Properties and is entitled and has full ability to transfer the Klang Properties to the Purchaser absolutely;</p> <p>(b) All appropriate and necessary action has been taken to authorise its execution and delivery of the SPA and the exercise by the Vendor of its rights and the performance by the Vendor of its obligations under the SPA and other relevant documents;</p> <p>(c) Save for the Charges, the Klang Properties is free from all Encumbrances;</p> <p>(d) Save for the Charges, the Vendor has not and shall not after the date of the SPA sell, dispose, charge, mortgage, assign or in any manner whatsoever encumber or deal with the Klang Properties or any part of it;</p> <p>(e) Save for the Charges, there are no claims adversely affecting the right of the Vendor to the possession and ownership of the Klang Properties;</p> <p>(f) The Vendor has not received any notice under the Land Acquisition Act 1960;</p> <p>(g) The Vendor has not received any notices from any Relevant Authority which remain outstanding and which shall or may adversely affect the present or continued use and</p>	<p><b>Fair and reasonable.</b></p> <p>This term gives the assurance that representations and warranties given by the Vendor are true and accurate for the benefit of the Purchaser. Such term is common for transactions of such nature.</p>

**Salient Terms of the SPA****Our comments**

enjoyment by the Vendor or its successors-in-title of the Klang Properties and that the Vendor shall immediately give notice to the Purchaser of any such notices, orders or requirements it receives from any Relevant Authority at any time after the date of the SPA;

- (h) The Vendor has not at any time prior to and up to the date of the SPA entered into any agreement or arrangement, whether written or otherwise for the sale of the Klang Properties to any person nor granted an option or right of first refusal, whether in writing or otherwise, in favour of any person for the purchase of the Klang Properties, which is still subsisting;
- (i) All the express and implied conditions of the title and restrictions affecting the Klang Properties have been duly observed by the Vendor and there is no breach thereof that has occurred that could allow any Relevant Authority to forfeit the Klang Properties or any part thereof or to impose any fines on the owner of the Klang Properties;
- (j) All Outgoings have been duly paid and shall, as at Completion, be duly paid up to Completion;
- (k) The Redemption Sum is less than the Balance Purchase Price;
- (l) No petition for the winding-up of the Vendor has been presented or remains pending as at the date of the SPA and the Vendor has not entered into dealings with any of its creditors with a view to avoiding or in expectation of insolvency;
- (m) No administrator, receiver and/or manager has been appointed over or any incumbrancer taken possession of the whole or any part of the Klang Properties;
- (n) There are no pending suits, legal proceedings or claims against the Vendor which may affect in any way the Vendor's title to or its right to dispose of the Klang Properties; and
- (o) There are no persons who may have any rights to the Klang Properties save and except for those which have been disclosed to the Purchaser in writing prior to the execution of the SPA.

Salient Terms of the SPA	Our comments
<p>(ii) Purchaser's Representations and Warranties</p> <p>The Purchaser represents and warrants to the Vendor as follows:</p> <p>(a) The Purchaser is legally competent to execute, deliver and perform the terms of and all its obligations under the SPA and subject to the Approval, it has full right, power and authority to enter into the SPA and perform the transactions contemplated herein;</p> <p>(b) The SPA has been duly executed and delivered by the Purchaser and constitutes the valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with the terms thereof;</p> <p>(c) The Purchaser has not been wound up and no winding up order or petition has been made or presented against the Purchaser; and</p> <p>(d) The performance, delivery and/or fulfilment by the Purchaser of its obligations under the SPA will not breach, contravene and/or be contrary to any laws, orders and/or judgments applicable to the Purchaser.</p> <p>(iii) Indemnity</p> <p>The Vendor shall fully indemnify the Purchaser from and against all claims, costs (including legal costs (on a solicitor and client basis)), expenses, damages, fines or penalties whatsoever imposed in respect of the Klang Properties that arises during the period prior to the date of vacant possession, whether arising from the Vendor's and/or the existing occupier's negligence, wilful default, fraud or otherwise.</p> <p>(iv) Basis of warranties</p> <p>(a) Each of the Warranties is without prejudice to any other representation, Warranty or undertaking and, except where expressly stated, no Warranty contained in the SPA governs or limits the extent or application of any other Warranty.</p>	<p>This term gives the assurance that representations and warranties given by the Purchaser are true and accurate for the benefit of the Vendor. Such term is common for transactions of such nature.</p> <p>This term serves to protect the Purchaser's interest in the event of any claims and damages to the Klang Properties prior to completion of the SPA.</p> <p>This term sets out the basis of the warranties given by the Purchaser and Vendor, which is common for transactions of such nature.</p>



Salient Terms of the SPA	Our comments
<p>(b) Each of the Warranties is deemed to be given as at the date of the SPA and is to be repeated immediately before the Completion Date or the Extended Completion Date (as the case may be) in relation to the facts then existing.</p> <p>(v) Disclosure prior to completion</p> <p>The Vendor shall promptly disclose in writing to the Purchaser any event or circumstance, which arises or becomes known to the Vendor after the date of the SPA and prior to the Completion Date or the Extended Completion Date (as the case may be), which is inconsistent with any of the Warranties, or which might be material to be known by a purchaser for value of the Klang Properties. For the avoidance of doubt, clause 4(ii)(a)(aa) above applies to disclosures made under this clause.</p>	<p>This term assures that representations and warranties given by the Vendor remain true and accurate until completion of the SPA. Such term is common for transactions of such nature.</p>

Based on the above, we are of the view that the abovementioned salient terms of the SPA are **FAIR** and **REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

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## 7.5 Basis and Justification for the Rental Rates

The basis and justification for the rental rates are set out in Section 2.2.1, Part A of the Circular.

### Eco Asia's Comments

#### (i) Rental Rates

We noted that the Rental Rates have been compared against the comparable rental analysis conducted by the Valuer.

The Rental Rates together with the market rates are as follows:

	Rental rate	Comparable rental rate		
Klang Properties	Lease Term:	Asking rental rates for industrial properties within the vicinity of Klang Properties is ranging between RM1.23 per sqft to RM1.60 per sqft.  Concluded rental rates for industrial properties in Shah Alam and Klang is ranging between RM1.50 per sqft to RM2.13 per sqft.		
			<b>Rental per sqft</b>	<b>Rental increment per term</b>
	Year 1 to Year 3		RM1.30	-
	Year 4 to Year 6		RM1.47	13%
	Year 7 to Year 10		RM1.66	13%
Year 11 to Year 15	RM1.88	13%		

We also noted that the Valuer have adopted RM1.40 per sqft as the reversionary gross monthly rental rate in deriving the market value of the Klang Properties. The market rental was appraised by the Valuer by comparing the asking rental rates for comparative industrial properties located within the vicinity of the Klang Properties. References were also made to concluded rental rates of industrial properties in Shah Alam and Klang that is publicly available. Adjustments are then made for differences in location, lettable area, building specification, design and condition as well as age of building. The starting rental rate for the Proposed Leaseback appears to be at the lower end of the market rental rates, however, it gradually increases over the tenure of the lease. Nonetheless, the Rental Rates are still within the range of comparable market rental rates.

Based on the above, we are of the view that the Rental Rates is **FAIR AND REASONABLE** as it is within the range of market rental rates of comparable properties.

#### (ii) Rental Increment

We noted that the rental increment for each term is 13% above the prevailing total monthly rental. This translates into an effective annual rental increment rate of 3.08%. As the rent will be increased for each term and not on a yearly basis, the Valuer have computed the effective annual rental increment rate, which represents the annual rental increment rate to achieve the same total rental payment over the lease term. The effective annual increment rate was then benchmarked and compared with other similar concluded tenancy / lease agreements to ascertain its reasonableness.

The rental increment has been benchmarked against the following comparable tenancy/ lease arrangements:

Property address	Date of lease / tenancy agreement	Rental rate (RM per month)	Rental increment per term	Effective annual rental increment rate
89A, Jalan i-Park 1/6, Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor	13 January 2020	Term 1 (3 years and 1 month) - RM89,933.87 Term 2 (3 years) - RM101,925.05 Term 3 (3 years) - RM113,916.23	Term 2 - 13.3% Term 3 - 11.8%	3.01%
150F, Blok A, Jalan Kampung Jawa, Taman Perindustrian Bayan Lepas, Bayan Lepas, Pulau Pinang	12 February 2019	Term 1 (1 year) - RM379,864.00	Annual increment of 3.0% for 15 years lease term	3.00%
Balai Berita Shah Alam, No.16, Jalan Astaka U8/88, Taman Perindustrian Bukit Jelutong, Shah Alam, Selangor	30 August 2018	Term 1 (3 years) - RM660,326.00 Term 2 (3 years) - RM726,538.60 Term 3 (3 years) - RM798,994.46 Term 4 (3 years) - RM918,843.63 Term 5 (3 years) - RM1,056,670.17	Term 2 - 10.0% Term 3 - 10.0% Term 4 - 15.0% Term 5 - 15.0%	3.22%
93, Jalan i-Park 1/10, Kawasan Perindustrian i-Park, Bandar Indahpura, Kulai, Johor	30 June 2017	Term 1 (3 years) - RM185,788.40 Term 2 (3 years) - RM212,329.60 Term 3 (4 years) - RM238,870.80	Term 2 - 14.3% Term 3 - 12.5%	3.20%

Although the effective annual rental increment rate of 3.08% appears to be at the lower end of the comparable tenancy / lease arrangements, such increment was negotiated and agreed between KIP REIT and Hextar Chemicals taking into consideration: (i) the length of the lease term and (ii) the rental is on a triple net basis, where Hextar Chemicals is responsible for paying all the outgoings, costs, expenses or charges for the Klang Properties, including any increase thereof during the lease term. In addition, the effective annual rental increment rate is within the range of the comparable tenancy/ lease arrangements.

The Rental Rates and rental increment are fixed and committed throughout the lease term. Although there are other tenancy/ lease agreements which do not commit to a rental rate throughout the lease period and adopt the prevailing market rental rate, however the committed rental rates provides certainty to both KIP REIT and Hextar Chemicals especially taking into consideration the long lease period of 15 years. This will allow Hextar Chemicals to have better cash flow planning and management for its business operations in the future.

