

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

Minutes of the Extraordinary General Meeting (“EGM”) of Hextar Global Berhad (“the Company”) held 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.

- Present : **Directors**
Y.D.H. Dato’ Sri Dr Erwan Bin Dato’ Haji Mohd Tahir
 (“Dato’ Sri Dr. Erwan” or “Chairman”)
Dato’ Ong Soon Ho
Dato’ Ong Choo Meng
Lee Chooi Keng
Yeoh Chin Hoe
Liew Jee Min @ Chong Jee Min
- In Attendance : **Management Team**
Phan Nee Chin (“Financial Controller”)
Ooi Youk Lan
Goh Hsu-Ming
Ryan Ngoo Kah Kian
Representatives from Tricor Corporate Services Sdn Bhd
Candy Ong Wai Leng (“Company Secretary”)
Renee Wong Kah Yeong
Joey Ooi Tze Yee
Representatives from TA Securities Holdings Berhad (“Principal Advisers”)
Tan Vee Han
Chan Yih Sen
Representative from Eco Asia Capital Advisory Sdn Bhd
Elizabeth Er
Representative from Teh & Lee
Aw Ee Leng
- Proxies,
Corporate
Representatives
& Shareholders : As per the attendance list

1.0 CHAIRMAN

Dato’ Sri Dr. Erwan presided as Chairman of the meeting.

2.0 WELCOMING ADDRESS

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

The Chairman informed that the EGM was conducted virtually as preventive measure to stem the spread of the COVID-19 virus.

Thereafter, the Chairman proceeded to introduce the members of the Board, the Financial Controller, the Company Secretary, and the Principal Advisers who were attending the meeting via video conferencing.

3.0 QUORUM

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

The Chairman informed that pursuant to Paragraph 8.29(A) of the Main Market Listing Requirements, all resolutions set out in the notice of the AGM would be voted by poll, which was conducted electronically via RPV facility provided by Tricor Investor & Issuing House Services Sdn Bhd, 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.

Tricor Investor & Issuing House Sdn Bhd 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 23 September 2022 was taken as read, with the consent of the shareholders present.

5.0 **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")**

The meeting proceeded with the first item of the agenda pertaining to the approval of Proposed Disposal of the Klang Properties by Hextar Chemicals, to Pacific Trustees, being the trustee of KIP Real Estate Investment Trust for a cash consideration of RM27 million.

The Chairman informed that the full text of the proposed resolution was set out in the Notice of Meeting dated 23 September 2022 and the details of the Proposed Disposal were set out in the Circular to Shareholders dated 23 September 2022.

6.0 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”)

The meeting proceeded with the last item of the agenda pertaining to the approval of 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.

The Chairman informed that the full text of the proposed resolution was set out in the Notice of Meeting dated 23 September 2022 and the details of the Proposed Disposal were set out in the Circular to Shareholders dated 23 September 2022.

7.0 QUESTION AND ANSWER SESSION

The Shareholders were informed that the Company had received questions from the Minority Shareholders Watch Group (“MSWG”) and the Chairman presented the questions from MSWG and the Company’s responses.

The Chairman informed that the Company’s responses to the questions posted by MSWG would be uploaded to the Company’s website for shareholders’ reference after the EGM. The questions and responses were listed in annexure 1 attached.

The Chairman then continued to address the questions received from the shareholders via the online query box during the EGM.

The Company’s responses to shareholders’ questions raised during the EGM and questions posted in the last minutes that were not addressed were listed in annexure 2 attached.

8.0 VOTING

The Meeting proceeded to vote on the items of the agenda. Upon completion of the casting votes by the shareholders and proxyholders, the meeting was adjourned to allow the scrutineers to verify the votes casted.

9.0 DECLARATION OF THE POLL RESULTS

The Chairman reconvened the meeting and announced the poll results as follows:-

Resolutions	Vote For		Vote Against		Results
	No of Units	%	No of Units	%	
Ordinary Resolution 1	53,921,168	99.9997	171	0.0003	Carried
Ordinary Resolution 2	53,921,148	99.9996	191	0.0004	Carried

It was RESOLVED as follows:-

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.”

10.0 CLOSURE OF MEETING

After the poll results were released and announced and there being no other business, the Meeting ended at 2.48 p.m. with a vote of thanks to the Chair.

CONFIRMED AS A CORRECT RECORD

CHAIRMAN

Date:

**HEXTAR GLOBAL BERHAD
PROPOSED DISPOSAL AND LEASEBACK**

MINORITY SHAREHOLDERS WATCH GROUP'S QUESTIONS

1. The rationales for the Proposed Disposal and Leaseback are set out as below (page 7 of the Circular to shareholders dated 23 September 2022):

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

(a) Based on the pro forma before and after effect of the Exercises on Hextar's net assets (NA) and gearing, the Exercises will bring effects below on Hextar's balance sheet and income:

- increase the NA to RM216.29 million from RM212.96 million as of 31 December 2021
- Increase the NA per share to RM0.17 from RM0.16 as of 31 December 2021
- Lower the gearing ratio to 1.16 times from 1.18 times as of 31 December 2021
- Increase the EPS to 3.25 sen from 2.99 sen as of 31 December 2021
- A net pro forma gain of approximately RM4.26 million

The pro forma projections above suggest that the Exercises would provide minimal boost to Hextar Global's financial ratio.

Why is the urgency to dispose the properties?

