

CAB CAKARAN CORPORATION BERHAD
(200201015998)(583661-W)
(Incorporated in Malaysia)

Minutes of the Extraordinary General Meeting of the Company conducted on a fully virtual basis through live streaming and online remote voting via Remote Participation and Voting facilities which are available on Tricor Investor & Issuing House Services Sdn. Bhd. (“TIIH”)’s online website at <https://tjih.online> on Thursday, 30 September 2021 at 10.30 a.m.

Attendance

As per Attendance Sheets.

The Extraordinary General Meeting (“EGM” or “the Meeting”) commenced at 10.30 a.m. with the requisite quorum being present.

1. WELCOMING ADDRESS, NOTICE OF MEETING, POLLING AND ADMINISTRATIVE MATTERS

- 1.1 Mr Chris Chuah Hoon Phong (“Mr Chris Chuah”), the Managing Director of the Company, on behalf of the Chairman and the Board, welcomed all members for participating in the Company’s Extraordinary General Meeting (“EGM”) which was conducted fully virtual.
- 1.2 Mr Chris Chuah notified the floor that EGM was held following the Guidelines and FAQs on the Conduct of General Meetings issued by the Securities Commission and quorum can be determined by the number of members logged-in at the start of the meeting. He further explained that the attendance of the EGM was restricted to the Company’s shareholders/proxyholders and authorised representatives of corporate shareholders who had registered to join the meeting remotely. Any visual or audio recording of the Meeting was strictly prohibited unless prior written consent had been obtained from the Company.
- 1.3 Mr Chris Chuah then introduced the Board of Directors who joined the Meeting remotely via video conferencing. He also informed that the Joint Company Secretary as well as the representatives from UOB Kay Hian Securities (M) Sdn. Bhd., the Principal Adviser and Wong Beh & Toh, the Legal Adviser were also present at the Meeting.
- 1.4 Mr Chris Chuah then called the Meeting to order after confirming with the Company Secretary that there was sufficient quorum present.
- 1.5 Mr Chris Chuah then invited the members to post their questions in the query box on the top right of their screen. The questions received would be moderated to avoid repetition and answered during the Questions and Answers (“Q&A”) session. Questions that were not addressed at the Meeting due to lack of time would be answered by email at the earliest possible after the Meeting. He then invited the Joint Secretary to explain on the polling procedures and to proceed with the Meeting.

- 1.6 Ms Chew Siew Cheng (“Company Secretary”) briefed that the voting for the ordinary resolution to be tabled for consideration and approval by the shareholders would be by way of poll in line with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. She further explained that the Company would conduct the polling electronically via the Remote Participation and Voting (“RPV”) facility provided by TIIH, the appointed poll administrator. The poll results would be verified by Asia Securities Services Sdn. Bhd. who had been appointed as the independent scrutineer.
- 1.7 The Company Secretary then informed that as the Circular to Shareholders dated 13 September 2021 (“the Circular”) and the Notice of EGM that was included in the Circular have been properly issued and circulated within the prescribed period, the Notice of the EGM was duly taken as read.
- 1.8 The Company Secretary informed that there was one (1) Ordinary Resolution to be tabled for consideration and approval and the Ordinary Resolution required a simple majority of more than 50% votes from those members present in person or by proxies and voting at the meeting.
- 1.9 Members were informed that voting on the resolution could be done any time from the commencement of the Meeting until the closure of the voting session. The representative of TIIH was invited to brief shareholders/proxies on the remote voting procedures.
- 1.10 The Company Secretary informed that Mr Chuah Hoon Teng, a shareholder and Ms Tan Yen Ling, a proxy had offered to be the proposer and seconder for the ordinary resolution of this EGM.
- 1.11 The Company Secretary then proceeded with the agenda of the EGM.

