

## **CAB CAKARAN CORPORATION BERHAD**

(200201015998)(583661-W)

(Incorporated in Malaysia)

Minutes of the Extraordinary General Meeting of the Company held at the Conference Room, Third Floor, CAB Cakaran Corporation Berhad, Plot 21, Lorong Jelawat 4, Seberang Jaya Industrial Park, 13700 Perai, Penang on Thursday, 24 March 2022 at 10.33 a.m.

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### Attendance

As per Attendance List

The Meeting commenced at 10.33 a.m. with the requisite quorum being present.

### Notice

The Notice convening the Meeting was taken as read.

## **1. WELCOMING ADDRESS**

- 1.1 After confirming with the Joint Secretary of the Company that a quorum was present, the Group Managing Director, Mr Chuah Hoon Phong (“Mr Christopher Chuah”) welcomed all members and guests to the Company’s Extraordinary General Meeting. He also introduced to the Meeting all members of the Board, the Joint Secretary and the Auditors as well as the Principal Adviser and Legal Adviser. Ms Wijanti Tjendera, the Auditors and the Legal Adviser, Wong, Beh & Toh joined the Meeting via Zoom. He then asked the Joint Secretary to proceed with the Meeting. After confirming with the Joint Secretary that a quorum was present, Mr Christopher Chuah on behalf of the Chairman called the meeting to order. He then passed the floor to the Chairman and asked the Joint Secretary to proceed with the business of the Meeting.
- 1.2 Ms Chew Siew Cheng (“the Joint Secretary briefed the floor that there was one ordinary resolution to be tabled for consideration and approval from the shareholders. She explained that this 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. She further explained that voting would be by way of poll in line with the Listing Requirements of Bursa Malaysia Securities Berhad.
- 1.3 The Joint Secretary also informed that the conduct of the poll would be deferred to the end of the Meeting to enable a more efficient running of the Meeting. She added that only members and proxies appointed for the Meeting were allowed to vote, raise questions or seek clarifications which were relevant to the proposed motions in the Agenda.
- 1.4 The Joint Secretary proceeded to notify the floor that the poll would be conducted by Tricor Investor & Issuing House Services Sdn Bhd as the Poll Administrator and results of the poll would be verified by Asia Securities Sdn Bhd as the Scrutineer. She then proposed that the Notice convening the Meeting, having been circulated, be taken as read. It was unanimously agreed by the shareholders.

**2. ORDINARY RESOLUTION**

**PROPOSED DIVERSIFICATION OF THE EXISTING PRINCIPAL ACTIVITIES OF CAB CAKARAN CORPORATION BERHAD ("CAB") AND ITS SUBSIDIARIES INTO THE PROVISION OF DRONE RELATED SERVICES FOR THE AGRICULTURE INDUSTRY**

2.1 Members were informed that there was only 1 ordinary resolution under the notice of EGM in relation to the Proposed Diversification. The details of the Proposed Diversification together with the rationale were in pages 5 to 8 of the Circular.

2.2 The Joint Secretary, on behalf of the Chairman then put the following motion to the Meeting for consideration:-

**"THAT** subject to the approvals of all relevant authorities and/ or parties being obtained, approval be and is hereby given to diversify its existing principal activities to include the provision of drone related services for the agriculture industry;

**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 Proposed Diversification 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 Diversification."

2.3 The Joint Secretary informed that the Company had received a letter dated 18 March 2022 from the Minority Shareholders Watch Group ("MSWG") raising a few questions on the Proposed Diversification. The questions posted by MSWG and the Company's responses to the questions were read out by the Joint Secretary for shareholders' information.

The questions raised by MSWG and the reply from the Management are set out in Appendix A attached.

2.4 On behalf of the Chairman, she then invited comments and questions from the floor.

2.5 The questions posed by a shareholder and a proxy together with the replies from the Management were as follows:-

<b>Question</b>	<b>Reply</b>
What would be the revenue and profit for the year ahead? Apart from the Drone Business, would there be any other diversification in the future?	The Group recorded a higher revenue in the 1 <sup>st</sup> quarter of FY2022 due largely to the rebound in the market price of broilers. Consequently, the Group also recorded a profit despite the increase in the cost of feed. Moving forward, the performance of the Group will depend on factors such as the market price of broilers, cost and quality of feed and operating conditions at the farms. Some of these main factors affecting

