

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

Minutes of the Extraordinary General Meeting (“EGM”) of Hextar Global Berhad (“Hextar” or “the Company”) held virtually through live streaming and online voting using Remote Participation and Voting (“RPV”) facilities from the broadcast venue at Hextar Global Berhad’s Corporate Office, Level 3, No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas, 41200 Klang, Selangor Darul Ehsan, Malaysia on Thursday, 26 October 2023 at 10.00 a.m.

Present : **Directors**  
Dato’ Ong Soon Ho (“Dato’ Ong” or “Vice Chairman”)  
Lee Chooi Keng – via video conference  
Rayburn Azhar Bin Ali (“Mr Rayburn”)  
Yeoh Chin Hoe  
Liew Jee Min @ Chong Jee Min – via video conference

Absent with Apologies : Y.D.H. Dato’ Sri Dr. Erwan Bin Dato’ Haji Mohd Tahir (“Dato’ Sri Dr. Erwan”)

In Attendance : **Management Team**  
Phan Nee Chin (“Chief Financial Officer”)  
Chay Siew Lan  
Heng Chin Wo  
Jessie Teh  
Abdul Wahid Abu Bakar

**Representatives from Tricor Corporate Services Sdn Bhd**  
Candy Ong Wai Leng (“Company Secretary”)  
Renee Wong Kah Yeong  
Joey Ooi Tze Yee

**Representatives from M&A Securities Sdn Bhd**  
**(“Principal Adviser”)**  
Danny Wong Weng Leong  
Chan Jia Lok

Proxies, Corporate Representatives & Shareholders : As per the attendance list

## 1.0 CHAIRMAN

The Vice Chairman of the Board, Dato’ Ong, was appointed to chair the EGM as the Board Chairman, Dato’ Sri Dr. Erwan, was unable to attend the meeting. Dato’ Sri Dr. Erwan had sent his apologies for not being able to attend the meeting.

## 2.0 WELCOMING ADDRESS

The Vice Chairman thanked and welcomed the shareholders, proxies, and authorised representatives for participating remotely from various locations through live streaming to the EGM.

The Vice Chairman then proceeded to introduce the members of the Board, the Chief Financial Officer and the Company Secretary who were physically present at the broadcast venue, as well as the remaining Board members and Principal Adviser who joined the meeting via video conferencing.

### 3.0 QUORUM

The Vice Chairman informed that the requisite quorum was present and called the Meeting to order.

The Vice Chairman informed that pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements, the resolution set out in the notice of the EGM would be voted by poll, which was conducted electronically via the RPV facility provided by Tricor Investor & Issuing House Services Sdn Bhd ("TIIH"), and would be verified by Asia Securities Sdn Berhad, who had been appointed as the independent scrutineers.

Shareholders were informed that the voting on the resolutions could be done any time throughout the meeting until the closure of the voting session.

TIIH was invited to explain the remote voting procedure to be done through the RPV facility.

### 4.0 NOTICE

The notice convening the EGM as set out in the Circular to Shareholders dated 11 October 2023 was taken as read, with the consent of the shareholders present.

### 5.0 ORDINARY RESOLUTION 1

**PROPOSED ACQUISITION BY HEXTAR FRUITS SDN BHD, A FIFTY-ONE PERCENT (51%) OWNED SUBSIDIARY OF HEXTAR, OF THE ENTIRE EQUITY INTEREST IN PHG.EVER FRESH FOOD (M) SDN BHD, PHG.EVER FRESH FOOD (TK) SDN BHD, PHG WHOLESALE & RETAIL SDN BHD, AND 55% EQUITY INTEREST IN PHG EVER FRESH PLANTATION SDN BHD FOR A TOTAL AGGREGATE PURCHASE PRICE OF RM84.0 MILLION ("PURCHASE PRICE") TO BE SATISFIED WHOLLY IN CASH ("PROPOSED ACQUISITIONS")**

The Meeting proceeded with the first agenda item pertaining to the approval of the Proposed Acquisitions.

The Vice Chairman informed that the full text of the resolution was set out in the Notice of Meeting dated 11 October 2023 and the details of the Proposed Acquisitions were stated in the Circular to Shareholders dated 11 October 2023.

