

B E S H O M

THE BEST STARTS FROM HOME

BESHOM HOLDINGS BERHAD

(Registration No.: 202101001114 (1401412-A))

2nd Annual General Meeting

27 September 2022

**Reply to Questions from
Minority Shareholders Watch Group (MSWG)**



Operational & Financial Matters

1. Except for year FY2021, the group's revenue has been declining with the latest financial year FY2022 reporting a full-year revenue of RM209.6m after hitting a peak turnover of RM461.7m in FY2018. Besides the Covid-19 pandemic, what were the reasons for the decline in the group's revenue in the recent years? What are the measures taken to reverse the downtrend in revenue?

Answer to Q1:

As reported in the annual reports for the past few financial years, apart from the COVID-19 pandemic, the performance of the Group was affected by negative consumer sentiment and high cost of living that constrained consumers' ability and willingness to spend, which particularly affected the demand for premium or high value products. The movement restrictions and full lockdown during the pandemic have affected businesses which operate physical outlets and businesses of wholesalers as well as MLM players who are dependent on physical interactions through social activities to drive revenue. Accordingly, this has resulted in a lower revenue achieved by the Group.

Answer to Q1 (continued):

In response to the uncertain business environment, the Group has initiated various strategies for sustainability. First is the continuous development of digital infrastructure across all our major business segments. Digitalisation will change the way we work and the way our customers interact with us. The intensified digital adoption of the retail business through various e-commerce platforms has and will continue to boost sales.

Secondly, products enhancement and development. Operating in a high inflationary environment, having the right product at the right time and right costing will allow us to remain relevant in the market. Hence, we will focus on developing affordable health products and small ticket items to cater for cost-conscious consumers and implement strategies to penetrate younger consumer market.

Answer to Q1 (continued):

Continuous efforts will be made to expand market presence to enhance business sustainability and promote brand loyalty through optimisation of outlets and expanding customer database. Ongoing sales campaigns and aggressive promotional activities will also be held in the physical stores as well as online platforms to sustain the business momentum.

2. While the group's revenue is predominantly derived from the local market, the multi-level-marketing arm, Sahajidah Hai-O Marketing Sdn Bhd has regional offices/branches in Indonesia, Brunei & Singapore.
 - i. How much did these overseas markets contribute to the group's total revenue for FY2022?
 - ii. What is the business outlook for these overseas markets in which the group has presence?
 - iii. Is it the group's near-to-medium-term priority to grow the business in these overseas markets?

Answer to Q2(i):

The revenue contribution from overseas markets is negligible to the total revenue of the Group. Almost 100% of the Group's total revenue was derived from the local market for FY2022.

Answer to Q2(ii) & (iii):

The Group does not expect major contribution from its overseas markets in the near term, taking into account the volatility of the overall global economy. The Group will continue to focus on its strategies to grow its business locally amid the current uncertain business environment.

3. Last year, at the 46th Annual General Meeting of Hai-O Enterprise Berhad, the Board shared that e-Commerce sales accounted for approximately 3% of the retail segment sales for FY2021. Hai-O eStore had been revamped and gone live in August 2021 to improve the overall customer online shopping experience. For Fy2022, what was the percentage of the retail segment sales that was generated from the e-Commerce sales? Going forward, does the Board expect e-Commerce sales to gain traction?

Answer to Q3:

The e-Commence sales for the Retail segment increased by 99% compared to last financial year. The e-Commerce sales accounted for approximately 4.3% of the Retail segment sales for the FY2022. e-Commerce transactions have increased substantially during the period of Movement Control Orders but are expected to normalise following the reopening of the economy and the removal of movement control restrictions. However, we will continue to leverage on the use of social media for advertising and promotional activities to sustain the e-Commerce sales contribution for the Retail segment, going forward.

4. As shown on page 184 of the company's Annual Report FY2022, the group owns 1,145,268 sq. ft. of freehold land in Mukim, Setul, Daerah Seremban, Negri Sembilan with existing use of an orchard farm.
 - i. What was the original intended land use when the land was acquired back in June 2014?
 - ii. What are the crops currently planted on the said land?
 - iii. As the group is not in agricultural business and given the mere land size of approximately 26 acres, the orchard farm is unlikely to make a meaningful earnings contribution to the group. As such, what is the rationale for having the orchard farm?
 - iv. What is the future plan for the said land?

Answer to Q4(i) & (ii):

The land was originally planted with durian trees when it was acquired in June 2014 till to-date. It was acquired as an investment for capital appreciation.

Answer to Q4(iii):

The land was acquired as an investment for capital appreciation and is currently leased to a third party who managed the orchard. This is aligned with our original intention to hold the land for capital appreciation.

Answer to Q4(iv):

The Company has not deviated from its original intention to hold the land as a long-term investment for capital appreciation. Currently, there is no specific plan in place for the land. However, if there is any opportunity to realise the investment with a good return in the future, the Board of Directors will evaluate the opportunity accordingly.

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THANK YOU