	<p>performance, including the Covid pandemic, are not within the control of the Group.</p> <p>Besides the drone business, the Group, at the current moment, does not have any plan to diversify into other businesses. However, as a growing business concern, we are always on the lookout for good business opportunities especially in the food related area.</p>
<p>Would there be an increase in revenue for CAB Group? Last year, CAB made losses for the first time. CAB has not been declaring dividends for the last 2 years.</p>	<p>CAB did not declare dividend only for last year due to the poor performance resulted from the Covid pandemic which disrupted the Group's overall business operations. As to the whether there would be an increase in revenue for CAB Group, the performance of the Group will depend on factors such as the market price of broilers, cost and quality of feed and operating conditions at the farms. Some of these main factors affecting performance, including the Covid pandemic, are not within the control of the Group.</p>

2.6 There being no further questions from the floor, the Joint Secretary called upon a shareholder or a proxy to propose and second the motion.

2.7 Mr Go Cheng Hua proposed and followed by Mr Khor Kim Seah who seconded the motion.

### 3. CONDUCT OF POLL

3.1 Before proceeding with the polling, the Group Managing Director, Mr Christopher Chuah requested the Joint Secretary to explain on the polling procedures. The Joint Secretary then briefed the floor on the polling procedures.

3.2 As there were no questions from the floor, the Joint Secretary on behalf of the Chairman called upon the members to proceed to cast their votes. The casting of votes was duly observed by the duly appointed Scrutineer.

3.3 As there were no more voting slips to be collected, the Joint Secretary, on behalf of the Chairman adjourned the Meeting at 12.07 p.m. to facilitate with the counting of the votes. The Board then invited the members to have some refreshments.

**4. DECLARATION OF POLL RESULT**

- 4.1 The Meeting resumed at 12.26 p.m. with the requisite quorum being present.
- 4.2 The Group Managing Director, Mr Christopher 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.
- 4.3 Mr Prem Jitindarsingh, the representative from Asia Securities Sdn. Bhd. was invited to present the result.
- 4.4 The poll voting result was as follows:-

<b>Resolution(s)</b>	<b>Vote For</b>		<b>Vote Against</b>		<b>Total Votes</b>	
	No. of Units	%	No. of Units	%	No. of Units	%
<b>Ordinary Resolution</b>	458,545,785	99.9967	15,109	0.0033	458,560,894	100

- 4.5 Based on the results, Mr Christopher Chuah declared that the resolution tabled before the Extraordinary General Meeting were thus carried.

**5. CLOSURE**

There being no other business to discuss, the Meeting ended at 12.27 p.m. with a vote of thanks to the Chairman.

Signed as a correct record

**CHAIRMAN**

Date: 24 March 2022

**APPENDIX A**

1. In conjunction with the joint venture agreement dated 26 January 2022 entered into between CAB and MATA Aerotech Sdn Bhd for the Drone Business, the Company proposes to diversify the existing principal activities of CAB Group to include the provision of drone related services for the agriculture industry (page iv of the Circular dated 7 March 2022). At the invitation of MATA, CAB is desirous in jointly undertaking the Drone Business (page 2 of Circular).

a) How was the Company introduced to MATA?

CAB was directly approached by MATA.

b) What was the level of due diligence carried out by the Board on MATA and in the new Drone Business venture?

CAB has conducted background checks on MATA, including its directors and shareholders, to ensure that there were no adverse findings to the Board's concern. Further, the Company has also organised meetings and interview sessions with MATA to thoroughly understand and evaluate their business proposal for the Drone Business.

c) To what extent has the Company conducted research or feasibility study on the Drone Business venture?

CAB has mainly relied on public resources (i.e. news articles, government reports and surveys), along with MATA's internal research to have a better gauge of the oil palm sector as well as the prevailing challenges faced by plantation operators and owners. Further, the Company has also studied past research works of MATA to understand its drone operations, and the potential benefits of using drones for spraying crops.

2. CAB shall subscribe its agreed portion of 51% shareholding via RM8.0 million in cash in total and MATA shall subscribe its agreed portion of 49% shareholding via non-cash term with a non-cash value of RM7.69 million (i.e. injection via provision of the necessary business knowledge, goodwill, know-how, technical and management expertise, skills and technologies of drone services for the oil palm sector in Peninsular Malaysia) (Appendix I, page 17 of Circular).

a) How did the Board, especially the Independent Directors satisfy themselves that MATA's subscription of 49% shareholding in the joint venture company via non-cash term with a non-cash value of RM7.69 million commensurate with the value of what it claims it is able to provide to the JVC?

As highlighted in the Circular, the transfer of knowledge by MATA will be performed in good faith without any certification by auditors nor industry experts. However, the performance of the Drone Business is still subject to the Board's quarterly review (including the Independent Directors) prior to the subscription of the remaining tranches.