**6.0 ORDINARY RESOLUTION 2**  
**PROPOSED DIVERSIFICATION OF HEXTAR'S EXISTING CORE BUSINESSES TO INCLUDE THE BUSINESS OF TRADING AND DISTRIBUTION OF DURIAN ("DURIAN BUSINESS") ("PROPOSED DIVERSIFICATION")**

The Meeting proceeded with the last agenda item pertaining to the approval of the Proposed Diversification.

The Vice Chairman informed that the full text of the resolution was set out in the Notice of Meeting dated 11 October 2023 and the details of the Proposed Diversification were stated in the Circular to Shareholders dated 11 October 2023.

**7.0 QUESTION AND ANSWER SESSION**

The Vice Chairman, assisted by Mr Rayburn, responded to all questions received from the Minority Shareholders Watch Group. The questions and answers provided were listed in 'Annexure 1' attached to the Minutes of the EGM.

Mr Rayburn then continued to address the questions received from the shareholders via online query box. The questions raised and responses were listed in 'Annexure 2' attached to the Minutes of the EGM.

**8.0 POLL VOTING**

The Meeting proceeded to vote on the agenda items and upon completion of casting votes by the shareholders and proxy holders, the Meeting was adjourned at 10.37 a.m. for verification of votes casted by the scrutineers.

**9.0 DECLARATION OF THE POLL RESULTS**

The Vice Chairman reconvened the Meeting at 11.02 a.m., and the poll results were announced as follows:-

Resolution	Vote For		Vote Against		Results
	No of Units	%	No of Units	%	
Ordinary Resolution 1	2,369,207,396	99.9999	3,426	0.0001	Carried
Ordinary Resolution 2	2,369,207,696	99.9999	3,126	0.0001	Carried

It was RESOLVED as follows:-

**9.1 ORDINARY RESOLUTION 1**  
**PROPOSED ACQUISITION BY HEXTAR FRUITS SDN BHD, A FIFTY-ONE PERCENT (51%) OWNED SUBSIDIARY OF HEXTAR, OF THE ENTIRE EQUITY INTEREST IN PHG.EVER FRESH FOOD (M) SDN BHD, PHG.EVER FRESH FOOD (TK) SDN BHD, PHG WHOLESALE & RETAIL SDN BHD, AND 55% EQUITY INTEREST IN PHG EVER FRESH PLANTATION SDN BHD FOR A TOTAL AGGREGATE PURCHASE PRICE OF RM84.0 MILLION (“PURCHASE PRICE”) TO BE SATISFIED WHOLLY IN CASH (“PROPOSED ACQUISITIONS”)**

“**THAT** subject to the passing of Ordinary Resolution 2 and the fulfilment of conditions for completion and the approvals of relevant authorities being obtained, where required, approval be and is hereby given for the Company to acquire the following from PHG Ever Fresh Group Sdn Bhd (“**PEFG**”):

- (i) 2,500,000 ordinary shares in PHG.Ever Fresh Food (M) Sdn Bhd (“**PEFFM**”), representing 100% equity interest in PEFFM;
- (ii) 1,000,000 ordinary shares in PHG.Ever Fresh Food (TK) Sdn (“**PEFFTK**”), representing 100% equity interest in PEFFTK;
- (iii) 2,000,000 ordinary shares in PHG Wholesale & Retail Sdn Bhd (“**PW&R**”), representing 100% equity interest in PW&R; and
- (iv) 1,320,000 ordinary shares in PHG Ever Fresh Plantation Sdn Bhd (“**PEFP**”), representing 55% equity interest in PEFP;

at the Purchase Price to be satisfied wholly in cash, and subject to the conditions and upon the terms as stipulated in the conditional share sale agreement dated 3 July 2023 entered into between the Company and PEFG in respect of the Proposed Acquisitions.

**AND THAT** the Board of Directors of the Company (“**Board**”) be and is hereby authorised to sign, execute and deliver on behalf of the Company all necessary documents and empowered to do all acts, deeds, and things as the Board may deemed fit, necessary, expedient in order to implement, finalise and give full effect to complete the Proposed Acquisitions, with full powers to assent to any conditions, variations, modifications, and/or amendments in any manner may be imposed, required or permitted by the relevant authorities in connection to the Proposed Acquisitions in the best interests of the Company.”

