



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)



+603 3003 3333



+603 3003 3330



info@hextarindustries.com



www.hextarindustries.com



OFFICE

No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas,
41200 Klang, Selangor Darul Ehsan, Malaysia.

22 May 2025

Minority Shareholders Watch Group

Unit 23-2, Menara AIA Sentral,
No. 30, Jalan Sultan Ismail,
50250 Kuala Lumpur.

Dear Sir,

Hextar Industries Berhad ("HIB" OR THE COMPANY")

13th Annual General Meeting ("AGM") of HIB to be held on Thursday, 22 May 2025

Operational and Financial Matters

1. The Group now spans fertilisers, industrial equipment, engineering solutions, office supplies, equipment rental, and even F&B via Luckin Coffee.

How does the Company ensure strategic coherence and capital discipline across such disparate sectors? What is the threshold for divestment or exit if a business underperforms?

Answer:

Fertilisers remain the cornerstone of our business, contributing over 80% of total revenue. While the Industrial and Consumer segments currently represent a smaller portion of our earnings, the Management is closely monitoring their operations, capital expenditures, and financial performance on a monthly basis. This ensures that the appointed leaders possess the necessary expertise and are effectively steering their respective businesses toward sustained growth.

We are pleased to report that all business segments performed well, with none recording a loss in 2024. At this stage, there are no plans for divestment or setting exit thresholds for underperforming units. However, should any business face challenges, the Management will promptly assemble a dedicated task force to address performance gaps and implement corrective measures.

2. "Entered the retail sector through an exclusive partnership with Luckin Coffee Holding Singapore Pte Ltd. to develop and operate "Luckin Coffee" outlets, marking a new phase of growth." (Page 69 of Annual Report 2024)
 - (a) Given Luckin Coffee's fraud scandal, what specific steps did HIB take to assess and mitigate reputational risk to the Group before entering this partnership? Was any third-party due diligence advisor engaged?



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)

+603 3003 3333
+603 3003 3330
info@hextarindustries.com
www.hextarindustries.com

OFFICE
No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas,
41200 Klang, Selangor Darul Ehsan, Malaysia.

Answer:

The fraud incident occurred in 2020. Since then, Luckin Coffee has undergone a full leadership change and corporate clean-up. The new management has resolved outstanding issues, paid the regulatory fines, and turned the company around, returning to profitability in 2022. Our team conducted thorough internal due diligence, and the Board was fully informed of the background before approving the partnership. We are confident that the risks have been addressed and that the company is now on a solid footing.

- (b) What were the key considerations behind selecting Luckin Coffee over more established or resonant brands? What unique value proposition or strategic advantage does Luckin bring to the table that justifies this venture from a branding, commercial, or operational perspective?

Answer:

There was strong interest globally in securing this brand, with several reputable parties bidding for the rights. Luckin chose to partner exclusively with us, which speaks to the strength of our business track record and rollout capabilities. We selected Luckin after evaluating its product quality, branding, technology-driven operations, and ability to scale quickly. With over 20,000 outlets, it's the largest coffee chain in China. Its proven ability to attract younger consumers and operate efficiently gives us a unique edge in this space — both commercially and operationally.

3. The Group incurred RM15.72 million in finance costs during FY2024, representing more than 50% of its net profit of RM27.52 million. With a modest net profit margin of 2.9%, this level of financial leverage warrants careful consideration, particularly given the Group's exposure to cyclical sectors such as fertilisers and the newly ventured F&B retail segment.

"The Group will be able to utilise the Disposal Consideration of RM45.90 million in the manner set out in Section 2.1.5 of this Circular, which is expected to allow the Group to ease funding requirements from its existing business operations including working capital." (Page 14 of Circular to shareholder dated 20 December 2024)

What is the Board's assessment of the Group's current debt level and cost of borrowing?

Is there a clear strategy in place to reduce financial gearing or improve operating margins going forward? In view of the Group's expansion into non-core sectors, how does the Board ensure that the Group is not over-extending itself?



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)



+603 3003 3333



+603 3003 3330



info@hextarindustries.com



www.hextarindustries.com



OFFICE

No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas,
41200 Klang, Selangor Darul Ehsan, Malaysia.

Answer:

The Group's debt-to-equity ratio stands at approximately 0.7, reflecting a stable financial position. This level of leverage is considered prudent, providing sufficient flexibility while supporting strategic growth initiatives. The borrowing costs are also aligned with prevailing market rates, as disclosed on page 178 of the 2024 Annual Report.

