Hextar Global Berhad 31st Annual General Meeting

Questions received from Minority Shareholder Watch Group ("MSWG"):-

Operational & Financial Matters

1) Q: After a busy year of corporate exercises in FY2021, would the Company continue to actively pursue the mergers and acquisitions route for expansion?

A: We will continue to seek opportunities to accelerate our growth in the chemical industry which will generate operational efficiencies whilst also being financially viable. This strategy has allowed us to provide good returns in the short term and deliver progressive dividends to our shareholders.

Our latest acquisition was announced last week on 20 May 2022 following the completion of our acquisition of PT Agro Sentosa Raya which is based in Indonesia and engages in the manufacturing and distribution of agrochemical and specialty chemical products. This acquisition will allow us to benefit from the company's strength and expertise with immediate access to an established base in Indonesia. This will enable us to further entrench our business regionally whilst expanding our product range and creating revenue-enhancing synergy. We will also gain access to more chemical brand suppliers and enable further development in-house.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

2) Last year, Hextar Global has added the specialty chemicals business into its stable via the acquisitions of several companies (page 20 of Annual Report 2021).

   a) Q: The acquired assets for the Specialty Chemicals business will be making their full-year financial contribution in FY2022. What is the quantum of growth (topline and bottomline) that shareholders would be seeing this year?

      A: We are expecting RM200-250 million revenue and RM25-30 million net earnings contribution from these newly acquired Specialty Chemicals segment for year 2022.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

2) b) Q: The Specialty Chemicals business supplies products to the hygiene sector, rubber industry and oil & gas industry. Which of the three sectors covered by the Specialty Chemicals business has the best performance?

A: Notwithstanding the greater control of Covid-19 infections worldwide resulting in the normalisation of average selling price (ASP) of gloves, the rubber industry is expected to remain the major contributor to our Specialty Chemicals business.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

2) c) Q: Are the sales of specialty chemicals products to customers affected by the ups and downs of these sectors e.g., sales volume of glove, capacity expansion by glove players?

A: Volatility in the respective sectors will affect our sales. However, we continue to expand our product range and explore new market opportunities both overseas and domestically to mitigate the impact of any slowdown in the performance of a particular sector e.g. the rubber glove industry.

Hextar Global Berhad 31st Annual General Meeting

<u>Questions received from MSWG (cont'd):-</u>

Operational & Financial Matters (cont'd)

3) The Consumer Products segment recorded net loss of RM3.6 million in FY2021 compared to a net loss of RM0.05 million in the year before. The weaker performance was due to various movement control orders which then caused softer retail sales.

Q: What is the visibility of turning around the financial performance of this division?

A: We anticipate that the performance of the Consumer Products segment will improve this year following the implementation of changes which were put in place such as the adoption of multiple authorised distribution channels. We see business picking up with the revival of economic activities.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

4) Hextar Global had incurred higher operating expenditure in FY2021 particularly the selling and marketing expenses with expenditures surging to RM16.1 million compared to RM9.6 million in FY2020. This was mainly due to rising logistics costs caused by bottlenecks and congestion across global supply chain (page 22 of AR2021).

   a) Q: Was the Group able to pass on the increase in logistic costs to its customers by increasing product selling prices?

      A: Yes, our selling price is based on cost plus.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

4) b) Q: Is the issue of supply chain constraint expected to persist throughout FY2022? If yes, how would Hextar Global's profit margin be affected?

A: Raw material prices have become more volatile due to the supply chain issues. We have been able to manage our margins by timing our purchases effectively. However, there will be times when our margins will be affected due to prolonged adverse situations.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

5) The debt-to-equity ratio of Hextar Global increased significantly to 0.9 times (FY2020: 0.21 times) following a slew of debt-fueled acquisitions carried out in FY2021 (page 179 of AR2021). Net debt had increased by 392% to RM204.5 million from RM41.57 million.

Q: Does the Group see the need to lower the gearing ratio? If yes, what is the optimal gearing ratio?