**9.2 ORDINARY RESOLUTION 2**  
**PROPOSED DIVERSIFICATION OF HEXTAR’S EXISTING CORE BUSINESSES TO INCLUDE THE BUSINESS OF TRADING AND DISTRIBUTION OF DURIAN (“DURIAN BUSINESS”) (“PROPOSED DIVERSIFICATION”)**

“**THAT**, subject to the approvals of all relevant authorities/parties being obtained, approval be and is hereby given to the Company to diversify the core business of Hextar to include the Durian Business.

**AND THAT** the Board be and is hereby authorised to do all acts, deeds and things as are necessary to give full effect to the Proposed Diversification with full powers to assent to any conditions, modifications, variations and/or amendments in any manner as may be required or imposed by the relevant authorities, and to take all steps and actions as the Board may deem fit or expedient in order to carry out, finalise and give full effect to the Proposed Diversification.”

#### **10.0 CLOSURE OF MEETING**

After the poll results were announced and there being no other business, the Meeting ended at 11.04 a.m. with a vote of thanks to the Vice Chairman.

**CONFIRMED AS A CORRECT RECORD**

**VICE CHAIRMAN**

Date:

# HEXTAR GLOBAL BERHAD

*Registration No. 199001014551 (206220-U)*

**EXTRAORDINARY GENERAL MEETING**

**THURSDAY, 26 OCTOBER 2023**

**Minority Shareholders Watch Group**

**Q & A**

## Proposed Acquisition

Question 1,

“The Proposed Acquisitions represent an opportunity for the Group to venture into a new business segment that would enable the Group to diversify and enlarge its earnings base. This is in line with Hextar Group’s objective and strategy to deliver sustainable growth and create value for the shareholders of Hextar.”

What competitive advantage do the acquiree companies (collectively referred to as “PHG Group”) possess over its competitors in the same business that justifies the Proposed Acquisitions and thus enable Hextar Group to deliver sustainable growth to its shareholders?

### Answer

PHG Group has been operating in the durian business for over 30 years and is currently the largest durian collector from local farmers in Raub. PHG Group was also the market leader in durian exports to China in 2021. With its experience and the relationships built over the years, we are confident that PHG Group will deliver sustainable growth and provide a solid platform for expansion opportunities in the durian business. This expansion will also allow Hextar to leverage the synergies with the PHG Group and capitalise on the incremental revenue generated from supplying agrochemicals and fertiliser products to PHG Plantation and PHG's local durian farmer suppliers.

## Proposed Acquisition (Cont'd)

Question 2,

Did the Company engage any advisers to conduct due diligence on the acquiree companies? How much was spent for engagement of these advisers? What are the key material findings?

### Answer

We have engaged Kenny Lee & Associates to conduct legal due diligence and Eco Asia Capital Advisory Sdn Bhd to cover the financial due diligence review on the acquiree companies. The total amount spent for the engagement of these advisers was RM132,000.

The summary of key findings from the financial due diligence are as follows:

Findings	Highlights
<p><b>Preparation of financial statements to conform with Malaysia Financial Reporting Standards ("MFRS")</b></p>	<p>The current financial statements of the acquiree companies have been prepared in accordance with Malaysia Private Entities Reporting Standards ("MPERS") which are different with the applicable standards adopted by Hextar. The conversion from MPERS to MFRS are listed as below:</p> <ul style="list-style-type: none"> <li>(i) To apply the Expected Credit Loss Model under MFRS 9 Financial Instruments</li> <li>(ii) To apply MFRS 16 Lease with recognition of assets and liabilities for all leases with a term of more than 12 months</li> </ul>



## Proposed Acquisition (Cont'd)

Question 2,

Findings	Highlights
Costing of inventories	<ul style="list-style-type: none"><li>(i) Inventory listing is manually prepared based on a physical inventory count conducted</li><li>(ii) Supporting documents or workings to substantiate the valuation of inventories are not available</li></ul>
Section 34 of MPERS or MFRS 141 - Biological Asset	Biological assets were not accounted for and the initial recognition of the fair value of biological assets may have a material impact to the financial statements of the acquiree companies.
Loan covenants	PEFP's gearing ratio has exceeded the ratio required under the loan covenant which may give rise to the risk that the bank may recall the term loan facilities