2. **ORDINARY RESOLUTION – PROPOSED ACQUISITION BY CAB CAKARAN CORPORATION BERHAD (“CAB” OR “THE COMPANY”) OF A 51% EQUITY INTEREST IN BENARLAB SDN. BHD. (“BENARLAB”) FOR A PURCHASE CONSIDERATION OF RM3,300,000, WHICH WILL BE SATISFIED ENTIRELY VIA THE ISSUANCE OF 7,500,000 NEW ORDINARY SHARES IN CAB (“CAB SHARE(S)”) (“CONSIDERATION SHARE(S)”) AT THE ISSUE PRICE OF RM0.44 PER CONSIDERATION SHARE (“PROPOSED ACQUISITION”)**

- 2.1 Members were informed that the full text of the Proposed Acquisition was set out in the Notice of Meeting. With the shareholders’ permission, the Ordinary Resolution as contained in the Notice was taken as read and shareholders’ approval was sought as follows:-

“THAT subject to the approvals of all relevant authorities and/or parties being obtained in respect of the Proposed Acquisition, approval be and is hereby given to the Company to purchase 1,273,980 ordinary shares in Benarlab, representing 51% equity interest in Benarlab for a total purchase consideration of RM3,300,000 (**“Purchase Consideration”**).

The Purchase Consideration shall be satisfied entirely via issuance and allotment of 7,500,000 Consideration Shares at the issue price of RM0.44 per Consideration Share on the terms and conditions contained in the share sale agreement dated 16 July 2021 entered into between CAB, Tan Wen Lee and Aman Tan Ho Peng.

THAT the Consideration Shares will, upon allotment and issuance, carry the same rights and rank equally with the existing CAB Shares, save and except that the Consideration Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid for which the entitlement date precedes the date of allotment and issuance of the Consideration Shares.

AND THAT the Board of Directors of CAB be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to the aforesaid Proposed Acquisition with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as it may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Acquisition."

3. **LETTER FROM MINORITY SHAREHOLDERS WATCH GROUP**

The Company Secretary informed that the Company had received a letter dated 23 September 2021 from the Minority Shareholders Watch Group ("MSWG"). The questions raised by MSWG and the Company's responses were read out by the Company Secretary as set out in Appendix A attached.

4. **Q & A SESSION**

Mr Chris Chuah was invited to address the questions received during the Meeting. The questions and responses were summarised as per Appendix B attached.

5. **CONDUCT OF POLL**

5.1 At 11.05 a.m., Mr Chris Chuah announced on the commencement of the online remote voting for the ordinary resolution. The voting session would be closed in 5 minutes. The voting instructions were re-played on the screen to facilitate the online voting process.

5.2 At 11.10 a.m., Mr Chris Chuah informed on the closure of the online voting session and he adjourned the Meeting to facilitate the counting of the votes.

6. **DECLARATION OF POLL RESULTS**

6.1 The Meeting resumed at 11.30 a.m. with the requisite quorum being present.

6.2 The Group Managing Director, Mr Chris Chuah then called the Meeting to order for the declaration of results. He informed that the poll voting results had been duly validated by Asia Securities Sdn. Berhad, the Independent Scrutineer appointed by the Company.

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EXTRAORDINARY GENERAL MEETING HELD ON 30 SEPTEMBER 2021

6.3 The poll voting results were shown on the screen:-

Resolution(s)	Vote For		Vote Against		Total Votes	
	No. of Units	%	No. of Units	%	No. of Units	%
Ordinary Resolution	458,400,028	99.9949	23,214	0.0051	458,423,242	100.0000
	No of P/S	%	No of P/S	%	No of P/S	%
	49	89.0909	6	10.9091	55	100.0000

6.4 Based on the results, on behalf of the Chairman, Mr Chris Chuah declared that the Ordinary Resolution was carried.

7. CLOSURE

There being no other business to discuss, the Meeting ended at 11.31 a.m. with a vote of thanks to the Chairman.

Signed as a correct record

CHAIRMAN

Date: 30 September 2021

CAB CAKARAN CORPORATION BERHAD
(200201015998)(583661-W)
Extraordinary General Meeting held on 30 September 2021

Response to Questions Raised by The Minority Shareholders Watch Group

Question 1

For the past 2 financial years up to the FYE 30 September 2020 (“**FYE2020**”), Benarlab's sales were predominantly generated from the distributorship of third-party products, which had contributed about 96%-98% of total revenue (page 3 of the Circular dated 13 September 2021 (“**Circular**”)).