A: The higher gearing ratio was due mainly to term loans taken to acquire the companies in our Specialty Chemicals Segment. These companies are profitable and generate strong cashflows. Hence, we are quite comfortable with our current gearing level. We do not want to limit ourselves in terms of our gearing. In the event an investment opportunity arises, we will evaluate all aspects of the transaction including the viability of increasing our gearing level.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

6) Hextar Global generally grants a credit term of 30 days to 120 days to clients. As of 31 December 2021, trade receivables which is past due more than 120 days amounted to RM65.73 million, representing approximately 42% of Hextar Global's trade receivables of RM156.56 million (net of allowance for expected credit losses). (Note 40.1 (b) (iii) Credit risk – Trade receivables, page 174 of AR2021).

a) Q: To which business segment do these customers with long outstanding trade receivables relate to? Please include details such as country, amount due, overdue period etc.

A: To correct the mistake in question, the amount of RM65.73 million falls under the totality of past due category from 1 day and above, the amount is not wholly past due more than 120 days as per stated. Referring to Note 40.1 (b) (iii) of the Annual Report 2021, the amount falls under overdue ageing more than 90 days was RM6.34 million (net of individually impaired for long outstanding trade receivables), representing approximately 4% of Hextar Global's trade receivables of RM156.56 million. Please find the breakdown by business segment, region and the amount due in the table next slide.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

6) a) A:

Trade receivables overdue ageing

	Agriculture	Specialty Chemicals	Consumer Products	Others	Total
Group 2021					
Overdue more than 90 days	2,104,190	4,202,605	30,255	1,268	6,338,318
Breakdown by region:-					
Africa	-	52,127	-	-	52,127
Asia	1,827,790	4,150,478	30,255	1,268	6,009,791
Oceania	276,400	-	-	-	276,400
	2,104,190	4,202,605	30,255	1,268	6,338,318

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

6) b) Q: How likely is it that these long outstanding trade receivables require provisions to be made?

A: Our Group practices the assessment of general and specific provision of impairment losses on trade receivables frequently and we monitor the ageing and collections closely on a daily basis. We do not foresee any significant or required provisions to be made at this juncture.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

6) c) Q: As the information in AR2021 was based on period ended 31 December 2021, what is the latest figure of Hextar Global's long outstanding trade receivables including aging?

A: We have yet to announce our Q1 2022 results at this juncture. Kindly refer to our bursa announcement on the quarterly results to be made by end of May 2022.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Operational & Financial Matters (cont'd)

7) Q: Following the fallout of Hextar Global-Arcadia Acres-Ihsan Equity consortium in obtaining a digital banking license from Bank Negara Malaysia, would the Company continue to pursue opportunities in digital economy space?

A: We will always review opportunities that can help us create value for our shareholders. Having said that, our main business focus remains in the chemical industry as this sector is where our strength is.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Sustainability Matters

1) Hextar Global conducts supplier assessment at least once a year to evaluate whether the suppliers are up to its stringent requirements. Parameters such as quality, pricing, timeliness of delivery, packaging, compliance to Health, Safety and Environment (HSE) requirement and technical support are taken into consideration in its assessment (page 41 of AR 2021).

   a) Q: What would be the actions taken against suppliers who are unable to live up to Hextar Global's expectation?

      A: We would try to renegotiate with the suppliers to come to an agreement regarding price, quantity and quality of product. In the case where a consensus cannot reached, we will switch to other suppliers.

Hextar Global Berhad 31st Annual General Meeting

<u>Questions received from MSWG (cont'd):-</u>

Sustainability Matters (cont'd)

1) b) Q: Does the Company have a supplier code of conduct that list out its suppliers expectations to fully comply with applicable laws and to adhere to internationally recognized environmental, social and corporate governance standards (ESG standards)? If no, would the Company consider establishing such a code for its suppliers?

A: We set up our ESG Committee in 2021 and have started several initiatives on ESG related matters. This includes establishing our internal framework for the setting of standards and code of conduct etc. which we are currently working on.