Based on the above analysis, the effective annual rental increment rate of the comparable tenancy/ lease arrangements ranges between 3.00% to 3.22%. As the effective annual rental increment rate for the Klang Properties of 3.08% is within the range of the comparable tenancy/ lease arrangements, we are of the view that it is **FAIR AND REASONABLE.**

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## 7.6 Salient terms of the Lease Agreement

The salient terms of the Lease Agreement are set out in Appendix IV of the Circular. Our comments on the salient terms are as follows:

Salient Terms of the Lease Agreement		Our comments
<p><b>(1)</b></p>	<p><b>Basis of the Proposed Leaseback</b></p> <p>(i) the Klang Properties is leased on an 'as is where is' basis;</p> <p>(ii) the Proposed Leaseback shall be a triple net lease whereby the Group shall be responsible to pay for any outgoings (including all rates, taxes, quit rent, assessment and other outgoings), public liability insurance, fire insurance as well as utilities of the Klang Properties during the lease term. As such, Pacific Trustees shall not be responsible during the Term for any Outgoings, costs, expenses or charges of any nature whatsoever, including any increase thereof, arising from or related to the Klang Properties; and</p> <p>(iii) the Proposed Leaseback shall not be cancelled or terminated save and except as expressly provided in the Lease Agreement.</p> <p><b>"Term"</b> means 15 years commencing from the Commencement Date and expiring on the 15th anniversary from the Commencement Date.</p>	<p><b>Fair and reasonable.</b></p> <p>This term sets out conditions of the Proposed Leaseback as agreed by Hextar Chemicals and Pacific Trustees.</p>
<p><b>(2)</b></p>	<p><b>Deposits</b></p> <p>On the date on which the SPA is completed in accordance with the terms thereof, Hextar Chemicals shall pay to Pacific Trustees the following Deposits and the Deposits shall be maintained with Pacific Trustees throughout the Term:</p> <p>(i) the Security Deposit for a sum equivalent to 6 months of the prevailing rental from time to time, being RM877,562.52 only as at the date of the Lease Agreement; and</p> <p>(ii) the Utilities Deposit for a sum equivalent to 1 month of the prevailing rental for time to time, being RM146,260.42 only as at the date of the Lease Agreement.</p>	<p><b>Fair and reasonable.</b></p> <p>This term sets out the deposits to be paid by Hextar Chemicals to Pacific Trustees. The total deposits to be paid is reasonable as agreed by Hextar Chemicals and Pacific Trustees.</p>

Salient Terms of the Lease Agreement		Our comments														
<p><b>(3)</b></p> <p><b>Rental</b></p> <p>The rental payable during the Term calculated based on the lettable area of the Klang Properties of 112,508 square feet is as follows:</p> <table border="1" style="margin-left: 40px;"> <thead> <tr> <th style="background-color: #ccc;">Tenure</th> <th style="background-color: #ccc;">Rate</th> <th style="background-color: #ccc;">Rental per month</th> </tr> </thead> <tbody> <tr> <td>Year 1 to Year 3</td> <td>RM1.30 per sqft</td> <td>RM146,260.42</td> </tr> <tr> <td>Year 4 to Year 6</td> <td>RM1.47 per sqft</td> <td>RM165,274.25</td> </tr> <tr> <td>Year 7 to Year 10</td> <td>RM1.66 per sqft</td> <td>RM186,759.92</td> </tr> <tr> <td>Year 11 to Year 15</td> <td>RM1.88 per sqft</td> <td>RM211,038.67</td> </tr> </tbody> </table>	Tenure	Rate	Rental per month	Year 1 to Year 3	RM1.30 per sqft	RM146,260.42	Year 4 to Year 6	RM1.47 per sqft	RM165,274.25	Year 7 to Year 10	RM1.66 per sqft	RM186,759.92	Year 11 to Year 15	RM1.88 per sqft	RM211,038.67	<p><b>Fair and reasonable.</b></p> <p>This term sets out the period and monthly rental for Klang Properties which commences immediately after the completion of the SPA.</p>
Tenure	Rate	Rental per month														
Year 1 to Year 3	RM1.30 per sqft	RM146,260.42														
Year 4 to Year 6	RM1.47 per sqft	RM165,274.25														
Year 7 to Year 10	RM1.66 per sqft	RM186,759.92														
Year 11 to Year 15	RM1.88 per sqft	RM211,038.67														
<p><b>(4)</b></p> <p><b>Sub-let of the Klang Properties</b></p> <p>Hexstar Chemicals shall be allowed to underlet or sublet this Lease or transfer or in any manner whatsoever part with the possession or occupation of the Klang Properties or any part thereof subject to the prior written consent of Pacific Trustees which shall not be unreasonably withheld.</p>	<p><b>Fair and reasonable.</b></p> <p>This term grants Hexstar Chemicals the authority to sub-let Klang Properties.</p>															
<p><b>(5)</b></p> <p><b>Event of Default</b></p> <p>(i) Event of Default of Hexstar Chemicals</p> <p>Hexstar Chemicals shall be in default under the Lease Agreement if, during the Term and the subsistence of the Lease Agreement, any of the following events shall occur:</p> <p>(a) Hexstar Chemicals defaults in the payment of rental or any part thereof or any other moneys due to Pacific Trustees under the Lease Agreement; and</p> <p>(b) Hexstar Chemicals commits, permits or suffers to occur any breach or default in the due and punctual observance and performance of any of the covenants, obligations and provisions of the Lease Agreement and fails to remedy the same after Pacific Trustees has given 30 days prior notice in writing to Hexstar Chemicals to rectify such breach or default and notwithstanding any remedy by Hexstar Chemicals, Hexstar Chemicals continues to commit, permit or suffer on a continuous basis such similar default.</p>	<p><b>Fair and reasonable.</b></p> <p>This term sets out the events of default of Hexstar Chemicals, which is common in transaction of such nature.</p>															

<b>Salient Terms of the Lease Agreement</b>		<b>Our comments</b>
<p>(ii) Right of Pacific Trustees on Default of Hextar Chemicals</p> <p>Upon occurrence of any of the events of default specified in clause 5(i) above, Pacific Trustees shall, upon giving 21 days prior notice in writing to Hextar Chemicals, be entitled to:</p> <ul style="list-style-type: none"> <li>(a) terminate the Lease Agreement and forfeit the Deposits;</li> <li>(b) demand for all possession (including the equipment, furniture, plant, machinery and goods on the Klang Properties but excluding the Assets) belonging to Hextar Chemicals to be removed at the costs and expenses of Hextar Chemicals;</li> <li>(c) demand from Hextar Chemicals the Rental for the remaining unexpired term of the Lease, less the Deposits, as agreed liquidated damages; and</li> <li>(d) demand from Hextar Chemicals for all associated damages, cost and expenses incurred by Pacific Trustees due to Hextar Chemicals's default.</li> </ul> <p>(iii) Event of Default of Pacific Trustees</p> <p>Pacific Trustees shall be in default under the Lease Agreement if, during the Term and the subsistence of the Lease Agreement, Pacific Trustees commits, permits or suffers to occur any breach or default in the due and punctual observance and performance of clauses 7 and 8.1 of the Lease Agreement and fails to remedy the same after Hextar Chemicals has given 30 days prior notice in writing to Pacific Trustees to rectify such breach or default and notwithstanding any remedy by Pacific Trustees, Pacific Trustees continues to commit, permit or suffer on a continuous basis such similar default.</p> <p>(iv) Right of Hextar Chemicals on Default of Pacific Trustees</p> <p>Upon occurrence of any of the events of default specified in clause 5(iii) above, Hextar Chemicals shall be entitled to demand from Pacific Trustees for all actual damages, costs and expenses incurred by Hextar Chemicals due to Pacific Trustees's default. Such claim by Hextar Chemicals shall:</p>	<p><b>Fair and reasonable.</b></p> <p>This term specified the steps that need to be taken in the event of default of Hextar Chemicals, which is typical for transaction of such nature.</p> <p><b>Fair and reasonable.</b></p> <p>This term sets out the events of default of Pacific Trustees, which is common in transaction of such nature.</p> <p><b>Fair and reasonable.</b></p> <p>This term specified the steps that need to be taken in the event of default of Pacific Trustees, which is typical for transaction of such nature.</p>	

Salient Terms of the Lease Agreement	Our comments
<p>(a) subject to the burden of proof of causation and foreseeability;</p> <p>(b) exclude loss of profit, loss of goodwill or possible business and any punitive, special, indirect or consequential loss; and</p> <p>(c) be accompanied by supporting invoices and payment receipts, if any.</p> <p>For the avoidance of doubt, if any such claim is based upon a liability which is contingent only, Pacific Trustees shall not be liable unless and until such contingent liability gives rise to an obligation to make a payment.</p>	

Based on the above, we are of the view that the abovementioned salient terms of the Lease Agreement are **FAIR** and **REASONABLE** and are **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

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## 7.7 Effects of the Proposed Disposal and Leaseback

The effects of the Proposed Disposal and Leaseback are set out in Section 6, Part A of the Circular. Our comments are as follows:

<b>Effects of the Proposed Disposal and Leaseback on:</b>	<b>Our comments</b>
<b>Issued share capital and substantial shareholders' shareholdings</b>	The Proposed Disposal and Leaseback will not have any effect on the issued share capital and shareholdings of the substantial shareholders of Hextar as the Proposed Disposal and Leaseback does not involve any issuance of new Hextar shares.
<b>NA and gearing</b>	<p>The NA of the Company will increase from RM212.96 million to RM216.29 million (after accounting for the net pro forma gain on disposal of approximately RM4.26 million as well as reversal of revaluation reserve of approximately RM10.18 million arising from the Proposed Disposal, interest and cost saving of RM1.33 million arising from the Proposed Disposal, rental expenses of approximately RM1.76 million and after deducting estimated expenses of RM0.50 million for the Proposed Disposal and Leaseback). Consequently, the NA per share will also increase from RM0.16 to RM0.17.</p> <p>In addition, the gearing of the Company will improve from 1.18 times to 1.16 times.</p>
<b>Earnings and EPS</b>	Assuming the Proposed Disposal and Leaseback had been effected on 1 January 2021, being the beginning of the FYE 31 December 2021, the Company's profit after tax attributable to owners of the Company will improve from RM39.21 million to RM42.54 million, mainly arising from the one-off net pro forma gain on disposal of RM4.26 million. Consequently, the EPS will also improve from 2.99 sen to 3.25 sen.

Based on the above, we are of the view that the financial effects of the Proposed Disposal and Leaseback are **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

## 7.8 Risk Factors

In considering the Proposed Disposal and Leaseback, the non-interested shareholders of the Company are advised to give careful consideration to the risk factors set out in Section 4, Part A of the Circular.