Given that Benarlab holds 3 distributorships, none of which is exclusive, from third party suppliers to distribute the products of these manufacturers in Malaysia, please comment on the competition risk face by Benarlab.

Notwithstanding that the animal health and nutrition industry is competitive with around 79 market players having registered with the Malaysian Animal Health and Nutrition Industries Association (source: prospectus of Yenher Holdings Berhad dated 22 June 2021), the Board still foresees opportunities premised on the increase consumption of livestock products due to the growing Malaysian population as well as the rising concerns about food safety.

The third party suppliers had decided to enter into non-exclusive distribution agreements with Benarlab as they would like to reserve the right to deal with other Multinational Corporations directly. Nevertheless, such an arrangement is not expected to hinder Benarlab's sales performance as the company has identified local SMEs as its predominant target market at this juncture. To complement and support the sales of its products, Benarlab also provides value-added services, including health monitoring program, disease diagnoses and optimal nutrition feeding plans to its customers as part of its loyalty program.

Barring any unforeseen circumstances, Benarlab envisages the existing partnerships to continue as the products procured were well-received by customers due to their proven efficacies against diseases. To further strengthen the partnerships with the third party suppliers, the company plans to increase its product offerings to meet the changing demands of the livestock industry moving forward.



Response to Questions Raised by The Minority Shareholders Watch Group

Question 2

The ongoing COVID-19 pandemic may cause livestock producers to adopt cash conservation measures. How is the demand outlook for the animal health and nutrition products that are distributed by Benarlab for the financial year ending 2021? To what extent has COVID-19 pandemic impacted Benarlab's revenue and profit growth for financial year ending 2021?

Although the COVID-19 pandemic has led to customers adopting cash conservation measures, Benarlab was still able to record higher revenue of RM24.58 million until the end of August 2021 (unaudited 11-month results), which represents an increase of 22.23% as compared to the RM20.11 million recorded in the FYE2020. Further, the company had also recorded higher PAT of RM2.45 million in the same period (2020: RM 2.39 million).

For avoidance of doubt, the animal healthcare products (e.g. vaccines, feed additives and vitamins) offered by Benarlab are considered necessities in livestock farming, mainly driven by customers' efforts to minimise the impact of animal diseases on their operations especially in times of COVID-19 pandemic. Animal health and nutrition is a vital function of livestock farming operations in ensuring that animals achieve optimal growth, are free of diseases and safe for human consumption. It also helps to increase a farm's yield by reducing mortality rates and ensuring that animals grow to marketable size.



Response to Questions Raised by The Minority Shareholders Watch Group

Question 3

What was the quantitative investment appraisal adopted by the Board in evaluating the proposed acquisition of Benarlab to ensure that the acquisition is attractively priced and prudently structured and that it will lead to long-term value creation for shareholders?

In justifying the reasonableness of the purchase consideration, reference was made to the following comparable companies which carry similar principal activities to that of Benarlab:-

Companies	Principal activities	Adjusted P/E times	Adjusted EV/ EBITDA times
Peterlabs Holdings Berhad	<ul style="list-style-type: none"> Manufacturing, distribution and trading of animal health and nutrition products 	12.47	4.45
Rhone Ma Holdings Berhad	<ul style="list-style-type: none"> Manufacturing, distribution and trading of animal health and nutrition products Provision of animal health services 	13.76	7.75
Yenher Holdings Berhad	<ul style="list-style-type: none"> Manufacturing, distribution and trading of animal health and nutrition products 	9.05	5.88
	High	13.76	7.75
	Low	9.05	4.45
	Average	11.76	6.03
Benarlab		2.70	1.91

Response to Questions Raised by The Minority Shareholders Watch Group

Question 3 (Cont'd)

In essence, CAB will not be acquiring the Sale Shares from the Vendors at a premium compared to the list of public-traded peers. Based on the above table, the Board opines that the purchase consideration is fair as:-

- the implied P/E multiple of Benarlab of 2.70 times is **below** the average adjusted P/E multiple of 11.76 times, and is **below** the range of adjusted P/E multiples of the comparable companies from 9.05 times to 13.76 times; and
- the implied EV/EBITDA multiple of Benarlab of 1.91 times is **below** the average adjusted EV/EBITDA multiple of 6.03 times, and is **below** the range of adjusted EV/EBITDA multiples of the comparable companies from 4.45 times to 7.75 times.

