

21 May 2024

**Minority Shareholders Watch Group**  
Level 23, Unit 23-2, Menara AIA Sentral  
No. 30, Jalan Sultan Ismail,  
50250 Kuala Lumpur.

Dear Sir,  
**Hextar Industries Berhad (“HIB” OR “THE COMPANY”)**  
**12<sup>th</sup> Annual General Meeting (“AGM”) of HIB to be held on Tuesday, 21 May 2024**

### Operational and Financial Matters

1. Please provide a breakdown of the revenue contribution from the fertilisers supplied during FY 2023 and indicate if it is a manufactured or trading product.

	Own brand/third party brand	Revenue (RM'000)
Straight fertiliser		
Bulk blend and mixtures fertilisers		
Compound fertilisers		

The breakdown of the revenue contribution from the fertilisers supplied during FY 2023 is as follows:

	Own brand/third party brand	Revenue (RM'000)
Straight fertiliser	Third party (Trading)	151,862
Bulk blend and mixtures fertilisers	Own brand (Manufacturing)	78,319
Compound fertilisers	Own brand (Manufacturing)	636,085
<b>Total</b>		<b>866,266</b>

2. “On 24 October 2023, the Company completed the acquisition of 100% equity interest of Pacific Office (M) Sdn Bhd ("Pacific Office") for a total cash consideration of RM16.5 million. Pacific Office is one of Malaysia's leading stationery and office supply companies with a strong track record that spans over 33 years. The Company will be tapping potential synergies between our existing businesses and Pacific Office's business through Pacific Office's extensive database of more than 3,000 active customers nationwide.” (Page 23 of Annual Report 2023 “AR2023”)
  - (a) Please provide more details on the specific strategies in place to capitalise on Pacific Office's customer database.

HIB’s various businesses can tapped into the broad customer database of Pacific Office to cross sell our products and services.

- (b) Pacific Office is involved in the stationery business, while the Company is mainly involved in the fertilizer industry.

Please provide an example of the potential synergy between the Pacific Office and HIB.

Apart from Fertilizer Division, our relatively smaller Industrial Products Division such as quarry equipment, forklift, lighting, rental of chiller, tent and generator can leverage on the broad customer base of Pacific Office to expand their business which Pacific Office's customers may have requirement for such products and services.

3. "During the financial year, the average selling price of fertilisers was lower, after it reached a peak in 2022" (Page 60 of AR2023)

What measures have been taken to mitigate risks associated with the volatility of fertiliser prices?

We are cautious in the purchase of raw materials to prevent over buying at high price. In addition, we ensure that the selling price is reasonable and competitive in the market. We are monitoring closely the supply-demand dynamic on the day-to-day basis to ensure competitiveness while maintaining a reasonable profit margin.

4. The carrying amount of the Group's plant and machinery was RM25.95 million as at 31 December 2023. The depreciation charges for plant and machinery was RM5.16 million for FY 2023. The capital expenditure (Capex) allocated for plant and machinery was merely RM1.45 million in FY 2023.

(Pages 149 and 150, Notes to the Financial Statements)

It seems that the Company might not be investing enough in the maintenance or replacement of its plant and machinery. How does the Group ensure competitiveness and long-term sustainability of its fertiliser manufacturing operations?

The depreciation charged is an accounting entry which is not indicative of the actual condition of the plant and machinery. We will make relevant CAPEX allocation should the plant and machinery are not working in optimal condition to ensure that the manufacturing process is not affected.

- “Furthermore, the demand of fertiliser will also be supported by the export market, with the Group's effort of establishing partnership with local distributors in neighbouring countries (such as Indonesia, Thailand, Vietnam and Myanmar), as those countries have a strong agricultural sector.

With that, the Group is confident that HIB will be able to continue to be a market leader in the fertiliser industry.” (Page 60 of AR 2023)

“No geographical segmental information are presented as the Group currently operate and derived revenue in Malaysia, the revenue from the foreign customers is immaterial and less than 10% to the Group’s revenue.” (Page 207, Notes to the Financial Statements)

The statement on Page 207 seems to contradict the statement on Page 60. Please clarify whether the demand for fertiliser is well supported by the export market or not. Further, please provide a breakdown of the export revenue from Indonesia, Thailand, Vietnam and Myanmar.

The statement on page 207 was expressing the Group’s efforts on the export market to establish partnership with the local distributors. Although export revenue contributed less than 10%, it has substantial room in potential revenue growth oversea. Since the discussion of partnership with local distributors in neighbouring countries just started last year, revenue contribution is immaterial from the export countries mentioned.

Indonesia and Myanmar respectively contributed revenue of RM2.5 million in 2023 while the discussion of distributorship of Thailand and Myanmar is still on-going.

### Corporate Governance Matters

- The total remuneration of the Group Managing Director, Ang Sui Aik, Benny, has increased from RM740,720 in FY 2022 to RM1,143,923 in FY 2023.

What performance metrics or achievements justified the increase in the Group Managing Director's remuneration from RM740,720 in FY 2022 to RM1,143,923 in FY 2023?