### **Eco Asia's Comments**

The Proposed Disposal and Leaseback is conditional upon fulfilment of conditions precedents in the SPA and Lease Agreement. We noted that Hextar will endeavour to fulfill all conditions precedents to ensure the completion of the SPA and Lease Agreement. However, if due to unforeseen circumstances and the Proposed Disposal and Leaseback does not materialise, the Klang Properties will remain with Hextar for its own use.

We noted that the Disposal Consideration is based on the current market valuation. By disposing the Klang Properties at this juncture, the Group may lose out on any potential increase in capital value of the Klang Properties in the future. However, the Group will be able to utilise the Disposal Consideration as additional working capital, which is expected to ease the funding requirements of the Group.

As there is no provision for renewal of the lease upon expiry of the lease period, there is no certainty that the Group will be able to extend its lease in the future. However, the Group will actively engage with KIP REIT to negotiate on the renewal terms and/or sought for suitable alternative locations to minimise the disruptions to its operations.

## 7.9 Liabilities to be Assumed

The liabilities to be assumed by Hextar Group are set out in Section 2.1.2, Part A of the Circular.

### Eco Asia's Comments

We noted that save for the monthly rental pursuant to the Proposed Leaseback, there are no liabilities, contingent liabilities and guarantees to be assumed by the Group pursuant to the Proposed Disposal. Hence, we are of the view that the Proposed Disposal and Leaseback is **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

## 7.10 Industry Overview, Outlook and Prospects

We take note of the industry overview and prospects as set out in Section 5 of Part A of this Circular. Our comments are as follows:

### (i) Overview and outlook of the Malaysian economy

Malaysia's gross domestic product ("GDP") expanded further 8.9% as compared to 5.0% in the previous quarter. Overall, the economy posted a growth of 6.9% (1H 2021: 7.0%) for the first half year of 2022.

The services sector remained the main impetus which accelerated to 12.0% (Q1 2022: 6.5%) in this quarter, driven by the wholesale & retail trade (17.3%), transportation & storage (35.8%) and food & beverage & accommodation (35.3%). Furthermore, the manufacturing sector further expanded to 9.2% (Q1 2022: 6.6%) in this quarter, supported by strong growth in the electrical, electronic & optical products (15.5%), transport equipment, other manufacturing & repair (19.9%) and non-metallic mineral products, base metals & fabricated metal products (10.3%) sub-sectors. Meanwhile, the construction sector rebounded to 2.4% (Q1 2022: -6.2%) supported by the expansion in the non-residential buildings (10.1%), specialised construction activities (7.0%) and residential buildings (2.7%) sub-sectors. On the other hand, the mining and quarrying sector decreased marginally 0.5% (Q1 2022: -1.1%) in the second quarter of 2022 influenced by natural gas (0.4%) and other mining & quarrying & supporting services (5.3%). Correspondingly, the agriculture sector decreased 2.4% (Q1 2022: 0.1%) which was influenced by almost all sub-sectors except for fishing sub-sector.

*(Source: Department of Statistics Malaysia)*

The International Monetary Fund (IMF) has revised its year-on-year economic growth forecast for Malaysia to 5.1% in 2022 from 5.6% previously, according to the fund's latest World Economic Outlook Update July 2022 (published on July 26, 2022).

However, the IMF's latest forecast is lower than Bank Negara Malaysia's GDP growth range of 5.3% to 6.3% for 2022.

The fund said the risks to the global economic outlook are overwhelmingly tilted to the downside.

"The factors such as the war in Ukraine could lead to a sudden stop of European gas imports from Russia, while inflation could be harder to bring down than anticipated either if labour markets are tighter than expected or inflation expectations unanchor."

*(Source: "IMF revises Malaysia's 2022 GDP growth forecast to 5.1%", published on 27 July 2022, [www.thestar.com.my](http://www.thestar.com.my))*

## **(ii) Overview and outlook of the Malaysian manufacturing industry**

Malaysia's manufacturing sales value in July 2022 stood at RM148.4 billion, grew 23.8% as compared to the same month in 2021. The growth in sales value for July 2022 was driven by the electrical & electronics products subsector (26.1%), petroleum, chemical, rubber & plastic products subsector (19.1%) and non-metallic mineral products, basic metal & fabricated metal products subsector (44.2%).

For the period of January to July 2022, the sales value of the manufacturing sector surged by 16.3% to RM1,007.2 billion as compared to the same period in 2021. The number of employees increased 4.1% to 2.30 million persons while salaries & wages expanded 5.0% to RM54.5 billion. Meanwhile, sales value per employee recorded RM437,749 for similar period of year 2022 with a growth of 11.7% year on year.

*(Source: Department of Statistics Malaysia)*

## **(iii) Overview and outlook of Malaysian chemicals and chemical products industry**

Malaysia's abundant natural resources prove to be an advantage for the country's chemicals and chemical products industry. This industry is a major contributor to the manufacturing sector with petrochemicals and oleochemicals being the primary products of this sector.

Chemicals and chemical products are often used as raw materials in the manufacturing of various finished goods such as electrical and electronics, plastic products, agriculture, automotive, oil and gas, pharmaceuticals and construction materials. The chemicals and chemical products industry still has significant room for growth, development, and improvement.

In order to move up to the next level, Malaysian Investment Development Authority ("**MIDA**") encourage chemicals and chemical product manufacturers to leverage the entire chemical ecosystem to increase innovation efficiency and explore new markets. Make the shift from selling just mere products to providing innovative solutions that can contribute to a more advanced and environmentally sustainable industry.

Moving forward, Malaysia is looking to venture into new sub-segments within the speciality chemicals segment. Industry players have begun exploring the possibility to produce speciality chemical products directly from crude oil by using Crude Oil-To-Chemicals (COTC) technology. Non-fuel products such as catalysts, aromatics, white spirits (naphtha), wax, and white oil offer a huge market potential to be explored. These products can be used as additives for various industries such as food and beverages, construction and automotive. Another area of development is in the reformulation of marketing and supply chain management policies, preparing the industry to further diversify both its sources of raw materials and its markets. This will empower industry players to choose from various suppliers and target markets, providing them greater flexibility and freedom when doing business.

MIDA continues to be a strong supporter for the research & development, adoption, and commercialisation of new technologies for a more advanced, high-tech, and highly-automated industry. MIDA seek to position Malaysia as a globally-compliant nation when it comes to handling chemicals from end-to-end, thus ensuring that chemicals produced are used in ways that minimise risks in terms of human health and environmental impact.

*(Source: MIDA)*

#### (iv) Prospects of Hextar

As set out above, Malaysia's manufacturing sector expanded by 16.3% in the period of January to July 2022. The chemicals and chemical products industry is also looking positive with the encouragement and support of MIDA.

We noted that the Group has undertaken several expansion plans over the recent years to strengthen its foothold in the agriculture segment as well as expanding into the specialty chemicals segment. With the positive support from the Government for the chemicals and chemical products industry, the outlook of the Proposed Disposal and Leaseback is not detrimental to the Group as it allows the Group to monetise its asset and utilise the proceeds to further expand its businesses. With the proceeds from the Proposed Disposal, the Group's working capital will increase which will enhance the Group's cash flow for its operations. Further, the Proposed Leaseback will ensure the Group's business operations is not disrupted.

Premised on the above, we are of the view that the prospects of the Proposed Disposal and Leaseback is **REASONABLE** and **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

Nonetheless, we wish to highlight that all businesses are subject to uncertainties which may not be within the Board's control such as, amongst others, changes in Government policies, changes in interest rates and /or changes in economic conditions. The occurrence of any such events may materially adversely impact the Group's business operations and financial performance.

## 8 CONCLUSION AND RECOMMENDATION

In arriving at our recommendations, we have assessed and evaluated the Proposed Disposal and Leaseback after taking into consideration the various factors discussed in Section 7 of this IAL. You should consider carefully all the merits and demerits of the Proposed Disposal and Leaseback based on all relevant factors discussed in Section 7 of this IAL and those which are set out in Part A and the Appendices of the Circular, prior to making a decision on whether to vote in favour of or to vote against the Proposed Disposal and Leaseback.

After taking into consideration of our overall assessment and evaluation of the Proposed Disposal and Leaseback based on the information available to us up to the LPD, we are of the view that the Proposed Disposal and Leaseback is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of Hextar.

Accordingly, we recommend that the non-interested shareholders of Hextar to **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Disposal and Leaseback to be tabled at the forthcoming EGM of the Company.

**Before arriving at the decision to vote on the resolutions pertaining to the Proposed Disposal and Leaseback, it is pertinent that the non-interested shareholders of Hextar consider the issues and implications raised in this IAL as well as other considerations as set out in Part A of the Circular carefully and the Audit Committee's statement and recommendation as set out in Section 11, Part A of the Circular.**

Yours faithfully,  
For and on behalf of  
**ECO ASIA CAPITAL ADVISORY SDN BHD**



**KHOO CHEE SIANG**  
Managing Director  
Corporate Finance



**NENG KUAN SEN**  
Director  
Corporate Finance

**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

The information relating to the Purchaser has been obtained from Pacific Trustees and the sole responsibility of the Board is limited to ensuring that such information is accurately reproduced in the Circular and the Board accepts no further or other responsibility in respect of such information.

**2. CONSENT AND CONFLICT OF INTEREST****TA Securities**

TA Securities, being the Principal Adviser for the Proposed Disposal and Leaseback, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, TA Securities confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Principal Adviser for the Proposed Disposal and Leaseback.

**Eco Asia**

Eco Asia, being the Independent Adviser for the Proposed Disposal and Leaseback, has given and has not subsequently withdrawn its written consent to the inclusion of its name and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Eco Asia confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the Independent Adviser for the Proposed Disposal and Leaseback.

**Henry Butcher Malaysia (Sel) Sdn Bhd**

Henry Butcher Malaysia (Sel) Sdn Bhd, being the valuer for the Klang Properties, has given and has not subsequently withdrawn its written consent to the inclusion of its name, the valuation certificates in relation to the Klang Properties as set out in Appendix V and all references thereto in the form and context in which they appear in this Circular.

As at the LPD, Henry Butcher Malaysia (Sel) Sdn Bhd confirms that it is not aware of any conflict of interest which exists or is likely to exist in relation to its role as the valuer for the Klang Properties.

**3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES****Material commitments**

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

**Contingent liabilities**

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

**4. MATERIAL LITIGATION**

The Board has confirmed that the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has or would have a material and adverse effect on the financial position or business of the Group and the Board confirmed that there are no proceedings pending or threatened against the Group or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Group.