In contemplating on the Proposed Acquisition, the Board had also taken into the consideration the growth potential of Benarlab's business. As set out in the table below, the company had recorded an upward trend in revenue and PAT, which translates into compound annual growth rate (CAGR) of 55.1% in revenue and 55.39% in PAT over the past 4 financial years. Further, Benarlab had also recorded a steady PAT margin at 9.7% (FYE 2018), 12.0% (FYE 2019), 11.9% (FYE 2020) and 9.8% (FYE 2021), and is also in a net cash position over the same financial years under review.

	←----- FYE 30 September ----->			
	2018	2019	2020	2021 (Forecast)
	RM'000	RM'000	RM'000	RM'000
Revenue	4,593	11,884	20,115	26,578
PAT	446	1,430	2,395	2,600
PAT margin (%)	9.7	12.0	11.9	9.8

Response to Questions Raised by The Minority Shareholders Watch Group

Question 3 (Cont'd)

After the completion of the Proposed Acquisition, CAB Group may stand to derive business synergy with Benarlab, by way of having greater control over the supply of poultry and livestock feed across its poultry farms to minimise possible supply chain disruptions amid the COVID-19 outbreak. Further, the Proposed Acquisition may also provide the Group an avenue to potentially scale higher business and revenue growth for its existing trading business of farm consumables, so as to mitigate its reliance on the trading of broiler chicken and meat based products to generate sales.

Question 4

What is the expected minimum percentage of return on investment from the proposed acquisition?

As set out in Section 6.4 of the Circular, the Proposed Acquisition is expected to enhance the EPS of CAB Group from 0.41 sen to 0.54 sen. Based on the projection for the FYE 30 September 2021, Benarlab is expected to record PAT of approximately RM2.60 million, which represents an increase of 8.3% from the RM2.40 million recorded in the preceding financial year. The Board deems the prospect of the Proposed Acquisition as favourable, so long Benarlab is able to maintain growth and profitability which would eventually translates into higher shareholder value.

In the long-run, there may be potential product development to be conceptualised between both parties to improve CAB Group's livestock health and performance. However, the additional financial resources required to realise such plan cannot be ascertained at this juncture, as it is subject to the research and development costs to be incurred at the material time of utilisation, as well as the enlarged Group's future operational requirements and financial standing.



Response to Questions Raised by The Minority Shareholders Watch Group

Question 5

As disclosed in the statement of financial position of Benarlab, trade receivables as at FYE2020 increased to RM7.7 million (FYE2019: RM4.9 million) (Appendix I, page 39 of Circular).

The table below sets out the breakdown/ status of the trade receivables carried forward from the FYE2020:-

Trade receivables collected	RM7.37 million	95.7%
Trade receivables within credit terms	RM0.03 million	0.4%
Provision of doubtful debt	RM0.30 million	3.9%
	RM7.70 million	100.0%

(a) How much of the RM7.7 million trade receivables have been collected to-date?

As at 30 September 2020, Benarlab's total trade receivables stood at approximately RM7.70 million, of which 95.7% have been collected to date, 0.4% are still within credit terms and the remaining 3.9% have exceeded the normal credit period.



Response to Questions Raised by The Minority Shareholders Watch Group

Question 5 (Cont'd)

(b) Has Benarlab experienced slower collections of its trade receivables?