This may result in the hold back and/ or revocation of the remaining RM6.00 million, until MATA contributes equally to commensurate with its non-cash subscription. The decision to subscribe depends on the performance of the Drone Business such as, amongst others, secured sales contracts, utilisation rate of the drones, financial results and profitability of the JVC.

- b) Given that MATA was recently incorporated on 24 June 2019, what was MATA's track record in terms of securing drone business contracts in Malaysia, i.e. success rate, number of contracts secured, value etc?

Over the years, MATA has provided drone services to several government agencies, plantation operators and owners located in Peninsular Malaysia, notably The Federal Land Consolidation and Rehabilitation Authority (FELCRA), Malaysian Agricultural Research and Development Institute (MARDI), Department of Agriculture Perlis, Sime Darby Plantation and Nestle.

3. The Board intends to focus on growing the JVC in Peninsular Malaysia, which is also CAB Group's principal market for its business operations, and there are no further plans to expand the Drone Business in East Malaysia at this juncture (page 2 of Circular). For the avoidance of doubt, MATA still reserves the right to offer drone spraying services for the oil palm sector in East Malaysia (page 12 of Circular).

- a) Given that MATA is joining the JVC on a non-cash term basis and in conducting the Drone Business, MATA shall be primarily responsible for sales and marketing of the Drone Business (page 2 of Circular), shouldn't the Board tap on MATA's business knowledge, management expertise or networks to secure drone spraying services in East Malaysia?

We wish to clarify that MATA's past drone services were predominantly based in Peninsular Malaysia, and that the parties have also mutually identified the oil palm sector in Peninsular Malaysia as the principal market of the Drone Business due to the reasons stated below.

- b) What is the rationale for not including East Malaysia under the JVA coverage?

The Board intends to focus on growing the JVC in Peninsular Malaysia, which also is CAB Group's principal market for its business operations. This would allow for a closer monitoring of the Drone Business by Mr Loo, the Executive Director of CAB, as well as to avoid unnecessary expenses incurred for entering into an unfamiliar region.

- c) Given that the oil palm sector in East Malaysia is a huge market, how will the Board be able to ascertain that MATA will focus and place priority on the JVC, especially when there is no cash commitment made by MATA in the JVC?

**CAB CAKARAN CORPORATION BERHAD (200201015998)(583661-W)  
EXTRAORDINARY GENERAL MEETING HELD ON 24 MARCH 2022**

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	Total Oil Palm Planted Area as at December 2020	
	Hectares	%
Peninsular Malaysia	2,737,723	46.7
East Malaysia	3,127,574	53.3

As shown above, notwithstanding that both the Peninsular Malaysia and East Malaysia provide similar market opportunities for the Drone Business, the Board opts to remain focus on growing the JVC in Peninsular Malaysia at this juncture.

Aside for the non-cash subscription in exchange for MATA's commitment, the monthly management fee and sales commission serve as added incentives for MATA to further improve the financial performance of the JVC, by way of pursuing business development opportunities with prospective business partners, plantation operators and owners. The said incentives are also subject to the Board's approval and discretion.

4. The competency and experience of En. Wan Azrain Bin Wan Adnan and Mr. Loo Choo Gee (Executive Director of CAB), whom the Board deems to be the key management personnel, together with the expertise of MATA in drone technology is expected to contribute positively to the performance of the Drone Business. (page 8 of Circular).

Since these two key management personnel have no direct experience in Drone Business and CAB being the sole financier of the Drone Business venture, what are the key performance indicators imposed by CAB on the key management personnel of the JVC to ensure the success of the Drone Business?

En Wan Azrain has been the Director cum Chief Executive Officer of MATA since its inception in 2019. He is responsible for overseeing the overall management of MATA in the provision of drone services, R&D collaborations with plantation operators and owners as well as the training of skilled workers.

Notwithstanding that Mr Loo does not have any prior experience in the drone industry, as the Company's representative, he will be working closely alongside En Wan Azrian in the development of the Drone Business to ensure the alignment of common interest and goals for the JVC. These include risk management planning, attending networking events, continuous forecast monitoring and revision.

In evaluating their performance, the Board may impose a mix of financial and non-financial KPIs such as market share, variance against annual targets, return on assets, customer satisfaction and retention.

5. In view of the assignment of key personnel from MATA as stated in Appendix I, Section 5.2, the JVC shall pay a monthly management fee of up to RM50,000 to MATA with 2% of sales subject to the Board's approval (Appendix I, Section 5.3, page 20 of the Circular).
  - a) Given that MATA is a joint venture partner, its interest should be aligned with CAB Group, which is to ensure the success of the JVC.