**5. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia during normal business hours from Monday to Friday (*except public holidays*) for the period from the date of this Circular up to and including the date of the EGM:

- (i) Constitution of the Company;
- (ii) audited consolidated financial statements of the Company for the FYE 31 December 2020 and FYE 31 December 2021 as well as the unaudited consolidated financial statements of the Company for the financial period ended 30 June 2022;
- (iii) SPA;
- (iv) Lease Agreement;
- (v) the valuation certificate by the Valuer referred to in Appendix V, as well as their valuation report; and
- (vi) the letter of consent referred to in Section 2 of this Appendix I.

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**APPENDIX II – INFORMATION ON THE KLANG PROPERTIES**


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

	<b>Klang Properties</b>
Registered owner	Hextar Chemicals
Postal address	Lot 5, Jalan Perigi Nenas 7/3, Phase 1A, Pulau Indah Industrial Park, 42920 Port Klang, Selangor Darul Ehsan
Title / Lot no.	PN 12168 / Lot 88089 and PN 12170 / Lot 88105, both are within Mukim of Klang, District of Klang, State of Selangor
Tenure	Leasehold for 99 years, expiring on 24 February 2097
Land area	21,303 square metres (Lot 88089 – 20,471 square metres; Lot 88105 – 832 square metres)
Category of land use	Industrial
Existing use	2 adjoining parcels of leasehold industrial land with a double storey office building, a single storey warehouse annexed and a guardhouse.  As at the date of valuation, the Klang Properties are used by the Group for office space as well as manufacturing, storage and warehousing of goods and raw materials.
Proposed use	General factory area, storage and office pursuant to the Proposed Leaseback.
Approximate age of buildings	20 years
Gross floor area	10,460 square metres (112,598 sqft)
Net lettable area	10,452 square metres (112,508 sqft)
Occupancy rate	100%
Encumbrances	Charged to OCBC AI-Amin Bank Berhad vide Presentation No. 94703/2015 on 9 September 2015
Valuer	Henry Butcher Malaysia (Sel) Sdn Bhd
Valuation method	Investment Method and Cost Approach
Date of valuation	20 June 2022
Market value	RM27.0 million
Net book value as at 31 December 2021	RM27.0 million

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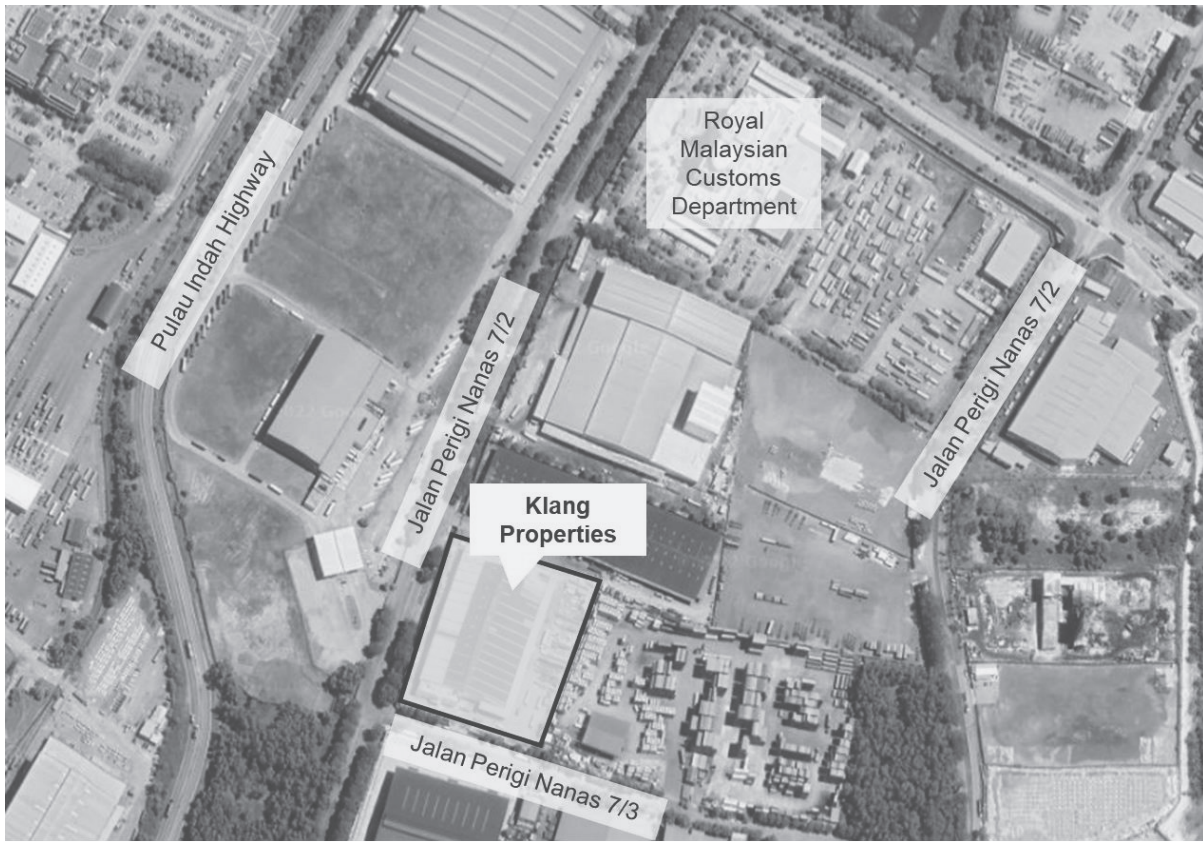


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**APPENDIX II – INFORMATION ON THE KLANG PROPERTIES (CONT'D)**

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A location map of the Klang Properties is as follows:



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## APPENDIX III – SALIENT TERMS OF THE SPA

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The salient terms of the SPA include the following:

### 1. Basis of sale

The Klang Properties is sold:

- (a) free from all Encumbrances;
- (b) subject to the existing category of land use affecting the Klang Properties;
- (c) subject to all restrictions in interest and conditions of title applicable thereto whether express or implied and as may be set out in the issue documents of title to the Klang Properties;
- (d) subject to fulfilment of the Conditions Precedent;
- (e) on the basis that each of the Warranties relating to the Klang Properties is true and accurate in all respects;
- (f) subject to the Lease Agreement;
- (g) with all rights attaching thereto with effect from the Completion Date;
- (h) exclusive of all the Vendor's goods, fixtures (including trade fixtures), fittings, furniture, plant, machinery, or equipment temporarily or permanently placed affixed attached or fastened onto the Klang Properties; and
- (i) with vacant possession.

**"Completion Date"** means the day falling 3 months from the Unconditional Date or such other date as the parties may agree to in writing.

**"Unconditional Date"** means the date of the SPA becomes unconditional. The SPA shall become unconditional on the day which all the Conditions Precedent have been fulfilled.

### 2. Payment of the Disposal Consideration

- (i) Deposit

The Purchaser shall pay a deposit for the sum of RM1,350,000.00 only representing 5% of the Disposal Consideration in the following manner:

- (a) the sum of RM810,000.00 only (Retention Sum) representing 3% of the Disposal Consideration which shall be paid by the Purchaser to the Purchaser's Solicitors upon execution of the SPA. The Purchaser's Solicitors is authorised by the Purchaser to release the Retention Sum and the interest accrued thereon to the Vendor within 7 Business Days upon the Purchaser's Solicitors' receipt of Forms CKHT 1A and CKHT 3; and
- (b) the sum of RM540,000.00 only (Balance Deposit) representing 2% of the Disposal Consideration which shall be paid by the Purchaser to the Vendor's Solicitors as stakeholders on the date of execution of the SPA. The Vendor's Solicitors is authorised by the Purchaser to release the Balance Deposit and the interest accrued thereon to the Vendor within 7 Business Days from the Unconditional Date.

(ii) Balance Purchase Price

The Purchaser shall on or before the Completion Date pay RM25,650,000.00 only representing 95% of the Disposal Consideration to the Vendor's Solicitors as stakeholders to hold and deal with in the manner as stated in the SPA. Subject always to the Vendor procuring the execution of the Lease Agreement, the Vendor's Solicitors shall and are hereby authorised to release the Balance Purchase Price received by them towards account of the Disposal Consideration or any part thereof, in the manner stated in Clause 6 of the SPA.

### 3. Conditions Precedent

The completion of the Proposed Disposal pursuant to the terms and subject to the conditions set out in the SPA shall in all respects conditional upon:

- (i) the Vendor obtaining approvals from the State Authority for the transfer of the Klang Properties to the Purchaser;
- (ii) the Vendor procuring all approvals, consents and sanctions from government, regulatory, third party, financial institution or otherwise, if required, for the Proposed Disposal upon the terms and conditions of the SPA;
- (iii) the Vendor procuring the approval of the shareholders of Hextar for the Proposed Disposal upon the terms and conditions of the SPA;
- (iv) the Purchaser obtaining the approval of the unitholders of KIP REIT for the purchase of the Klang Properties on the terms contained therein the SPA ("**Approval**");
- (v) the Purchaser obtaining the approval from the Financier for the grant of the Loan;
- (vi) the Purchaser procuring the completion of the private placement exercise to be undertaken for purposes of part-financing the Purchase Price; and
- (vii) the Vendor procuring the execution of the Lease Agreement by Hextar Chemicals to be held in escrow by the Purchaser's Solicitors.

If any of the Condition Precedent is not fulfilled (unless waived by the Purchaser) within the Conditional Period, then either party shall be entitled to terminate the SPA by giving a Notice of Termination to the other party.

"**Conditional Period**" means a date falling 6 months from the date of the SPA, or such other date as may be agreed upon between the parties as the last date by which the Conditions Precedent must be fulfilled.

### 4. Termination

- (i) Vendor's right to terminate
  - (a) Each of the events or circumstance below, where capable of remedy and is not remedied within 14 Business Days after a notice to rectify is issued by the Vendor, constitutes an event of default (Event of Default):
    - (aa) if the Purchaser defaults in the satisfaction of the Disposal Consideration in accordance with clause 2 above; or
    - (bb) any of the Warranties under clause 7.2 of the SPA are found to be untrue or incorrect prior to Completion.

