HEXTAR INDUSTRIES BERHAD ("HIB" OR "THE COMPANY")

MASTER DEVELOPMENT AND OPERATING AGREEMENT ENTERED INTO BETWEEN GLOBAL AROMA SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY AND LUCKIN COFFEE HOLDING SINGAPORE PTE. LTD.

1. INTRODUCTION

The Board of Directors of HIB ("Board" or "Directors") wishes to announce that Global Aroma Sdn. Bhd. ("GASB"), a wholly-owned subsidiary of the Company, has on 29 November 2024, entered into a Master Development and Operating Agreement ("the Agreement") with Luckin Coffee Holding Singapore Pte. Ltd. (202334987H) ("Luckin") (collectively referred to as "the Parties") for the purpose of obtaining the rights to develop, open and operate coffee shops under the "Luckin Coffee" name in Malaysia ("Luckin Coffee Shops").

2. DETAILS OF THE AGREEMENT

2.1 Information of Luckin

Luckin was incorporated in Singapore on 29 August 2023 as a private limited company, with its registered address at 600 North Bridge Road, #08-05 Parkview Square, Singapore 188778. The principal activity of Luckin is holding companies.

2.2 Information of the GASB

Global Aroma Sdn. Bhd. (Registration No. 202401028374 (1574222-M)) was incorporated in Malaysia on 15 July 2024 as a private limited company, with its registered address at B-21-1, Level 21, Tower B, Northpoint Mid Valley City, No.1, Medan Syed Putra Utara, 59200 Kuala Lumpur, Wilayah Persekutuan. The principal activity of GASB is to carry on business as retailer dealing in food and beverages including such as aerated water, tea, coffee and all kinds and classes of beverages. GASB is a wholly-owned subsidiary of the Company.

2.3 Salient Terms of the Agreement

a) **Rights:** Subject to the terms of the Agreement, the Agreement grants GASB the rights as the exclusive franchisee to develop, open and operate Luckin Coffee Shops in Malaysia.

b) **Term:** Ten years, with GASB's right to:
   i. request for a renewal for 2 successive 5-year terms; and
   ii. request to extend the arrangement for a period not longer than 1 year from the expiration of the term or the renewal term.

c) **Territory:** Malaysia

d) **Termination:** Luckin has the right to terminate the Agreement upon the occurrence of certain events of default by GASB, including, among others, GASB's failure to comply with the development schedule or to make timely payments to Luckin and its affiliates, GASB's breach of its confidentiality and/or non-compete obligations or other representations and warranties related to GASB's and its affiliates' compliance with applicable laws, or GASB or any of its affiliates commits a fraud or criminal offence or engages in any conduct that Luckin believes may adversely affect the goodwill associated with the franchise system, or Luckin's reputation. GASB is afforded the opportunity to cure certain defaults in accordance with the cure periods set forth in the Agreement. GASB also has the right to terminate the Agreement upon the occurrence of certain events of default by Luckin, including, among others, Luckin's breach or failure to fulfill its obligations under the Agreement, which defaults are not cured within the cure periods set forth in the Agreement, as applicable.

2.4 Source of Funding

The franchise fee and initial startup cost will be satisfied by internally generated funds and/or bank borrowings to be undertaken by the Company in the near future. Subject to the terms of the Agreement, the exact mix of internally generated funds and/or bank borrowings will be decided by the Management of HIB at a later date.

3. RATIONALE AND BENEFITS FOR THE AGREEMENT

The Board is of the view that the Agreement entered with Luckin, would enable GASB as the operator, to obtain the benefit of the knowledge, skill and experience of Luckin and the rights to operate the business system of Luckin.

The Board believes that the new food and beverage business ("F&B Business") has potential and would provide the Company with a new revenue source, which would contribute positively to HIB and its subsidiaries' ("HIB Group" or the "Group") future earnings and improve HIB Group's financial position, as well as reducing the Group's dependency on its existing principal business and enhancing the shareholders' value of the Company in the near future.

4. PROSPECTS OF THE AGREEMENT

The Board has identified the F&B Business as a new business that provides an opportunity of growth to HIB Group. Notwithstanding the aforesaid, the Board will continue and remain focused on the principal business of the Company.

5. RISK OF THE AGREEMENT

The Agreement is subject to the risk of default by Luckin in fulfilling the initial obligations and continuing obligations; and GASB in fulfilling obligations and terms as set out in the Agreement, which would result in discontinuance and/or termination of the Agreement.

Save for the above, the Directors are unaware of any risk arising from the Agreement which could materially and adversely affect the financial position of HIB Group.

6. EFFECTS OF THE AGREEMENT

6.1 Share Capital and Substantial Shareholders' Shareholdings

The Agreement will not have any material effect on the share capital and the substantial shareholders' shareholdings of the Company, as the Agreement does not involve any issuance of new shares or other securities convertible into shares in the Company.

6.2 Earnings per share ("EPS"), net assets ("NA") per share and gearing

The Agreement is not expected to have any material effect on EPS and NA in the future financial years once the F&B Business has commenced operations and started to generate income to the Group. The Agreement is not expected to have any material effect on the gearing of the Company for the financial year ending 31 December 2024.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of HIB and/or persons connected to them has any interest, direct and/or indirect, in the Agreement.

8. DIRECTORS' STATEMENT

The Board, after having considered all relevant aspects of the Agreement, is of the opinion that the Agreement is in the best interest of the HIB Group.

9. APPROVALS REQUIRED

The Agreement is not subject to the approval of the shareholders of the Company.

Nonetheless, with the entering of the Agreement by GASB, the Board recognised that the F&B Business to be operated and conducted by GASB is not within the scope of the Group's principal business of manufacturing, formulation, distribution and trading of fertilizers as well as the supply and distribution of quarry products and machinery.

As such, the Board will seek shareholders' approval for the diversification into new business if the Board anticipates that the revenue derived from the new F&B Business may contribute 25% or more of the Group's net profit and/ or result in a diversion of 25% or more of the Group's NA, in accordance with Paragraph 10.13 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This announcement is dated 29 November 2024.