



HEXTAR INDUSTRIES BERHAD
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16 June 2026

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”)
14th Annual General Meeting (“AGM”) of HIB to be held on Tuesday, 16 June 2026**

We refer to your letter dated 9 June 2026. The Board thanks MSWG for its questions raised in the interest of minority shareholders, and confirms that these questions and our responses will be tabled at the forthcoming AGM on 16 June 2026. Our responses follow your numbering.

Operational and Financial Matters

1. For FY 2025, the Fertiliser division remains the primary engine of the Group, driving RM828.31 million (84.1%) of total revenue and generating RM117.5 million in gross profit. Despite this, the Company has proposed a related party transaction (RPT) to dispose of 3 fertiliser subsidiaries (PK Fert Sdn Bhd, PK Fertilizers Sdn Bhd and Hextar Fert Sdn Bhd, collectively known as “Target Companies”) to Hextar Global Berhad, for a cash consideration of RM120.0 million. The costs of investment for these subsidiaries are RM0.18 million, RM194.4 million and RM125.6 million respectively.
 - (a) Please provide the explicit strategic or operational reasons as to why the fertiliser business fundamentally failed to deliver its expected returns, thereby causing such extensive capital destruction before being carved out at RM120 million (versus total cost of investment of RM320.18 million).

Answer:

The Group has benefitted from total dividends amounting to RM91.88 million which has been paid out over years after the acquisition completed in 2022. The Target Companies remain profitable in FY2025, contributing the gross profit and segmental earnings as noted in your letter.

The Group’s strategic diversification into the F&B business is to move from a capital-intensive, price-volatile commodity business into higher-margin consumer F&B businesses and to leverage on rising consumer demand and growth potential of the Malaysian F&B services industry to drive the future growth of the Group. The disposal is a strategic reallocation of capital as the Group increases its efforts in its new businesses.



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- (b) The industrial and consumer segment recorded a segmental loss after tax of RM9.1 million for financial period ending 31 March 2026. What are the Board's specific mitigation plans to prevent the Group from slipping into a deep operational deficit during the post-divestment "earnings void" before the coffee and proposed Ilaollao networks achieve profitability?

Answer:

The segment loss is anticipated and has been budgeted in our financial roadmap to take into account strategic market penetration cost. Notwithstanding, operational key metrics are performing with our rollout timeline. The Group remains on track, and we see no major risk of slipping into a deep operational deficit.

The Proposed Acquisition of 51% equity interest in Woodpeckers Group Sdn Bhd for a cash consideration of RM177.5 million is supported by an average annual profit guarantee of RM29.0 million (RM87.0 million over three years), which will immediately contribute positively to the Group's earnings upon completion and consolidation.

- (c) What definitive store-level payback periods has management established to ensure that the redeployment of RM100.0 million in disposal proceeds into the hyper-competitive F&B space will be value accretive?

Answer:

For the coffee business, the targeted store-level payback period is generally within 24 to 36 months, depending on the store format. Management evaluates all new outlet investments against stringent financial and operational criteria, including sales productivity, contribution margins and store-level payback periods.

2. The geographic separation outlined in the announcement ensures that Hextar Industries Berhad (HIB) exits Peninsular Malaysia and international export markets, leaving the remaining business confined strictly to East Malaysia.

PK Fertilizers (Sarawak) Sdn Bhd and Hextar Solutions Sdn Bhd are able to operate independently from the Target Companies and hence, are expected to continue running their business operations smoothly following the proposed disposals.

(Source: Page 17 of Announcement dated 23 December 2025)

By slicing the fertiliser business along strict geographic lines and stripping out the Peninsular and global export volumes, wouldn't that be structurally degraded HIB's independent bulk purchasing power? Agribusiness margins live and die by procurement scale. Won't this geographic isolation leave HIB structurally trapped with higher per-unit manufacturing costs?



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Answer:

Notwithstanding that the companies will operate independently, the proposed disposal is intended to generate synergistic benefits as part of the larger agricultural business under the Hextar Group. With our continued long-standing relationship with our suppliers, we will continue to benefit from competitive pricing.

3. According to Note 5(b) on Property, Plant, and Equipment, the Group successfully executed two property sale and leaseback transactions to support corporate liquid capital. However, the notes explicitly state that for one of these primary assets, the legal transfer of title remained pending at the reporting date, resulting in RM22.1 million of the direct sale proceeds being held in escrow as a solicitor stakeholder sum.

What are the specific legal impediments or regulatory clearance holdups delaying the finalised transfer of this asset title?

Answer:

We wish to update our shareholders that all conditions have since been satisfied as at current date and the funds held in escrow has been released. The delay was due partly to the approval process for the transfer of title which has since been obtained.

Corporate Governance Matters

4. Group Managing Director Ang Sui Aik and Executive Director Sham Weng Kong, both of them bring more than 20 years of experience concentrated in the agricultural, agronomy and fertiliser industries.

Following the proposed disposal of the Target Companies, what specific operational competencies and KPIs are expected from these two executive directors leading this high-velocity consumer retail and fast-casual beverage empire?

5. The Key Management Profiles indicate that the actual execution of the retail strategy is heavily delegated to sub-board executives, such as Dr Lim Chee Lip, Jeff, the CEO of Luckin Coffee Malaysia. However, the ultimate strategic accountability and risk oversight remain with the Board of Directors.

If the Board lacks the structural domain knowledge to independently stress-test management's retail performance, does this not create an unhealthy corporate governance imbalance, where the Board is effectively forced to rubber-stamp the decisions of its senior management team?



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Answer for both questions:

The Group operates a clear delineation between group leadership and operating unit execution. The Board members are responsible for group level strategy, capital allocation, merger and acquisition, governance and stakeholder management, in which their experience is directly relevant.

Day to day execution of the consumer businesses is led by CEO of Luckin Coffee Malaysia, Dr. Jeff Lim. To ensure the Board can stress-test retail performance, the CEO of Luckin Coffee Malaysia, Dr Jeff Lim is invited to attend Board meetings to update the board on the performance of the business and to address any queries from the board before any vote.

We trust the above addresses the matters raised. We look forward to engaging with shareholders at the AGM.

Yours faithfully,
For and on behalf of the Board of
Hextar Industries Berhad

- SIGNED -

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Ang Sui Aik, Benny
Group Managing Director