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

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- (b) On and at any time after the occurrence of an Event of Default under clause 4(i)(a) above, the Vendor shall be entitled but not obliged to forthwith terminate the SPA by giving a Notice of Termination to the Purchaser.
- (ii) Purchaser's right to terminate
  - (a) Each of the events or circumstances below, where capable of remedy and is not remedied within 14 Business Days after a notice to rectify is issued by the Purchaser to the Vendor, constitutes an Event of Default:
    - (aa) any of the Warranties under clause 7.1 of the SPA are found at any time to be untrue or incorrect;
    - (bb) the Vendor fails, neglects and/or refuses for any reason whatsoever to complete the Proposed Disposal in accordance with the provisions of the SPA.
  - (b) On and at any time after the occurrence of an Event of Default under clause 4(ii)(a) above, the Purchaser shall be entitled but not obliged to forthwith terminate the SPA by giving a Notice of Termination to the Vendor.
- (iii) Consequences of termination by the Vendor

In the event of a Notice of Termination being duly given under the provisions of clause 4(i)(b) above:

  - (a) the Deposit shall be absolutely forfeited by the Vendor as agreed liquidated damages;
  - (b) the Purchaser shall return or cause to be returned, at the cost and expense of the Purchaser, the Transfer Documents to the Vendor with the Vendor's interest intact and free of any Encumbrances;
  - (c) the Purchaser shall withdraw or cause to be withdrawn, at the cost and expense of the Purchaser, any private caveat lodged by the Purchaser or the Financier over the Lands, if any;
  - (d) unless the Klang Properties are occupied by the Vendor or any person or entities related to the Vendor, the Purchaser shall re-deliver to the Vendor vacant possession of the Klang Properties, if the same has been delivered to the Purchaser; and
  - (e) the Vendor shall, within 14 days from the date of Notice of Termination (Refund Period) in simultaneous exchange for Purchaser's compliance of clauses 4(iii)(b), 4(iii)(c) and 4(iii)(d) above, refund or cause to be refunded to the Purchaser, free of interest, the Balance Purchase Price or any part thereof received by the Vendor or the Vendor's Solicitors failing which clause 8.5 of the SPA shall ensue.
- (iv) Consequences of termination by the Purchaser

In the event of a Notice of Termination being duly given under the provisions of clause 4(ii)(b) above:

  - (a) the Purchaser shall return or cause to be returned the Transfer Documents to the Vendor with the Vendor's interest intact and free of any Encumbrances;

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

---

- (b) the Purchaser shall withdraw or cause to be withdrawn, at the cost and expense of the Purchaser, any private caveat lodged by the Purchaser or the Financier over the Lands, if any;
- (c) unless the Klang Properties are occupied by the Vendor or any person or entities related to the Vendor, the Purchaser shall re-deliver to the Vendor vacant possession of the Klang Properties, if the same has been delivered to the Purchaser; and
- (d) the Vendor shall –
  - (aa) within the Refund Period in simultaneous exchange for Purchaser's compliance of clauses 4(iv)(a), 4(iv)(b) and 4(iv)(c) above, refund or cause to be refunded to the Purchaser, free of interest, the Deposit and the Balance Purchase Price or any part thereof received by the Vendor or the Vendor's Solicitors; and
  - (bb) pay to the Purchaser an additional sum equivalent to the Deposit as agreed liquidated damages, failing which clause 8.5 of the SPA shall ensue.

(v) Post-termination

Following the giving of a Notice of Termination under any of the provisions of the SPA, neither party shall have any further obligation under the SPA to the other party, except in respect of –

- (a) their respective obligations under clauses 4(iii) or 4(iv) above (as the case may be); and
- (b) any obligation under the SPA which is expressly stated to apply after the termination of the SPA.

The obligation shall refer to clause 17.12 of the SPA which provides for the following:

“Unless otherwise agreed by the parties, any indemnity provided under the SPA is independent and shall survive termination of the SPA. Any other provision which by its nature is intended to survive termination of the SPA shall survive termination of the SPA.”

(vi) Specific performance

Notwithstanding the provisions of this clause 4, either party shall be at liberty to take such action in law as may be necessary to compel the other party by way of specific performance to complete the sale or purchase in accordance with the provisions of the SPA (in which respect the alternative remedy of monetary compensation shall not be regarded as compensation or sufficient compensation for any default in the performance of the terms and conditions of the SPA) and for damages for the breach of the SPA.

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**5. Warranties**

## (i) Vendor's Representations and Warranties

The Vendor represents and warrants to the Purchaser as follows:

- (a) The Vendor is the registered and beneficial owner of the Klang Properties and is entitled and has full ability to transfer the Klang Properties to the Purchaser absolutely;
- (b) All appropriate and necessary action has been taken to authorise its execution and delivery of the SPA and the exercise by the Vendor of its rights and the performance by the Vendor of its obligations under the SPA and other relevant documents;
- (c) Save for the Charges, the Klang Properties is free from all Encumbrances;
- (d) Save for the Charges, the Vendor has not and shall not after the date of the SPA sell, dispose, charge, mortgage, assign or in any manner whatsoever encumber or deal with the Klang Properties or any part of it;
- (e) Save for the Charges, there are no claims adversely affecting the right of the Vendor to the possession and ownership of the Klang Properties;
- (f) The Vendor has not received any notice under the Land Acquisition Act 1960;
- (g) The Vendor has not received any notices from any Relevant Authority which remain outstanding and which shall or may adversely affect the present or continued use and enjoyment by the Vendor or its successors-in-title of the Klang Properties and that the Vendor shall immediately give notice to the Purchaser of any such notices, orders or requirements it receives from any Relevant Authority at any time after the date of the SPA;
- (h) The Vendor has not at any time prior to and up to the date of the SPA entered into any agreement or arrangement, whether written or otherwise for the sale of the Klang Properties to any person nor granted an option or right of first refusal, whether in writing or otherwise, in favour of any person for the purchase of the Klang Properties, which is still subsisting;
- (i) All the express and implied conditions of the title and restrictions affecting the Klang Properties have been duly observed by the Vendor and there is no breach thereof that has occurred that could allow any Relevant Authority to forfeit the Klang Properties or any part thereof or to impose any fines on the owner of the Klang Properties;
- (j) All Outgoings have been duly paid and shall, as at Completion, be duly paid up to Completion;
- (k) The Redemption Sum is less than the Balance Purchase Price;
- (l) No petition for the winding-up of the Vendor has been presented or remains pending as at the date of the SPA and the Vendor has not entered into dealings with any of its creditors with a view to avoiding or in expectation of insolvency;
- (m) No administrator, receiver and/or manager has been appointed over or any incumbrancer taken possession of the whole or any part of the Klang Properties;

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

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- (n) There are no pending suits, legal proceedings or claims against the Vendor which may affect in any way the Vendor's title to or its right to dispose of the Klang Properties; and
  - (o) There are no persons who may have any rights to the Klang Properties save and except for those which have been disclosed to the Purchaser in writing prior to the execution of the SPA.
- (ii) Purchaser's Representations and Warranties
- The Purchaser represents and warrants to the Vendor as follows:
- (a) The Purchaser is legally competent to execute, deliver and perform the terms of and all its obligations under the SPA and subject to the Approval, it has full right, power and authority to enter into the SPA and perform the transactions contemplated herein;
  - (b) The SPA has been duly executed and delivered by the Purchaser and constitutes the valid and binding obligations of the Purchaser, enforceable against the Purchaser in accordance with the terms thereof;
  - (c) The Purchaser has not been wound up and no winding up order or petition has been made or presented against the Purchaser; and
  - (d) The performance, delivery and/or fulfilment by the Purchaser of its obligations under the SPA will not breach, contravene and/or be contrary to any laws, orders and/or judgments applicable to the Purchaser.
- (iii) Indemnity
- The Vendor shall fully indemnify the Purchaser from and against all claims, costs (including legal costs (on a solicitor and client basis)), expenses, damages, fines or penalties whatsoever imposed in respect of the Klang Properties that arises during the period prior to the date of vacant possession, whether arising from the Vendor's and/or the existing occupier's negligence, wilful default, fraud or otherwise.
- (iv) Basis of warranties
- (a) Each of the Warranties is without prejudice to any other representation, Warranty or undertaking and, except where expressly stated, no Warranty contained in the SPA governs or limits the extent or application of any other Warranty.
  - (b) Each of the Warranties is deemed to be given as at the date of the SPA and is to be repeated immediately before the Completion Date or the Extended Completion Date (as the case may be) in relation to the facts then existing.
- (v) Disclosure prior to completion
- The Vendor shall promptly disclose in writing to the Purchaser any event or circumstance, which arises or becomes known to the Vendor after the date of the SPA and prior to the Completion Date or the Extended Completion Date (as the case may be), which is inconsistent with any of the Warranties, or which might be material to be known by a purchaser for value of the Klang Properties. For the avoidance of doubt, clause 4(ii)(a)(aa) above applies to disclosures made under this clause.

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**APPENDIX IV – SALIENT TERMS OF THE LEASE AGREEMENT**

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The salient terms of the Lease Agreement include the following:

**1. Basis of the Proposed Leaseback**

- (i) the Klang Properties is leased on an 'as is where is' basis;
- (ii) the Proposed Leaseback shall be a triple net lease whereby the Group shall be responsible to pay for any outgoings (including all rates, taxes, quit rent, assessment and other outgoings), public liability insurance, fire insurance as well as utilities of the Klang Properties during the lease term. As such, Pacific Trustees shall not be responsible during the Term for any Outgoings, costs, expenses or charges of any nature whatsoever, including any increase thereof, arising from or related to the Klang Properties; and
- (iii) the Proposed Leaseback shall not be cancelled or terminated save and except as expressly provided in the Lease Agreement.

"Term" means 15 years commencing from the Commencement Date and expiring on the 15th anniversary from the Commencement Date.

**2. Deposits**

On the date on which the SPA is completed in accordance with the terms thereof, Hextar Chemicals shall pay to Pacific Trustees the following Deposits and the Deposits shall be maintained with Pacific Trustees throughout the Term:

- (i) the Security Deposit for a sum equivalent to 6 months of the prevailing rental from time to time, being RM877,562.52 only as at the date of the Lease Agreement; and
- (ii) the Utilities Deposit for a sum equivalent to 1 month of the prevailing rental for time to time, being RM146,260.42 only as at the date of the Lease Agreement.

**3. Rental**

The rental payable during the Term calculated based on the lettable area of the Klang Properties of 112,508 square feet is as follows:

<b>Tenure</b>	<b>Rate</b>	<b>Rental per month</b>
Year 1 to Year 3	RM1.30 per sqft	RM146,260.42
Year 4 to Year 6	RM1.47 per sqft	RM165,274.25
Year 7 to Year 10	RM1.66 per sqft	RM186,759.92
Year 11 to Year 15	RM1.88 per sqft	RM211,038.67

**4. Sub-let of the Klang Properties**

Hextar Chemicals shall be allowed to underlet or sublet this Lease or transfer or in any manner whatsoever part with the possession or occupation of the Klang Properties or any part thereof subject to the prior written consent of Pacific Trustees which shall not be unreasonably withheld.