The Board continues to evaluate the management's ability to leverage expertise and strategic partnerships, particularly in non-core sectors, to drive sustainable expansion. Performance is closely monitored to maintain operational efficiency, adaptability, and long-term viability. Given the Group's healthy gearing position, there are no immediate plans to reduce borrowings, as the current debt structure supports ongoing growth and investment objectives.

Corporate Governance Matters

4. The Company recognised an impairment loss of RM3.14 million during the financial year, arising from short-term investments placed with issuers on a licensed peer-to-peer (P2P) financing platform registered with the Securities Commission Malaysia.

These investments carried an interest rate of 11.50% per annum (2023: 11.00% to 12.25%). During the year, the investment was fully impaired.

- (a) What was the Board's rationale for placing corporate funds in high-yield, high-risk P2P financing instruments, given that these are more appropriate for retail or speculative portfolios than for treasury management in a PLC?

Answer:

The investment platform is a licensed P2P operator regulated by the Securities Commission of Malaysia. Given that the issuer's net asset value significantly exceeds the fundraising amount, with the corporate guarantee and personal guarantee by the directors of the issuer, the management believes the associated risk remains manageable. The platform has initiated appropriate legal proceedings against the issuer to recover the outstanding amount. Nevertheless, the Group has impaired the defaulted amount, as a prudent measure in financial reporting.

- (b) Was the investment approved by the full Board or delegated to management? What internal policies govern investment decisions (e.g., risk limits, credit ratings, issuer due diligence)?



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)



+603 3003 3333



+603 3003 3330



info@hextarindustries.com



www.hextarindustries.com



OFFICE

No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas,
41200 Klang, Selangor Darul Ehsan, Malaysia.

Answer:

The investment was executed within the threshold delegated to management, in compliance with internal policy. Prior to finalizing the decision, management conducted a thorough assessment, ensuring adherence to key criteria such as the RM5 million cap per individual issuer, a minimum credit rating from credit agency, and additional safeguards including director personal guarantees and sufficient net asset coverage. These measures were taken to mitigate risk and align with the company's investment framework.

Sustainability Matters

5. As part of our unwavering commitment to sustainability, we have installed a 20kWp solar photovoltaic (PV) system at our corporate office in Kota Bayuemas, Klang, Selangor. This initiative represents a significant milestone in our journey to reduce our environmental footprint and advance our ambitious goal of sourcing 10% of our electricity from renewable energy by 2030.
- (a) With only a 20kWp solar PV installed at corporate HQ and 10% RE target by 2030, is this ambition sufficiently credible given global ESG trends and Bursa's expectations under the enhanced sustainability framework?

Answer:

On 23 December 2024, Bursa Malaysia announced enhancements to sustainability reporting requirement in the Main Market Listing Requirement. Under the enhanced requirements, Hextar Industries Bhd. need to prepare its sustainability statement in accordance with IFRS Sustainability Disclosure Standard for the annual report 2026. The enhancements are designed to improve the transparency and accountability of how listed issuers manage their sustainability-related risk and opportunity.

- (b) To provide shareholders with a clearer perspective and to contextualise the environmental initiatives undertaken by the Company, please disclose the proportionate contribution of the 20kWp solar photovoltaic (PV) system installed at the corporate office. Specifically, please quantify what percentage of the Group's total purchased electricity consumption of 24,531 GJ in FY2024 is represented by this solar installation. A simple tabulation or breakdown would be helpful in comparing the materiality of this initiative relative to the Group's overall environmental footprint.

Answer:

The Board acknowledges MSWG's request and notes that solar energy contributed less than 1% of the Group's total electricity consumption in 2024. While this remains a small portion, the Group is committed to progressively scaling up renewable energy adoption by 2030 in line with its sustainability goals.



HEXTAR INDUSTRIES BERHAD

201101044580 (972700-P)



+603 3003 3333



+603 3003 3330



info@hextarindustries.com



www.hextarindustries.com



OFFICE

No. 64, Jalan Bayu Laut 4/KS09, Kota Bayuemas,
41200 Klang, Selangor Darul Ehsan, Malaysia.

Yours faithfully
Hextar Industries Berhad

- SIGNED -

.....
Ang Sui Aik, Benny
Group Managing Director