

MINORITY SHAREHOLDERS WATCH GROUP

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

(Incorporated in Malaysia – Registration No.: 200001022382 (524989-M))

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MSWG AGM/EGM WEEKLY WATCH 10 - 14 OCTOBER 2022

MSWG had issued AGM/EGM letter to the following PLCs for their shareholders meeting held from 10 - 14 October 2022

The extraction of the question raised in the letter is highlighted here. For the details of other questions, please login to MSWG website at www.mswg.org.my.

One of the points of interest to be raised:

| Company | Points/Issues to Be Raised |
|--------------------------------------|--|
| Hextar Global Berhad (EGM) | <p>Proposed Disposal of 2 Adjoining Parcels of Leasehold Industrial Lands together with the Buildings Erected (Klang Properties) to Pacific Trustees Berhad, being the Trustee of KIP REIT for RM27 million & also Proposed Leaseback of the Klang Properties from Pacific Trustees Berhad for the next 15 years upon completion of the Proposed Disposal</p> <p>Collectively refer to as "the Proposed Disposal and Leaseback" or "the Exercises"</p> <p>The rationales for the Proposed Disposal and Leaseback are set out as below (page 7 of the Circular to shareholders dated 23 September 2022):</p> <ul style="list-style-type: none">• unlock the value of its investments in the 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 <p>a) Based on the pro forma before and after effect of the Exercises on Hextar's net assets (NA) and gearing, the Exercises will affect Hextar's balance sheet and income as follows:</p> <ul style="list-style-type: none">• 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 116 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• Result in a net pro forma gain of approximately RM4.26 million <p>The pro forma projections above suggest that the Exercises would provide minimal boost to Hextar Global's financial ratio.</p> <p>What is the urgency to dispose the properties?</p> <p>b) The Klang Properties which currently house the agrochemicals business, is the most valuable property by market value under Hextar Global (page 186 of Hextar Global's Annual Report 2021)</p> <p>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 an increase of 8% over the four-year period, notwithstanding the impact from the COVID-19 pandemic on the property sector.</p> <p>Therefore, the Proposed Disposal means the Group may lose out on any potential increase in capital value of the Klang Properties in the future.</p> <p>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.</p> <p>Based on these considerations, why does the Company not retain the properties under its belt?</p> <p>Vietnam Operation</p> <p>a) KHTV further embarks on construction of a single-storey factory namely KHTV Factory Phase II with a built-up of approximately 53,000 square feet which is expected to be completed in December 2022 (Page 23 of the Annual Report 2022).</p> <p>What is the progress of the construction of KHTV Factory Phase II? Is the construction work on schedule?</p> <p>b) The growth in customers' demand for parts and metal components in Vietnam has created great opportunity for the Group to expand its manufacturing business in Vietnam (Page 13 of the Annual Report 2022).</p> <ol style="list-style-type: none">What is the current state of the customers' demand for the Group's products in Vietnam?What is the targeted growth rate for the Group's product sales in Vietnam in the next two financial years? |
| Kein Hing International Berhad (AGM) | |