## Proposed Acquisition (Cont'd)

### Question 3,

While the pro forma increase in earnings per share (EPS) from 1.34 sen to 1.57 sen appears advantageous, it comes at the expense of an elevated gearing ratio, rising from 1.08 to 1.23 times. Additionally, profit after tax ("PAT") attributable to the owner of Hextar will be lower than the combined PAT of PHG Group, standing at RM10.18 million (Page 13 of the Circular). This variance is a result of significant inter-company transactions (as set out in the audited financial statements of the acquiree companies), which will be eliminated upon consolidation. Furthermore, Hextar is entitled to only 51% of the profit contribution from PHG Group as the Proposed Acquisitions were executed by its 51%-owned subsidiary.

In view of above, why are the Proposed Acquisitions in the best interest of Hextar?

### Answer

To clarify, the elimination of intercompany sales and purchases will reduce sales revenue and cost of goods sold in the consolidated statement of profit or loss. The net profits generated by PHG Group will not be affected by the elimination of intercompany transactions.

The increase in gross gearing ratio from 1.08 to 1.23 times is within a manageable range. Further, the net gearing ratio is below 1.00 time. The increase in gearing was primarily due to business acquisitions and working capital needs which reflect our investment in our business growth.

This acquisition aims to create synergies with the durian procurement network of local durian farmers that could create business opportunities for the agrochemicals business. Hextar's overseas network will also play a vital role in the durian export business. In addition to China, we plan to expand our export markets to Indonesia and Dubai very soon.

## Proposed Acquisition (Cont'd)

Question 4,

“To kickstart the durian business, the Group has been negotiating with several foreign parties in order to gain access to wider market opportunities. With the financial strength and greater visibility of Hextar in the market, PHG Group will be in a better position to source and negotiate larger volumes of supplies of durian and generating more revenue for the Group.” (Page 21 of the Circular)

However, sales and purchases of durians are based on spot terms and there is no long-term contract entered with its customers and suppliers.

The table below set forth the revenue and profit of the acquiree companies:

Acquiree companies	Unaudited FYE30 APR 2023		
	Revenue (RM'000)	PAT / (loss after tax) (RM'000)	Margin (%)
PHG.Ever Fresh Food (M) Sdn Bhd ("PEFFM")	111,131	3,539	3.18%
PHG.Ever Fresh Food (TK) Sdn Bhd ("PEFFTK")	28,603	888	3.10%
PHG Wholesale & Retail Sdn Bhd ("PW&R")	123,691	6,152	4.97%
PHG Ever Fresh Plantation Sdn Bhd ("PEFP")	922	(728)	-

## Proposed Acquisition (Cont'd)

Question 4,

(a) How will higher revenue improve profit margin?

### Answer

With the enlarged customer portfolio, PHG Group will benefit from the selection of customers which may lead to the ability to generate more revenue with higher selling prices and better margins as well as benefiting from the economies of scale. When production and sales increase, the average cost per unit of durian may also decrease. On top of that, higher revenue may provide the company with greater negotiation power with suppliers, leading to more favourable purchase price and credit terms, as a result of bulk purchase. Furthermore, production efficiency may also improve with increased production volume.

## Proposed Acquisition (Cont'd)

Question 4,

(b) What measures are in place to manage the associated risks, especially concerning price volatility and supply fluctuations?

### Answer

The risk factors related to the Proposed Acquisition are disclosed on page 21 and 22 of the Circular.

The durian business model is designed so that PHG Group can purchase durians during the season and freeze them for sale during the off-season. PHG Group will then be able to sell the durians at a higher price during the off-season as demand will be higher than the available supply in the market.

As stated in the Independent Market Researcher report, PHG Group has the largest market share in the durian industry as well as having the biggest durian collection centre in Raub. With the financial strength and greater presence of Hextar in the market, PHG Group will be in a stronger position to source and negotiate larger volumes of durian. Hence, it can influence the market price and reduce the risk of price volatility.