In the current FYE 30 September 2021, Benarlab has experienced slower collection from a small percentage of customers as their operations were affected by the ongoing COVID-19 pandemic. As part of Benarlab's credit control policy, the company closely monitors its aging report and assess the collectability of trade receivables on each of its customers regularly. For any trade receivables which have exceeded the normal credit period granted by more than 30 days, Benarlab will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability are uncertain based on its dealings with the customers.

(c) What is the likelihood of impairment in the current year?

The company is still in the midst of collecting the doubtful debts of approximately RM0.30 million, of which the management deems as recoverable (either in part or in full) after taking into consideration these customers' payment history, credentials as well as their established relationships with Benarlab.



Response to Questions Raised by The Minority Shareholders Watch Group

Question 6

Based on the audited financial statements of Benarlab for FYE2020 together with the notes and the auditors' report, 'Salaries and others' increased significantly to RM0.8 million (FYE2019: RM0.2 million) (Appendix I, page 51 of Circular).

What is the reason for the huge increase in 'Salaries and others'? How many employees does Benarlab has in FYE2020 and FYE2019?

Benarlab had employed a total of 8 and 12 employees during the FYE2019 and FYE2020 respectively.

	<-----FYE 30 September----->	
	2019	2020
Revenue	RM11.88 million	RM20.11 million
Salaries and others	RM0.21 million	RM0.78 million
Expense-to-revenue ratio	1.77%	3.88%

The increase in 'Salaries and others' expenses was in tandem with the growth in revenue as the company had recruited experienced sales and management representatives to spearhead its expansion into the Northern Region (Kedah and Penang) for the FYE2020. Further, Benarlab has also increased the incentives and remuneration packages for its sales team in an effort to encourage more sales and marketing activities to capture a bigger market share for its business. Notwithstanding that, the increase in 'Salaries and others' expenses is not expected to have a material impact on Benarlab's operations as it is still being capped below 5% of revenue.

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QUESTIONS RECEIVED DURING THE MEETING

No	Questions	Company's Response
1.	Raw material trend of Benarlab?	Cost of sales comprises direct purchase cost of the animal feeds as well as the health nutritional products for the animals. Thus, demand of the raw materials is dependent on the sales generated from the purchase orders received.
2.	Margin Compression?	Benarlab is undertaking measure to address this matter. Most of cost of sales are incurred from direct purchase cost from third party distributor products. To address the margin compression issue, Benarlab intends to commercialise its in-house brand and will roll out to its consumers.
3.	Outlook for the next 3 months?	Outlook is premised on the increase in consumers preference for healthier and fresher food items in the supermarkets. On the back of Covid-19 pandemic, we can see that there is an increased awareness in animal food safety itself. Premised on the fact that Benarlab is doing R&D to improve animal health and yield productivity, that is where Benarlab comes into CAB Group. The acquisition of Benarlab is to build business synergy whereby CAB Group can rely on Benarlab for uninterrupted supply of animal feeds to its farms as well as to customers/ third parties.
4.	Labour issues?	There is no material labour issue in Benarlab as Benarlab does not rely on foreign labour.
5.	E-door gifts?	CAB would consider the proposal.
6.	Will the Board consider giving door gifts, such as e-voucher or e-wallet for those that have participated in this AGM?	Please refer to our response for Question 5.
7.	Mr Chairman, in this difficult pandemic period, please give e-wallet credits (e.g. Touch & Go) for us loyal minority shareholders voting today in replacement of the	Please refer to our response for Question 5.

	normal refreshments at physical meeting.	
8.	Please give all the participants of this virtual meeting some vouchers, e-vouchers or e-wallet top up as token of appreciation.	Please refer to our response for Question 5.
9.	What is the professional advantage of Benarlab as compared to the other competitors?	Benarlab has been in existence for approx. 5 years since inception in 2016. As compared to other market players, Benarlab has its own R&D and can offer a range of value-added services/ tests to complement its distribution business in animal food and nutritional feed products. As referred to in the Circular, these value-added services are part of its loyalty programmes offered to customers, and comprise amongst others, serological tests, biological tests as well as health monitoring programs, which are primarily aimed at preventing disease transmission and to optimise livestock production for customers.