



**RIVERSTONE HOLDINGS LIMITED**  
(Company Registration Number 200510666D)  
(Incorporated In the Republic of Singapore)

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**RESPONSE TO QUESTIONS RECEIVED FROM (1) SHAREHOLDERS AND (2) SECURITIES INVESTORS ASSOCIATION (SINGAPORE) PRIOR TO THE ANNUAL GENERAL MEETING TO BE HELD AT RAFFLES CITY CONVENTION CENTRE, ENTERPRISE ROOM, LEVEL 4, 80 BRAS BASAH ROAD, SINGAPORE 189560 ON MONDAY, 24 APRIL 2023 AT 2.00 P.M.**

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The Board of Directors of Riverstone Holdings Limited (the “**Company**” or together with its subsidiaries, the “**Group**”), refers to the questions raised by shareholders and Securities Investors Association (Singapore) (“**SIAS**”) prior to the Annual General Meeting scheduled to be held on 24 April 2023 at 2.00 p.m..

The Company’s response to the relevant and substantial questions submitted by shareholders and SIAS before 17 April 2023 is set out below:

### ***RESPONSE TO QUESTIONS RAISED BY SHAREHOLDERS***

#### **QUESTION 1**

Does Riverstone have a healthy order book for the year ahead? What is the expected utilisation rate for its factories?

#### **COMPANY’S RESPONSE**

*Our cleanroom glove business orders are slightly higher compared to pre-pandemic levels. Healthcare glove order is about 60% of pre-pandemic levels. Overall utilisation rate is expected to be in the range of 65% to 70%.*

#### **QUESTION 2**

Does the company see ASP returning to pre-pandemic levels in the year ahead, as suggested by a competitor (Top Glove) recently?

#### **COMPANY’S RESPONSE**

*Cleanroom glove’s average selling price (ASP) is higher than pre-pandemic levels while Healthcare glove ASP is still below pre-pandemic levels. We foresee healthcare glove ASP will take some time to recover and move closer to pre-pandemic levels.*

#### **QUESTION 3**

Would the ongoing slowdown in the global electronic and semiconductor sectors impact Riverstone's order volumes and profit margins significantly?

## COMPANY'S RESPONSE

*Cleanroom glove order is still at healthy level. We managed to mitigate the reduce orders from certain customers by expanding/ enlarging our customer base during the pandemic. The Cleanroom glove profit margin has improved and it is now higher than the pre-pandemic levels.*

### **QUESTION 4**

Based on its strong balance sheet position, does the company intend to continue distributing dividends from its cash balance in the year ahead?

## COMPANY'S RESPONSE

*Yes, the company will depend on cash outflows and cash balance to pay dividend in stages when appropriate.*

### **QUESTION 5**

What is Riverstone's market share for both healthcare and cleanroom gloves in Malaysia?

## COMPANY'S RESPONSE

*40% worldwide for high-end Cleanroom Nitrile Glove and <2% worldwide for Healthcare Glove.*

### **QUESTION 6**

How significant is the Singapore market for the company?

## COMPANY'S RESPONSE

*We focus on cleanroom glove in Singapore market and it takes about 5% of our total cleanroom glove revenue.*

## **RESPONSE TO QUESTIONS RAISED BY SIAS**

### **QUESTION 1**

After a record-breaking year in 2021, the group achieved a strong but more modest performance in 2022, primarily due to the normalisation of the average selling price and higher cost of sales.

In 2022, the group's total revenue was RM1.26 billion, and its net profit was RM314.4 million, representing a decrease of 59.1% and 77.8%, respectively. Although the gross profit margin moderated to 35.8%, it remains substantially higher than the 20% gross profit margin recorded in 2019.

The executive chairman and CEO expects stiff competition to persist in the healthcare gloves segment and foresees consolidation and rationalisation in the coming years.

The group remains focused on the cleanroom segment where it has been traditionally strong.

- (i) Can management help shareholders better understand its strategy for dealing with price competition, especially from new manufacturers who were drawn to the industry during the pandemic?

COMPANY'S RESPONSE

*Cleanroom glove price is usually stable and it is adjustable according to the current cost structure. In healthcare glove business, we focus on producing customised products to differentiate ourselves from our competitors. We reduce our output for standard products to avoid making losses.*

- (ii) Specifically, how significant is the risk of excess capacity in healthcare gloves being repurposed to produce cleanroom gloves, leading to the emergence of new competitors in the cleanroom glove segment?

COMPANY'S RESPONSE

*Manufacturing of cleanroom glove requires 3 processes i.e., dipping, chlorination and cleanroom laundry. It is difficult for ordinary healthcare glove manufacturers to incorporate these 3 processes.*

- (iii) In the cleanroom segment, to what extent does the group have pricing power, especially with regards to passing on increases in material costs?