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**5. Event of Default**

(i) Event of Default of Hextar Chemicals

Hextar Chemicals shall be in default under the Lease Agreement if, during the Term and the subsistence of the Lease Agreement, any of the following events shall occur:

- (a) Hextar Chemicals defaults in the payment of rental or any part thereof or any other moneys due to Pacific Trustees under the Lease Agreement; and
- (b) Hextar Chemicals commits, permits or suffers to occur any breach or default in the due and punctual observance and performance of any of the covenants, obligations and provisions of the Lease Agreement and fails to remedy the same after Pacific Trustees has given 30 days prior notice in writing to Hextar Chemicals to rectify such breach or default and notwithstanding any remedy by Hextar Chemicals, Hextar Chemicals continues to commit, permit or suffer on a continuous basis such similar default.

(ii) Right of Pacific Trustees on Default of Hextar Chemicals

Upon occurrence of any of the events of default specified in clause 5(i) above, Pacific Trustees shall, upon giving 21 days prior notice in writing to Hextar Chemicals, be entitled to:

- (a) terminate the Lease Agreement and forfeit the Deposits;
- (b) demand for all possession (including the equipment, furniture, plant, machinery and goods on the Klang Properties but excluding the Assets) belonging to Hextar Chemicals to be removed at the costs and expenses of Hextar Chemicals;
- (c) demand from Hextar Chemicals the Rental for the remaining unexpired term of the Lease, less the Deposits, as agreed liquidated damages; and
- (d) demand from Hextar Chemicals for all associated damages, cost and expenses incurred by Pacific Trustees due to Hextar Chemicals's default.

(iii) Event of Default of Pacific Trustees

Pacific Trustees shall be in default under the Lease Agreement if, during the Term and the subsistence of the Lease Agreement, Pacific Trustees commits, permits or suffers to occur any breach or default in the due and punctual observance and performance of clauses 7 and 8.1 of the Lease Agreement and fails to remedy the same after Hextar Chemicals has given 30 days prior notice in writing to Pacific Trustees to rectify such breach or default and notwithstanding any remedy by Pacific Trustees, Pacific Trustees continues to commit, permit or suffer on a continuous basis such similar default.

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**APPENDIX IV – SALIENT TERMS OF THE LEASE AGREEMENT (CONT'D)**

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(iv) Right of Hextar Chemicals on Default of Pacific Trustees

Upon occurrence of any of the events of default specified in clause 5(iii) above, Hextar Chemicals shall be entitled to demand from Pacific Trustees for all actual damages, costs and expenses incurred by Hextar Chemicals due to Pacific Trustees's default. Such claim by Hextar Chemicals shall:

- (a) subject to the burden of proof of causation and foreseeability;
- (b) exclude loss of profit, loss of goodwill or possible business and any punitive, special, indirect or consequential loss; and
- (c) be accompanied by supporting invoices and payment receipts, if any.

For the avoidance of doubt, if any such claim is based upon a liability which is contingent only, Pacific Trustees shall not be liable unless and until such contingent liability gives rise to an obligation to make a payment.

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**HENRY BUTCHER MALAYSIA**

International Asset Consultants

Your Ref: -

Our Ref : HB/SEL /8822/03/0180/Kel-003

July 12, 2022

The Board of Directors  
**M/S HEXTAR GLOBAL BERHAD**  
No. 64, Jalan Bayu Laut 4/KS9  
Kota Bayuemas  
41200 Klang  
Selangor Darul Ehsan

Dear Sirs

**CERTIFICATE OF VALUATION OF AN INDUSTRIAL PREMISES KNOWN AS LOT 5, JALAN PERIGI NENAS 7/3, PHASE 1A, PULAU INDAH INDUSTRIAL PARK, 42920 PORT KLANG, SELANGOR DARUL EHSAN, MALAYSIA (“SUBJECT PROPERTY”).**

We were instructed by M/s Hextar Global Berhad (“Hextar Global”) to conduct a valuation on the Subject Property. The full details of the valuation are included in our Valuation Report bearing reference no. HB/SEL/8822/03/0180/Kel-003 dated July 12, 2022.

This certificate has been prepared for the purpose of submission to Bursa Malaysia Securities Berhad (“Bursa Securities”) and inclusion in the Circular to shareholders of Hextar Global in conjunction with the proposed sale and proposed lease of the Subject Property (“Proposed Sale and Proposed Lease”).

The Subject Property was inspected and referenced on June 20, 2022. The relevant date of valuation for this valuation exercise coincides with the date of inspection, i.e. June 20, 2022.

The valuation had been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers, Estate Agents and Property Managers and with the necessary professional responsibility and due diligence.

The basis of valuation is the Market Value (“MV”) which is defined by the Malaysian Valuation Standards to be “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

**HENRY BUTCHER MALAYSIA (SEL) Sdn Bhd** 199901020603 (495503-K)

Firm's Registration No.: VEPM (1) 0079/4

No. 36-1, 2 & 3, Jalan SS 15/4D, 47500 Subang Jaya, Selangor, Malaysia.

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V0481, E1457, PM0481  
V0441, E1341, PM0441

**Terms of Reference**

We noted during our inspection that the following extensions have been constructed and do not form part of the approved building plan (“Extensions Without Approval”): -

- i. Toilets have been partitioned at the north-western portion of the warehouse; and
- ii. Awnings were constructed at the south-eastern and eastern portions of the exterior part of the warehouse.

**Our verbal enquiry at Majlis Perbandaran Klang (“MPK”) revealed that the above Extensions Without Approval were in line with the Selangor State Planning Guidelines and Standard Manual issued by the Selangor Town and Country Planning Department and will likely to be approved by MPK upon application, subject to terms and conditions stated therein.**

**For the purpose of this valuation, we have excluded the above Extensions Without Approval in arriving at the MV of the Subject Property.**

In conjunction with the Proposed Sale, a draft Lease Agreement will be entered between Pacific Trustee Berhad as Trustee on behalf of KIP Real Estate Investment Trust (the Lessor) and Hextar Chemicals Sdn Bhd (the Lessee) for a non-cancellable 15 years lease term on a contractual triple net rental basis, which shall commence upon completion of the Proposed Sale.

The terms as stated in the draft Lease Agreement are as follows:-

<b>Lease Term</b>	<b>Year</b>	<b>Monthly Rental (RM)</b>	<b>Equivalent Monthly Rental (RM per square foot (“psf”))</b>
Term 1	Year 1 to Year 3	146,260.42	1.30
Term 2	Year 4 to Year 6	165,274.25	1.47
Term 3	Year 7 to Year 10	186,759.92	1.66
Term 4	Year 11 to Year 15	211,038.67	1.88

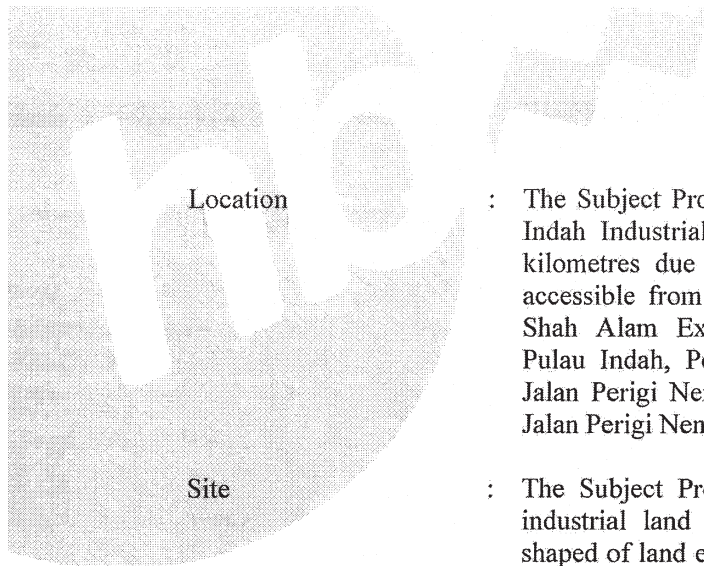
For the purpose of this valuation, we have adopted the above terms in arriving at the MV of the Subject Property. The agreed rental rate and rental increment are in line with the market rental.

The brief description of the Subject Property and our opinion of the current MV are as follows: -

**Property Description**

Property Type/  
Interests Valued : A double storey office building cum a single storey warehouse annexed and ancillary building (a guardhouse).

Address of the Subject Property : Lot 5, Jalan Perigi Nenas 7/3, Phase 1A, Pulau Indah Industrial Park, 42920 Port Klang, Selangor Darul Ehsan, Malaysia.



**Location**

: The Subject Property is located at Jalan Perigi Nenas 7/3, Pulau Indah Industrial Park, Pulau Indah which is approximately 25 kilometres due south-west of Klang Town Centre. It is easily accessible from Kuala Lumpur City Centre via Kuala Lumpur-Shah Alam Expressway (KESAS Highway) heading towards Pulau Indah, Port Klang, thence onto Lebuhraya Pulau Indah, Jalan Perigi Nenas 8/7, Jalan Perigi Nenas 7/2 and finally onto Jalan Perigi Nenas 7/3 leading to the Subject Property.

**Site**

: The Subject Property consists of two (2) adjoining parcels of industrial land which when amalgamated forms a rectangular shaped of land encompassing a total surveyed land area of 5.2643 acres. The physical terrain of the land is generally flat and lies about the level of the frontage road, Jalan Perigi Nenas 7/3.

**Building Description**

: The double storey office building is constructed of reinforced concrete framework with partly plastered infill brickwalls supporting a reinforced concrete flat roof with water proofing membrane. The gross floor area of the building is estimated at 8,741 square feet.

The single storey warehouse is constructed of steel portal frameworks with partly dwarf brickwalls and partly metal deck incorporating with transparent acrylic sheets supporting a pitched roof covered with metal deck roofing sheets insulated with one layer sisalation and rockwool insulation on chicken wire mesh.

The height to eaves of the warehouse is approximately 30 feet. This building has a span of 250 feet. The gross floor area of this warehouse excluding the Extensions Without Approval is estimated at 103,767 square feet.

The ancillary building is a guardhouse. It is constructed of reinforced concrete frameworks with plastered brickwalls supporting a pitched metal deck roof on timber trusses and rafters. The ancillary building has a gross floor area of 90 square feet.

The age of the buildings is about 20 years old and its condition is in a fair state of repair.

**Existing Use and Occupancy of the Subject Property**

: The Subject Property is owner occupied and used for office space as well as manufacturing, storage and warehousing of goods and raw materials.