Hextar Global Berhad 31st Annual General Meeting

<u>Questions received from MSWG (cont'd):-</u>

Sustainability Matters (cont'd)

2) On operational footprint, waste and pollution management:

a) Q: Referring to Hextar Global's disclosure of waste and pollution management (page 45 of AR2021), would the Company consider disclosing the past years (for instance the past three years) data for the reported indicators to provide greater clarity to stakeholders on its effectiveness and accountability in managing its sustainability matters?

A: As this is currently a work in progress, our intention is to provide future achievements as past years data may confuse shareholders in view that the framework was not in place at the time the historical data is produced.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Sustainability Matters (cont'd)

2) b) Q: Would the Group consider disclosing the operational footprint of its businesses in the form of greenhouses gases, energy, water and paper consumption?

A: Yes, the Group is considering disclosing the Green House Gas emission, energy and water consumption in the practical near future. Currently, the Group is compiling the know-how and the necessary knowledge and information to prepare for such disclosure.

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Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Sustainability Matters (cont'd)

3) Hextar Global has set the goal to reduce its Class I and Class II product portfolio to the ratio below:-

Category	Category	Current ratio in 2021	Goal by 2026
Class I	Highly Poisonous	3.40%	2.50%
Class II	Poisonous	24.90%	17.50%
Class III	Harmful	49.30%	55.00%
Class IV	Least Toxic	22.40%	25.00%

Source: Hextar Global Annual Report 2021 (page 43)

a) Q: What was the financial contribution of the Class I and II chemical products to the Group currently?

A: Class I and II contribute approximately 12 % to Group revenue.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Sustainability Matters (cont'd)

3) b) Q: Would the realignment of product mix affect the financial performance of Hextar Global?

A: We do not expect the realignment of product mix to effect the financial performance of Hextar Global. The general public and users of chemical products are constantly being exposed to the importance of caring of the environment and they welcome our initiative to produce more of less toxic products.

The emphasis on Class III and IV chemicals would also be a viable replacement for Class I and II.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Sustainability Matters (cont'd)

3) c) Q: How does the Group achieve the goals above? Would it be achieved via in-house R&D capabilities or by way of procuring more environmentally friendly products from suppliers?

A: The above goals would be achieved via a combination of in-house R&D capabilities and procurement. The strategy is to:-

i. Undertake extensive research on bio-based products;
ii. Leverage on global networking for new products with lower toxicity;
iii. Improve formulations from solvent based products to water based products that are at lower toxicity;
iv. Emphasize on precision agriculture by specifying and accurately applying pesticide to target pest to avoid wastage.

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Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Corporate Governance Matters

1) Audit and non-audit fees

	FY2021	**FY2020**
Audit fees	RM450,777	RM302,523
Non-audit fees	RM161,420	RM167,000

Source: Annual Report 2020 & 2021

The audit fees of Hextar Global in FY2021 had increased by about 50% to RM450,777 from RM302,523 the year before.

a) Q: Why was there a significant increase in audit fees paid in FY2021?

A: The increase in audit fees was mainly due to our newly acquired subsidiaries.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Corporate Governance Matters (cont'd)

1) b) Q: What are the non-audit services provided by the external auditor in FY2021? Are these recurring non-audit services?

A: The non-audit fees provided by the auditors of the Company are mainly in relation to limited review reports, review of opening balances and the necessary transition work done for the change of auditors for those newly acquired subsidiaries. These are not recurring in nature.

As for the non-audit fees provided by the member firms of the auditors of the Company was basically tax fees and it is recurring in nature.

Hextar Global Berhad 31st Annual General Meeting

Questions received from MSWG (cont'd):-

Corporate Governance Matters (cont'd)

2) Internal audit function

	FY2021	FY2020	FY2019
Internal audit cost	RM58,000	RM48,000	RM58,000
Number of audits conducted	4	4	4

Source: Annual Reports 2019 – 2021

Q: How does the Audit Committee assure that there would be adequate coverage and an effective internal audit function as the IA cost remained largely unchanged while Hextar Global has rapidly expanded its businesses and operations the past few years?

A: The cost is relative to the number of audits conducted on a yearly basis. Currently we conduct 4 audits per year on selected areas that are deemed relevant in the Group. We will be expanding the coverage on newly acquired companies at a practical time in the near future.

MSWG questions ends