COMPANY'S RESPONSE

*Cleanroom glove is a highly customised product which requires certain technology, experience and technical know-how. Selling price is adjustable in line with any significant cost increase upon agreement with customers.*

- (iv) Can management provide shareholders with a better understanding of the various applications for Class 10 (ISO 4), Class 100 (ISO 5), and Class 1000 (ISO 6) cleanroom gloves?

COMPANY'S RESPONSE

*Class 10 cleanroom glove is used in class 10 manufacturing facility, which is commonly used in wafer fabrication. Class 100 is generally used in class 100 manufacturing facility such as hard disk drive (HDD) assembly line, flat panel, battery, lenses and sensors. Class 1000 is generally used in class 1000 manufacturing facility such as electronic components assembly line.*

- (v) What measure does management have in place to manage the impact of US dollar volatility? Does the group favour a strong US dollar?

COMPANY'S RESPONSE

*We hedge 50% of our monthly net sales proceeds and pay our raw material in US dollar. Yes, we favour a strong US Dollar and we do receive payments in other currencies, i.e. Malaysia Ringgit, Thailand Baht, China Renminbi and Singapore Dollar.*

- (vi) The group's raw materials are mainly latex and nitrile. Latex is a traded commodity, and its price is subject to fluctuations in the commodity market. Nitrile is a petroleum-based product and is affected by the increase in the prices of crude oil (page 94; Note 27(c) Commodity price risk). What guidance has the board given to management with regard to hedging of commodity price risk?

COMPANY'S RESPONSE

*We do not hedge commodity prices because healthcare glove's selling price is adjustable in line with raw material price movement every month.*

**QUESTION 2**

Phase 7 of the group's expansion was completed in FY2022. It will add up to 1.5 billion gloves. The factory commissioning is underway.

The group acquired 6 parcels of leasehold industrial lands with a total land area of approximately 18.33 acres located at Kamunting Industrial Estate, Kamunting, Taiping, Perak, Malaysia for a total consideration of RM17.6 million.

- (i) Can management provide additional insights into the group's overall growth trajectory and the pace of its expansion, given the dual challenges of hot capital inflows into the industry over the past two years and a drop in demand as the pandemic eases?

COMPANY'S RESPONSE

*Our total land bank in Taiping is about 90 acres and we have used up to 65 acres for our manufacturing facilities. The remaining land bank will be used for future expansion as part of our long-term growth plan.*

- (ii) Does it make sense for the company to acquire other players, especially newcomers who are struggling with the lower average selling price? Has management evaluated any distressed competitors as potential acquisition targets?

COMPANY'S RESPONSE

*We do not plan to acquire any healthcare glove business and prefer to build our own if needed.*

- (iii) In terms of segment assets, the group has segment assets of RM75 million and RM72 million in Thailand and China respectively. What are the international expansion plans?

COMPANY'S RESPONSE

*We are assessing the business expansion feasibility in Thailand and Vietnam.*

**QUESTION 3**

The updated Sustainability Report 2023 will be available on or before 30 April 2023. It will contain details of the group's sustainability plan, targets, and projects.

Based on the group's published sustainability report, the group has set up a Sustainability Committee (SC) which is led by the chief sustainability officer (CSO). The SC meets multiple times a year to discuss the group's sustainability strategy, goals, and performance.

- (i) Who are the members of the SC and what are their roles/functions in the group? Please also provide insights into the selection criteria used to identify the Chief Sustainability Officer (CSO).

COMPANY'S RESPONSE

*The SC members are departmental heads of managerial level from Sales, Finance, Production and Human Resource (HR). The CSO candidate is ideally someone who understands the company operations well, possesses leadership attributes, maintains regular communication with stakeholders and well versed in the Environmental, social and governance (ESG) reporting requirements*

- (ii) What are the roles of the board directors in the governance framework to drive, govern and manage the sustainability function within the group? Has the board deliberated on the level of involvement by the directors in the SC?

COMPANY'S RESPONSE

The role of Board of Directors is to setup the SC, monitor the ESG objective performance and to evaluate the ESG progress.

The material topics have been identified and the SC has carried out the materiality assessment (shown below):



Environmental	Social	Governance	Strategy & Business
Energy & Emission	Occupational Health & Safety	Responsible Corporate Governance	Product Quality & Safety
Water Stewardship	Labour Rights	Ethical & Transparent Business	Innovation
Effluent & Waste Management	Training & Development	Regulatory compliances	Sustainability
Environmental compliances	Community Development		
	Social Compliances		

(Source: company sustainability report)

- (iii) Can the board or the SC provide additional information on the group's efforts to address labour rights, and how the company ensures that these rights are effectively enforced?

COMPANY'S RESPONSE

We follow the International Labour Organisation (ILO) guidelines and consistently engage independent surveillance auditors to conduct labour rights due diligence.

- (iv) What is the level of oversight by the board in ensuring compliance with the standards?

COMPANY'S RESPONSE

We refer to various social audit reports and carry out the necessary action plans for improvement. Follow-up audit is conducted to ensure it is done.