The remuneration (including bonus) of Mr. Ang Sui Aik, Benny who was appointed as the Group Managing Director in 1 January 2021. The performance metric/achievement for the justification please refer to the past five (5) years financial highlight.

Financial Year	Revenue (RM'000)	Profit/(loss) after tax (RM'000)
31 August 2019	116,894	5,521
31 August 2020	121,286	(7,891)
31 August 2021	123,040	1,916
31 December 2022 (16 months)	1,285,701	98,041
31 December 2023	936,986	*42,078

\* The financial result for FYE 31 December 2023 was impacted by the goodwill impairment loss of RM14.4 million which arising from the acquisition of TK Rentals Sdn. Bhd. in 2018.

2. Practice 4.2 of the Malaysian Code on Corporate Governance (“MCCG”) stipulates that the board shall ensure that the company’s sustainability strategies, priorities and targets, as well as performance against these targets, are communicated to its internal and external stakeholders.

The status for Practice 4.2 was “Applied” (Page 16 of Corporate Governance Report FY 2023). What are the sustainability-linked key performance indicators (KPIs), and how well does the Company perform against these KPIs?

The sustainability-linked key performance indicators (KPIs) and the performance were disclosed on page 35 of the annual report.

3. Practice 13.1 of the MCCG stipulates that the shareholders should be notified of the Annual General Meeting at least 28 days before the meeting.

The notice for 12th AGM dated 29 April 2024 was released to Bursa Malaysia Securities Berhad’s website on 26 April 2024.

What challenges does the Company face in providing a notice at least 28 days prior to the 12th AGM?

We are in compliance to the Companies Act 2016 which required at least twenty-one (21) days or any longer period of notice.

It was a minor internal communication issue which had caused a few days of delay. We wish to take this opportunity to apologise to our shareholders, should the notice given was deemed too short a time for their preparation of the Annual General Meeting.

### Sustainability Matters

1. The table below set forth the energy consumption intensity of the fertiliser segment for FY 2023:

	FY 2023
Electrical Consumption (kWh)	5,726,403
Production output (MT)	416,173
Intensity kWh/MT	13.76 kWh/MT

What is the Company’s target energy consumption intensity by the year 2030?

The Company does not set any specific target for the consumption intensity by 2030.



2. “The installation of EV charging station at our workplace not only aids in reducing our carbon footprint but also reaffirms our dedication to environmental responsibility. We aim to achieve a 10% reduction in emission by 2030.” (Page 41 of AR2023)

(a) The installation of the EV charging station is expected to reduce the Company’s Greenhouse Gas (GHG) emissions by how many percentage?

The installation of EV charging station is the corporate effort to create awareness among the staff on GHG issue. The actual reduction is immaterial as not many are driving EV.

(b) How many employees are using EV charging stations as of 31 March 2024?

Currently less than 10 only are using the EV charging station.

(c) Provide more details on how the Company's sustainability target aligns with Malaysia's national targets for emission reduction.

HIB have installed solar PV system at our corporate office in 2023. We also targeting to generate 10% electricity from the renewable energy source by 2030.

(d) “HIB is committed to achieving Net Zero Carbon Emissions by 2050” (Page 27 of AR2023). Given the significant gap between the 2030 and 2050 targets, what the Company’s strategy to ensure that it remains on course to achieve net-zero emissions by 2050?

The climate change reporting is a journey that will take time to mature in both depth and quality. We will make the relevant disclosure of the Company’s strategy pursuant to the TCFD-aligned Disclosures in our Annual Report for the financial year ended 31 December 2025.





3. There are several sustainability risks facing the Group's fertiliser segment. For example, GHG emissions from manufacturing processes (such as nitrogen oxide emissions from nitrogen-based fertilisers), eutrophication, and soil degradation. Moreover, changes in precipitation patterns can affect both the demand for fertiliser and the ability to apply them effectively. Additionally, fertiliser manufacturing depends on non-renewable resources such as phosphate gas and natural gas.

(a) How is the Company reducing its environmental impact throughout the manufacturing process?

In the production of our chemical fertilisers the process of mixing, compounding and/or granulating, do not go through a chemical reaction in the process to emitted GHG that will harm the environment. Some of our machinery and equipment are fueled by diesel. We are monitoring, measuring and disclosing the emission (please refer to page 41 of the annual report) to control and reduce the GHG emission. We are committed to convert the use of diesel on the machinery and equipment to any "cleaner energy" progressively when the technology is made available to us.

(b) What measures is the Company taking to address the risk of soil degradation associated with the use of its fertilisers?

HIB had conducted extensive R&D to produce a new form of fertilizer which is able to reduce leaching losses and run-off of nutrients henceforth able to reduce application rates. With less application of fertilisers and less losses over time, it will reduce eutrophication and soil degradation. This good agricultural practice will help improve soil ecology.

Yours faithfully  
Hextar Industries Berhad

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Ang Sui Aik, Benny  
Group Managing Director