**Title Particulars**

- Title Nos. : PN 12168 & PN 12170, Lot 88089 & Lot 88105 respectively, both are within Mukim of Klang, District of Klang, State of Selangor.
- Tenure : Leasehold 99 years expiring February 24, 2097.  
The remaining unexpired term is about 75 years.
- Category of land use : “Perusahaan”
- Total Surveyed Land Area : 5.2643 acres
- Registered Owner : Hextar Chemicals Sdn Bhd

**Planning Approvals**

- Planning Approval : The Subject Property is situated within an area designated for industrial purposes.
- Date of Certificate of Fitness for Occupation : The Subject Property has been issued with a Certificate of Fitness for Occupation by MPK vide Reference No. 2000 – 0460 on January 19, 2004 based on the approved building plan bearing reference no. (30), (49)d/m MPK(P)270/97.

We have adopted the Investment Method and Cost Approach in formulating our opinion of the current MV of the Subject Property.

**Investment Method**

In the Investment Method, the capital value of the Subject Property is derived from an estimate of the Market Rental which the Subject Property can reasonably be let for. Rental evidence may be obtained from current passing or contractual rents for the term interest and the market rent based on similar properties for the reversionary interest. Outgoings, such as property taxes, repairs and maintenance, insurance and management are then deducted from the annual rental income. The net annual rental income is then capitalized at an appropriate current market yield to arrive at its indicative capital value.

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

In this instance, we have relied on information extracted from the draft Lease Agreement made between the Lessor and the Lessee as provided by the client and this information is assumed to be correct for the purpose of this valuation exercise.

Item	Remarks																									
Gross Rental	<p>According to the draft Lease Agreement, the agreed term is 15 years non-cancellable lease term (“Lease Term”) and the concluded rentals receivable by the Lessor on a contractual triple net basis are as follows:</p> <table border="1" data-bbox="424 645 1331 880"> <thead> <tr> <th data-bbox="424 645 555 741">Lease Term</th> <th data-bbox="558 645 783 741">Year</th> <th data-bbox="786 645 948 741">Monthly Rental (RM)</th> <th data-bbox="951 645 1161 741">Equivalent Monthly Rental (RM psf)</th> <th data-bbox="1165 645 1331 741">Rental Increment per term</th> </tr> </thead> <tbody> <tr> <td data-bbox="424 745 555 775">Term 1</td> <td data-bbox="558 745 783 775">Year 1 to Year 3</td> <td data-bbox="786 745 948 775">146,260.42</td> <td data-bbox="951 745 1161 775">1.30</td> <td data-bbox="1165 745 1331 775">-</td> </tr> <tr> <td data-bbox="424 779 555 808">Term 2</td> <td data-bbox="558 779 783 808">Year 4 to Year 6</td> <td data-bbox="786 779 948 808">165,274.25</td> <td data-bbox="951 779 1161 808">1.47</td> <td data-bbox="1165 779 1331 808">13%</td> </tr> <tr> <td data-bbox="424 813 555 842">Term 3</td> <td data-bbox="558 813 783 842">Year 7 to Year 10</td> <td data-bbox="786 813 948 842">186,759.92</td> <td data-bbox="951 813 1161 842">1.66</td> <td data-bbox="1165 813 1331 842">13%</td> </tr> <tr> <td data-bbox="424 846 555 875">Term 4</td> <td data-bbox="558 846 783 875">Year 11 to Year 15</td> <td data-bbox="786 846 948 875">211,038.67</td> <td data-bbox="951 846 1161 875">1.88</td> <td data-bbox="1165 846 1331 875">13%</td> </tr> </tbody> </table> <p>The reversionary term is the remaining unexpired term of the property after the expiry of the Lease Term. The reversionary rental is based on concluded rental and current asking rental rates of other comparative industrial properties located within the vicinity of the Subject Property. Our checks with local agents revealed that the current asking rental rates for similar industrial premises within the vicinity of the Subject Property range from RM1.23 psf to RM1.60 psf.</p> <p>In our assessment, we have adopted a fair rental of RM1.40 psf as the reversionary gross monthly rental rate to reflect the market rental after having considered the current asking rental rates of other comparative industrial properties located within the vicinity of the Subject Property.</p>	Lease Term	Year	Monthly Rental (RM)	Equivalent Monthly Rental (RM psf)	Rental Increment per term	Term 1	Year 1 to Year 3	146,260.42	1.30	-	Term 2	Year 4 to Year 6	165,274.25	1.47	13%	Term 3	Year 7 to Year 10	186,759.92	1.66	13%	Term 4	Year 11 to Year 15	211,038.67	1.88	13%
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Term 3	Year 7 to Year 10	186,759.92	1.66	13%																						
Term 4	Year 11 to Year 15	211,038.67	1.88	13%																						
Lettable Area	The lettable area of the Subject Property is approximately 112,508 square feet.																									
Outgoing	<p><u>Outgoing (Lease Term)</u> We have not adopted any provision for outgoings during the Lease Term as the rental payable to the Lessor is based on a triple net basis under the draft Lease Agreement wherein the Lessee will be responsible for all costs and expenses related to the maintenance, quit rent, assessment, utility and insurance of the Subject Property.</p> <p><u>Outgoing (Reversionary Term)</u> The actual monthly outgoing of the Subject Property for the past three (3) financial years is approximately RM0.09 psf each. Our in-house research revealed that the monthly outgoing for warehouses located within Port Klang is in the range of RM0.08 psf to RM0.15 psf. We had therefore adopted a reasonable outgoing of RM0.10 psf.</p>																									

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

Item	Remarks
Void	We have adopted a rate of 10% of the gross annual rental as the void factor for the Reversionary Term. This is to allow for vacancy periods between rent reviews which include the rent free and fitting out periods.
Yield	The analysed yields of factories/warehouses within Klang and Shah Alam range from 6.04% to 7.37%. Based on the above, we have adopted a capitalization rate of 6.75% for the Lease Term which we consider to be fair and reasonable for the Subject Property after taking into consideration the location and building specifications and conditions. For the Reversionary Term, we have adopted a capitalization rate of 7.25% to reflect the risk for uncertainty.

**Cost Approach**

The Cost Approach method of valuation is based on an estimate of the current MV of land on its existing use, plus the current gross replacement cost of improvements less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.

In arriving at our opinion of value, we have taken into consideration amongst others, the following transactions which were extracted from the Valuation and Property Services Department (“JPPH”): -

	Comparable 1	Comparable 2	Comparable 3
<b>Property</b>	HSD 67562, PT 64284, Mukim of Klang, District of Klang	HSD 67654, PT 64382, Mukim of Klang, District of Klang	HSD 119778, PT 121658, Mukim of Klang, District of Klang
<b>Address</b>	No. 17, Jalan Perigi Nenas 8/7, Pulau Indah Industrial Park, 42920 Port Klang	No. 56, Jalan Perigi Nenas 8/7, Pulau Indah Industrial Park, 42920 Port Klang	Lot 35, Jalan Sungai Pinang 4/2, Pulau Indah Industrial Park, 42920 Port Klang
<b>Land Area</b>	2.0000 acres	1.8308 acres	2.3999 acres
<b>Type</b>	Vacant Industrial Land	Vacant Industrial Land	Vacant Industrial Land
<b>Gross Built-up Area</b>	-	-	-
<b>Tenure</b>	Leasehold 99 years expiring March 30, 2097. The remaining unexpired term of the lease is about 76 years.	Leasehold 99 years expiring March 30, 2097. The remaining unexpired term of the lease is about 76 years.	Leasehold 99 years expiring February 24, 2097. The remaining unexpired term of the lease is about 76 years.
<b>Date of Transaction</b>	May 04, 2021	March 19, 2021	January 12, 2021
<b>Consideration</b>	RM6,280,000.00	RM5,981,250.00	RM7,840,500.00
<b>Land Value</b>	RM72.08 psf	RM75.00 psf	RM75.00 psf
<b>Adjusted Land Value</b>	RM72.08 psf	RM75.00 psf	RM71.25 psf
<b>Remarks on Adjusted Value</b>	Adjustments made on size and corner lot premium factors	Adjustments made on size and corner lot premium factors	Adjustments made on size factor



Notes:

1. Based on the JUBM & Arcadis Construction Cost Handbook Malaysia 2021, the construction cost for an industrial premises ranges from RM121.70 psf to RM202.52 psf. However, our checks with contractors revealed that the current construction cost of a similar building was within the range of RM140.00 psf and RM170.00 psf. Adjustments were made by incorporating buildings specifications such as floor levels, floor finishes, ceiling, roofs and etc. Pursuant to the adjustments, we have adopted RM150.00 psf for the construction cost before depreciation of the buildings.
2. Depreciation rate is calculated based on the age of the building with the assumption that the building has a life span of 50 years.

$$\text{Depreciation Rate} = \frac{\text{Age of the Building (20 years)}}{\text{Building Life Span (50 years)}} \times 100\%$$

Based on the calculation above, the adopted depreciation rate is 40%.

3. We have adopted RM73.50 psf (derived from the average adjusted land value of Comparables 1 and 2) for the valuation of the land calculation based on the following facts: -
  - We are of the opinion that Comparables 1 & 2 are the best evidences as Comparables 1 & 2 are located within the same scheme as the Subject Property.
  - Comparables 1 & 2 are nearer to the Subject Property which are about 1.3 kilometres and 2.5 kilometres respectively away from the Subject Property.
  - Comparable 3 is less suitable as it is located within another development scheme.

The MV from both methods of valuation and the reconciliation rationale are as follows:-

Investment Method	:	RM27,000,000.00
Cost Approach	:	RM27,000,000.00

**Conclusion**

In this valuation, we have adopted the figure derived from the Investment Method and used the Cost Approach as a cross check method.

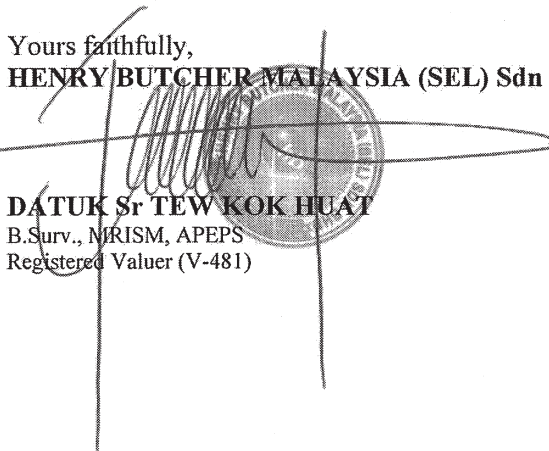
In arriving at our opinion of MV, we have selected the Investment Method of valuation as the primary method as it is derived based on contractual rental rates, analysed outgoings, void factor and capitalization rate. Given that the Subject Property is an income generating property, the Investment Method is deemed to more appropriate and reliable by using the analysed data.