We will work with multiple suppliers, especially from different geographic regions throughout Malaysia including Johor and Perak, which can help to mitigate the risk of supply fluctuations due to weather conditions or other regional factors.

## Proposed Acquisition (Cont'd)

Question 4,

(c) Considering the absence of long-term contracts, how does the Company plan to maintain stable revenue streams and ensure the sustainability of the durian trading business in the face of market uncertainties?

### Answer

At the moment, PHG Group has the largest durian collection centre in Raub, Pahang, and naturally, the local farmers will gravitate to sell to PHG Group on top of the good long-standing relationships built.

In another effort to maintain stable revenue streams and ensure the sustainability of the durian trading business, PHG Group is exploring opportunities to diversify into the durian downstream products and open its plantation site for tourist visits.

## Proposed Acquisition (Cont'd)

Question 5,

Based on the salient terms of the conditional share sale agreement dated 3 July 2023, there is no restriction preventing the Vendor or its shareholders from venturing into similar business upon completion of the Proposed Acquisitions.

(a) Does the Vendor or its directors or shareholders have similar business outside Hextar Group upon completion of the Proposed Acquisition?

Answer

Both the Vendor and directors have confirmed that they will not have any similar business outside the Hextar Group upon completion of the Proposed Acquisition.

(b) In view of the above, what are the measures in place for the Company to safeguard its interests?

Answer

The Vendor of PHG Group who hold a 49% shareholding remains on the management team and is responsible for business operations. Thus, the Vendor is obliged and expected to act in the best interest of the Company.

In addition to participating in PHG Group's business operations and improving internal controls, we emphasize the importance of communication between business partners to cultivate and maintain good business relationships with the subsidiaries.

## Proposed Acquisition (Cont'd)

Question 6,

The annual production output for the past 3 years under PEFP is set out below:

	<b>FYE 30 APRIL 2021</b>	<b>FYE 30 APRIL 2022</b>	<b>FYE 30 APRIL 2023</b>
<b>Production (kg)</b>	37.70	7,821.30	16,150.80

To arrive at the indicative value of the biological assets, it was assumed that 1,126 trees are producing 150 pieces of durian with average weight of 1.5kg each. Hence production output is 253,350 kg (Page 38 of the Circular). However, the actual production output is much lower than the output assumed in valuation. Kindly clarify how does such difference arise.

### Answer

The durian production depends on many factors such as weather, fertiliser, insect infestations etc. It may also be due to a lapse in internal controls which may lead to low production output.

After the completion of the Proposed Acquisition, we will assess the adequacy of internal controls to address any potential risks to ensure that the PHG Group's assets and resources are effectively monitored.



**THANK YOU**

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**KEY MATTERS RAISED – EXTRAORDINARY GENERAL MEETING**

- Q1 : A shareholder asked about the overview and impact of the recent Israel-Hamas conflict to the Company's operation.
- A1 : *Mr Rayburn Azhar Bin Ali ("Mr Rayburn") replied that there was currently no impact to the Company's operation.*
- Q2 : A shareholder enquired about the measures taken by the Company to mitigate the impact of supply chain disruptions or market volatility.
- A2 : *Mr Rayburn replied that the Company did not encounter any supply chain disruptions currently as most of the raw materials were sourced from China.*
- Q3 : Several shareholders requested the Board to provide some e-wallet top-ups or e-vouchers to shareholders as a token of appreciation for participation in the virtual EGM.
- A3 : *Mr Rayburn highlighted that the Company did not provide door gifts or food vouchers for the EGM, which was stated in the Administrative Details and available on the Company's website.*
- Q4 : A shareholder enquired about the breakdown of any increased costs or investments arising from the recent Israel-Hamas conflict, and the impact of this towards the Company's financial outlook and strategic planning.
- A4 : *Mr Rayburn replied that currently the Company did not encounter any increase in costs. Furthermore, the Company could not predict the impact of this conflict on future global trade.*
- Q5 : A shareholder enquired about the reason of the absence of the Chairman, Dato' Sri Dr. Erwan Bin Dato' Haji Mohd Tahir, in this EGM.
- A5 : *Dato' Ong Soon Ho responded that the Chairman was absent to the EGM due to health reason.*