What is the Board rationale for agreeing to the terms of 2% based on sales as an incentive rather than 2% of the JVC's net profit?

The drone industry is relatively new in Malaysia, and that the Board foresees opportunities in growing the JVC's market share to stay ahead of the competition. Such market penetration strategies will be spearheaded by MATA, who is the appointed sales representative to provide presale guidance to customers as well as after-sales follow ups.

The parties have mutually agreed to link the incentive to sales performance as MATA will be mainly responsible for acquiring and retaining customers, which would contribute directly to the JVC's revenue and market share.

- b) With the non-cash subscription in exchange for MATA's commitment to the, is the 2% based on sales to serve as added incentives for MATA in the best interest of CAB?

For the avoidance of doubt, the non-cash subscription represents a base value to retain MATA's expertise and knowledge in the Drone Business, which include, amongst others, project management skills, technical requirements and industry connections with plantation operators and owners.

On the other hand, the sales commission serves as added incentive for MATA to further grow the JVC's market share by way of generating more sales leads. As sales increase, the Drone Business may stand to benefit from higher fixed asset turnover to ensure adequate revenue and profit are generated to justify the initial investment.

Therefore, the Board opines that the 2% sales commission is in the best interest of the Company, to encourage sustainable and continues growth of the JVC in the long run. The decision was also made after taking into consideration the growth potential of the Drone Business, given the urge to replace certain laborious manual work to improve work efficiency.

- c) If the JVC is loss making, will the Board approve the payment of 2% sales commission to MATA?

As highlighted above, the 2% sales commission is directly linked to sales performance and not the profitability of the JVC. Pursuant to the JVA, the 2% payment is subject to the Board's approval after taking into account the overall performance of the Drone Business including its financial performance and position. Should the JVC be in a loss-making position, the Board may prioritise retaining cash balances for the Drone Business over the payout to MATA for sales secured.

6. The drones will be purchased from an authorised supplier, namely Sanyeong Agriculture Solutions Sdn Bhd, and are neither for sale nor rent (page 6 of Circular).

According to Sanyeong Agriculture Solutions Sdn Bhd's website, it also provides spraying service using agricultural drone to growers, farmers, estates, nurseries, and plantations. What is the Boards view on competition risk?



The JVC may face potential competition from Sanyeong Agriculture for providing similar drone spraying services in the agriculture industry. However, the purchase of drones from Sanyeong Agriculture is non-exclusive, and that MATA is always on the lookout for suitable agricultural drones to keep abreast of the latest technology and market practices.

Players in the industry may differentiate from one another via their drone technology and operating software, in which the Board intends to leverage on MATA's technical expertise moving forward. Other competitive strengths may also include the track record of MATA as set out in item 2(b) above, as well as its continuous R&D initiatives in drone spraying.

7. The Board expects that the net profit attributable to the Drone Business may contribute more than 25% of the total net profit of CAB Group or cause a diversion of more than 25% of its net asset moving forward (page 7 of Circular).

- a) How long will it take for the Drone Business to contribute 25% or more of CAB's net profit or NA?

In view of the Group's loss making position for the FYEs 2020-2021, and the uncertainty surrounding the poultry business (i.e. rising feed prices and government interventions), the Board therefore proposes to seek approval for the Proposed Diversification in anticipation of the earnings to be derived from the Drone Business.

Barring any unforeseen circumstances, the Drone Business may contribute positively to the earnings of the Group from the FYE 2023 onwards, after accounting for start-up costs and resource mobilisation.

- b) What is the expected internal rate of return for CAB's investment in the Drone Business?

Barring any unforeseen circumstances, the Board anticipates the Drone Business may yield a targeted IRR of 15%-20%, which approximates the forecasted growth rate of 22.4% for the global agriculture drone market (Section 5.3 of the Circular). This is expected to be driven by the labour shortage situation, and climate changes which boost the need for agriculture drones to improve work efficiency.

For the avoidance of doubt, the targeted IRR strictly serves as a guidance for evaluating whether the investment is worth pursuing. As highlighted in item 2(a) above, the Board would also assess the JVC's performance on a quarterly basis prior to subscribing for the remaining RM6.00 million.

8. In relation to the RM2.00 million proceeds from the first tranche to be utilised by the JVC (page 6 of Circular).

How many agriculture drones and transportation vehicles are to be purchased?

For shareholders' information, the JVC intends to purchase 10 units of agriculture drones and transportation vehicles each.