By contrast, the Cost Approach is good to serve as a counter-check method. Qualitative and quantitative adjustments are more difficult to compute to reflect the differences between the comparables and the Subject Property as the selected comparables together with their adjustment factors may be subjective.

We are of the opinion that the current MV of the leasehold unencumbered interest of the Subject Property in its existing physical condition is:-

**MV - RM27,000,000.00 (Ringgit Malaysia: Twenty Seven Million Only)**

Yours faithfully,  
**HENRY BUTCHER MALAYSIA (SEL) Sdn Bhd**

  
**DATUK Sr TEW KOK HUAT**  
B.Surv., MRISM, APEPS  
Registered Valuer (V-481)



**HEXTAR GLOBAL BERHAD**  
(Registration No. 199001014551 (206220-U))  
(Incorporated in Malaysia)

## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting (“**EGM**”) of Hextar Global Berhad (“**Hextar**” or the “**Company**”) will be held on Tuesday, 11 October 2022 at 2.00 p.m. on a fully virtual basis by way of live streaming and online remote voting through the Remote Participation and Voting (“**RPV**”) facilities via TIIH Online websites at <https://tiih.online> or <https://tiih.com.my> (Domain Registration No. with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following ordinary resolutions with or without any modifications:

### **ORDINARY RESOLUTION 1**

**PROPOSED DISPOSAL OF THE KLANG PROPERTIES (AS DEFINED HEREIN) BY HEXTAR CHEMICALS SDN BHD, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF HEXTAR (“HEXTAR CHEMICALS”), TO PACIFIC TRUSTEES BERHAD (“PACIFIC TRUSTEES”), BEING THE TRUSTEE OF KIP REAL ESTATE INVESTMENT TRUST FOR A CASH CONSIDERATION OF RM27.00 MILLION (“PROPOSED DISPOSAL”)**

“**THAT** subject to the passing of Ordinary Resolution 2 and all the requisite approvals of the relevant authorities and/or parties being obtained, approval be and is hereby given to Hextar Chemicals, to dispose 2 adjoining parcels of leasehold industrial lands held under individual titles no. PN 12168, Lot 88089, and PN 12170, Lot 88105, located in Mukim Klang, District of Klang, State of Selangor, measuring approximately 229,311 sqft in total land area, together with the buildings erected thereon (“**Klang Properties**”) to Pacific Trustees for a cash consideration of RM27.00 million pursuant to the conditional sale and purchase agreement dated 12 July 2022 entered between Hextar Chemicals and Pacific Trustees (“**SPA**”);

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

### **ORDINARY RESOLUTION 2**

**PROPOSED LEASEBACK OF THE KLANG PROPERTIES BY HEXTAR CHEMICALS FROM PACIFIC TRUSTEES FOR A TENURE OF 15 YEARS, COMMENCING ON THE DAY IMMEDIATELY AFTER COMPLETION OF THE PROPOSED DISPOSAL (“PROPOSED LEASEBACK”)**

“**THAT** subject to the passing of Ordinary Resolution 1 and all the requisite approvals of all relevant authorities and/or parties being obtained, approval be and is hereby given to Hextar Chemicals to enter into a lease agreement with Pacific Trustees to lease the Klang Properties for a period of 15 years commencing on the day immediately after completion of the Proposed Disposal (“**Lease Agreement**”).

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

**BY ORDER OF THE BOARD**

**LIM HOOI MOOI (MAICSA No. 0799764) (SSM PC No. 201908000134)**

**ONG WAI LENG (MAICSA No. 7065544) (SSM PC No. 202008003219)**

**PHAN NEE CHIN (MIA No. 28178) (SSM PC No. 202008004339)**

Company Secretaries

Kuala Lumpur

23 September 2022

Notes:

(i) The Extraordinary General Meeting (“**EGM**”) will be conducted on a fully virtual basis through live streaming and online remote voting using the Remote Participation and Voting (“**RPV**”) facilities via Tricor Investor & Issuing House Services Sdn Bhd’s (“Share Registrar”, or “Tricor” or “TIIH”) Online websites at <https://tiih.online> or <https://tiih.com.my>. Shareholders may exercise their rights to participate (including to post questions to the Board) and vote at the EGM by using the RPV facilities. Please follow the procedures provided in the Administrative Details for the EGM in order to register, participate and vote remotely via the RPV facilities.

A fully virtual general meeting is conducted online where all meeting participants including the Chairman of the meeting, board members, senior management and shareholders are required to participate the meeting via online.

(ii) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 30 September 2022 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.

(iii) A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member’s shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.

(iv) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 (“**SICDA**”), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.

(v) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“**omnibus account**”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

(vi) Where a member or the authorized nominee appoints more than two (2) proxies, or where an exempt authorized nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.

(vii) The instrument appointing a proxy shall be in writing signed by the appointor or by his attorney who is authorised in writing. In the case of a corporation, the instrument appointing a proxy or proxies must be made either under its common seal or signed by an officer or an attorney duly authorised.

(viii) A member who has appointed a proxy or attorney or corporate representative to participate and vote at this EGM must request his/her proxy or attorney or corporate representative to register himself/herself for RPV at TIIH Online website at <https://tiih.online>. Please follow the Procedures for RPV in the Administrative Details for the EGM.

- (ix) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned meeting at which the person named in the appointment proposes to vote:
- (a) In hard copy form  
In the case of an appointment made in hard copy form, the Form of Proxy must be deposited at the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn. Bhd. at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.
  - (b) By Electronic Form  
The form of proxy can be electronically lodged via TIIH Online website at <https://tjih.online>. Please refer to the Administrative Details on the procedure for electronic lodgement of Proxy Form via TIIH Online.
- (x) Please ensure ALL the particulars as required in the Proxy Form are completed, signed and dated accordingly.
- (xi) Last date and time for lodging the Proxy Form is Sunday, 9 October 2022 at 2.00 p.m.
- (xii) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the share registrar in accordance with Note (ix)(a) above not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (xiii) For a corporate member who has appointed a representative, please deposit the ORIGINAL OR DULY CERTIFIED certificate of appointment with the share registrar in accordance with Note (ix)(a) above. The certificate of appointment should be executed in the following manner:
- (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
  - (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    1. at least two (2) authorised officers, of whom one shall be a director; or
    2. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.



**HEXTAR GLOBAL BERHAD**  
(Registration No. 199001014551 (206220-U))  
(Incorporated in Malaysia)

**PROXY FORM**

(Before completing this form please refer to the notes below)

Number of Shares held	
CDS Account	

I/We \_\_\_\_\_ Tel: \_\_\_\_\_  
(Full name in block and as per NRIC/Passport, NRIC/Passport/Company No.)

of \_\_\_\_\_  
(Full Address)

being (a) member(s) of HEXSTAR GLOBAL BERHAD, hereby appoint(s):

Full Name (In Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

^and/or

Full Name (In Block and as per NRIC/Passport)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

Or failing ^him/her, the Chairman of the Meeting, as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting ("EGM") of the Company to be conducted on a fully virtual basis by way of live streaming and online remote voting through the Remote Participation and Voting ("RPV") facilities via TIIH Online websites at <https://tiih.online> or <https://tiih.com.my> (Domain Registration No. with MYNIC: D1A282781) provided by Tricor Investor & Issuing House Services Sdn Bhd in Malaysia on Tuesday, 11 October 2022 at 2.00 p.m. and any adjournment thereof, to vote as indicated below:

RESOLUTION	DESCRIPTION OF RESOLUTION	FOR	AGAINST
Ordinary Resolution 1	Proposed Disposal		
Ordinary Resolution 2	Proposed Leaseback		

Please indicate with "X" in the appropriate space how you wish your proxy to vote. If you do not indicate how you wish your proxy to vote on any resolutions, the proxy shall vote or abstain from voting at his / her discretion.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2022.

\_\_\_\_\_  
Signature of Member(s) or  
Common Seal\*

^ Delete whichever inapplicable

\* Manner of execution

Notes:

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(ii) For the purpose of determining a member who shall be entitled to attend and vote at the meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company a Record of Depositors as at 30 September 2022 and only a depositor whose name appears on the Record of Depositors shall be entitled to attend the meeting or appoint proxies to attend and vote in his stead.



- (iii) A member of a Company shall be entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote at meeting of members of the Company. A member may appoint more than one proxy in relation to a meeting, provided that the member specifies the proportion of the member's shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company.
- (iv) Where a Member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- (v) For a member of the Company who is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- (vi) Where a member or the authorized nominee appoints more than two (2) proxies, or where an exempt authorized nominee appoints more than one (1) proxy in respect of each omnibus account to attend and vote at the same meeting, the appointments shall be invalid unless the proportion of shareholdings to be represented by each proxy is specified in the instrument appointing the proxies.
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The form of proxy can be electronically lodged via TIIH Online website at <https://tiih.online>. Please refer to the Administrative Details on the procedure for electronic lodgement of Proxy Form via TIIH Online.
- (x) Please ensure ALL the particulars as required in the Proxy Form are completed, signed and dated accordingly.
- (xi) Last date and time for lodging the Proxy Form is Sunday, 9 October 2022 at 2.00 p.m.
- (xii) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the share registrar in accordance with Note (ix)(a) above not less than forty-eight (48) hours before the time appointed for holding the EGM or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (xiii) For a corporate member who has appointed a representative, please deposit the ORIGINAL OR DULY CERTIFIED certificate of appointment with the share registrar in accordance with Note (ix)(a) above. The certificate of appointment should be executed in the following manner:
  - (a) If the corporate member has a common seal, the certificate of appointment should be executed under seal in accordance with the constitution of the corporate member.
  - (b) If the corporate member does not have a common seal, the certificate of appointment should be affixed with the rubber stamp of the corporate member (if any) and executed by:
    1. at least two (2) authorised officers, of whom one shall be a director; or
    2. any director and/or authorised officers in accordance with the laws of the country under which the corporate member is incorporated.

*Fold this flap for sealing*

*Then fold here*

AFFIX  
STAMP

The Share Registrar:  
**HEXTAR GLOBAL BERHAD**  
(Registration No. 199001014551 (206220-U))  
c/o Tricor Investor & Issuing House Services Sdn. Bhd.  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi, 59200 Kuala Lumpur  
Wilayah Persekutuan, Malaysia

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