Response

The Proposed Disposal and Leaseback has been in the Company's plan for more than a year. The Company has resolved to undertake the Proposed Disposal and Leaseback due to the following reasons:

- (i) the Group is principally involved in manufacturing and distribution of agrochemicals, specialty cleaning chemicals products and consumer products and is not in the business of property holding or investment. It is the Group's intention to be less asset intensive and reduce the holding of its existing properties;
- (ii) the Group has been presented with an opportunity to convert its fixed asset into cash, which is more liquid. This will improve the Group's liquidity and enable the Group to utilise the Disposal Consideration for its working capital requirement; and
- (iii) the Disposal Consideration was arrived at based on the market value of the Klang Properties as appraised by Henry Butcher Malaysia (Sel) Sdn Bhd ("**Henry Butcher**"), the independent valuer. Further, Eco Asia Capital Advisory Sdn Bhd, the Independent Adviser for the Proposed Disposal and Leaseback has also evaluated the assumptions used by Henry Butcher and has opined that the market values of the Klang Properties are fair and reasonable.

In short, the Proposed Disposal and Leaseback allows the Group to monetise the Klang Properties and utilise the Disposal Consideration for the Group's working capital requirements.

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**HEXTAR GLOBAL BERHAD
PROPOSED DISPOSAL AND LEASEBACK**

- (b) **The Klang Properties which currently house the agrochemicals business, is the most valuable property by market value under Hextar Global's (page 186 of Hextar Global's Annual Report 2021).**

Besides, the market value of the said Properties had increased from RM25 million in April 2018 to RM27 million currently (page 158 of Annual Report 2020 & page 186 of Annual Report 2021). This represents a solid increase of 8% over the four years period, notwithstanding impact from the COVID-19 pandemic on property sector.

Therefore, the Proposed Disposal means the Group may lose out on any potential increase in capital value of the Klang Properties in the future.

On top of that, Hextar Global will incur rental expenses (upon completion of the Proposed Disposal), totalling RM32.8 million, for the next 15 years to lease back the Klang Properties to ensure its existing operations of agrochemicals business are not disrupted. In addition, there is a risk of non-renewal of lease upon expiry of the 15-year lease.

Based on the considerations above, why does the Company not retain the properties under its belt?

Response

The Company is aware of the general performance of the property industry in Malaysia. However, the potential increase in capital value of the Klang Properties in the future is uncertain based on current market conditions. There is no guarantee that the Group will be able to source for a buyer for the Klang Properties or dispose the Klang Properties at a higher value in the future.

Further, the Company would like to realise the capital gain and monetise the value from the original cost for investment (RM12.58 million up to the LPD). The Disposal Consideration will be utilised to fund the working capital requirements of the Group, which would otherwise be funded via bank borrowings or other forms of capital and this is likely to invite financing costs. The agreed annual rental expense is to be paid over the tenure of the lease (i.e. 15 years) and not in one lump sum. This allows the Group to spread the cash outflow across the years and enhance its cash flow management.

Based on the rationales above, the Group has decided to seize the opportunity now as opposed to retain the Klang Properties.

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**HEXTAR GLOBAL BERHAD
PROPOSED DISPOSAL AND LEASEBACK**

2. **Besides, the Proposed Disposal and Leaseback is to enable the Company to monetise its assets and utilise the disposal consideration of RM27 million for its working capital (page 3 of the Circular to shareholders dated 23 September 2022).**

This comes against the backdrop of elevated gearing ratio of 1.18 times (FY2020: 0.29 times) and total borrowings of RM268.45 million (FY2020: RM58.89 million) as of 31 December 2021.

- (a) **For how long would the disposal consideration be able to sustain your working capital requirements?**

Response

The Disposal Consideration of RM27 million is expected to sustain the Group's working capital requirements for approximately 3 to 4 months, given that there are no exceptional expenses. However, the working capital of the Group will not depend merely on the Disposal Consideration but also from the cash flow to be generated from the Group's business operations.

- (b) **Given your current stretched balance sheet, is the business strategy of actively pursuing mergers and acquisitions remain unchanged?**

Response

In line with the Group's objective to deliver sustainable growth and value creation to shareholders, the Group is always open to explore mergers and acquisitions or joint venture opportunities. However, the management and the Board will need to assess the merits of each business or investment opportunity and taking into consideration the Group's financial performance and position, prior to embarking on such opportunities.

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KEY MATTERS RAISED – EXTRAORDINARY GENERAL MEETING

Q1 : A shareholder enquired whether the Company was currently evaluating any potential acquisitions and if the Company could share the size and source of fundings for the potential acquisitions that have yet to be announced publicly.

A1 : *The Chairman replied that the Company has been always exploring opportunities and proposals which the Company would evaluate based on their merits. In addition, the Company does not limit the size of proposals whilst the source of funding would depend on the target company or asset.*

Q2 : A shareholder raised concern about the uncertainty arising from geopolitical tension and enquired on the Company's business outlook and actions taken to mitigate the impact.

A2 : *The Chairman replied that the Company was less susceptible to geopolitical tension as agriculture segment is the Company's core business. However, prolonged tensions would still adversely impact the Company's business.*

Q3 : A shareholder enquired about the impact of the Malaysian Ringgit's depreciation against the US Dollar and actions taken to manage the forex risk.

In addition, shareholder asked whether the Company would consider halting declaration of dividend as a prudent cash management measure.

A3 : *The Chairman replied that the Company's risk was minimised due to the natural hedge of the US Dollar.*

For declaration of dividend, the Company would be based on the Group's performance, cash flow position as well as the strategic objectives for the forthcoming years.