

HAI-O ENTERPRISE BERHAD
Registration no. 197501000919(22544-D)
(Incorporated in Malaysia)

MINUTES of the 46th Annual General Meeting of the Company conducted on a virtual basis and broadcasted from Lot 6.03, 6th Floor, Menara Hai-O, Jalan Bukit Bintang, 55100 Kuala Lumpur (“Broadcast Venue”) on Thursday, 21 October 2021 at 11.30 a.m.

PRESENT : Tan Kai Hee – Chairman
Others – As per attendance list attached

1. QUORUM

On behalf of the Chairman, Mr Tan Keng Kang (“Mr KK Tan”), the Group Managing Director informed the Meeting that the Board had elected him as the Chairman of the 46th Annual General Meeting (“46th AGM”). He thereafter extended a warm welcome to all the shareholders, Board of Directors, proxies, and authorised representatives to the 46th AGM. Upon confirming the presence of a quorum, the Meeting was called to order at 11.30 a.m.

2. INTRODUCTION OF THE BOARD MEMBERS

Mr KK Tan introduced the members of the Board, Management and External Auditors who were present at the Broadcast Venue and who were in attendance via video conferencing.

3. NOTICE

As the Notice convening the Meeting was circulated to the shareholders within the prescribed period, the Notice convening the Meeting was taken as read.

Next, Mr KK Tan reported that the Company had received 77 valid proxies carrying 107,889,215 shares or representing 35.93% of the Company’s total number of issued shares.

4. POLLING AND ADMINISTRATIVE GUIDE

The Meeting was informed that voting for proposed resolutions 1 to 6 will be carried out by poll in line with Bursa’s Listing Requirements. Boardroom Share Registrars Sdn Bhd (“Boardroom”) has been appointed as the Poll Administrator and GovernAce Advisory & Solutions Sdn Bhd, an independent scrutineer has been appointed to validate the poll results. Mr KK Tan thereafter invited Boardroom to brief the Meeting on the online e-voting process.

To facilitate the online voting process, the online voting process will be carried out from the commencement of the Meeting until the end of the voting session that will be announced later. The poll process would be conducted after deliberation of all resolutions to be transacted at the 46th AGM and questions have been dealt with.

5. **PRESENTATION BY GROUP EXECUTIVE DIRECTOR CUM CHIEF FINANCIAL OFFICER**

The Group Executive Director cum Chief Financial Officer, Mr Hew Von Kin presented an overview of the Company's financial performance, summary of the business segment performance and the outlook of the Group for the next financial year. The Presentation slides are attached as **Appendix I**.

6. **QUESTIONS RECEIVED FROM THE MINORITY SHAREHOLDERS WATCH GROUP**

The Meeting was informed that the Company had received a letter from the Minority Shareholders Watch Group ("MSWG") dated 11 October 2021. Mr KK Tan invited the Company Secretary to read out the questions and the Company's responses to the questions received from MSWG, which are attached as **Appendix II**.

Mr KK Tan thereafter informed that questions raised by the shareholders will be taken after all resolutions for the Meeting have been tabled.

7. **REPORTS AND AUDITED FINANCIAL STATEMENTS ("AFS") THE YEAR ENDED 30 APRIL 2021 ("FYE 30 APRIL 2021")**

Mr KK Tan proceeded with the first item on the agenda.

The AFS for the FYE 30 April 2021 and the Reports of the Directors and Auditors having been circulated to all the shareholders within the prescribed period were taken as read.

Mr KK Tan then proceeded with the next agenda.

8. **RE-ELECTION OF MR SOON ENG SING WHO RETIRES PURSUANT TO CLAUSE 119 OF THE COMPANY'S CONSTITUTION (ORDINARY RESOLUTION 1)**

Mr KK Tan briefed the Meeting that in accordance with Clause 119 of the Company's Constitution, Mr Soon Eng Sing was due to retire and being eligible, has offered himself for re-election. His profile is contained on page 10 of the Annual Report.

9. **RE-ELECTION OF MS TAN BENG LING WHO RETIRES PURSUANT TO CLAUSE 119 OF THE COMPANY'S CONSTITUTION (ORDINARY RESOLUTION 2)**

In accordance with Clause 119 of the Company's Constitution, Ms Tan Beng Ling was due to retire and being eligible, has offered herself for re-election. Her profile is contained on page 10 of the Annual Report.

10 RE-ELECTION OF PROFESSOR HAJJAH RUHANAS BINTI HARUN WHO RETIRES PURSUANT TO CLAUSE 119 OF THE COMPANY'S CONSTITUTION (ORDINARY RESOLUTION 3)

In accordance with Clause 119 of the Company's Constitution, Professor Hajjah Ruhanas Binti Harun was due to retire and being eligible, has offered herself for re-election. Her profile is contained on page 12 of the Annual Report.

11 PAYMENT OF DIRECTORS' FEES (ORDINARY RESOLUTION 4)

The Company had proposed a payment of Directors' fees of RM207,000 for the financial year ended 30 April 2021.

The Meeting was informed that the Directors who are also the shareholders of the Company would abstain from voting on this resolution.

12 THE PAYMENT OF DIRECTORS' REMUNERATION AND BENEFITS (EXCLUDING DIRECTORS' FEES) TO NON-EXECUTIVE DIRECTORS UP TO AN AMOUNT OF RM800,000 FROM 22 OCTOBER 2021 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY (ORDINARY RESOLUTION 5)

The Company had proposed a Directors' remuneration and benefits (excluding Directors' fees) to Non-Executive Directors up to an amount of RM800,000 from 22 October 2021 until the next Annual General Meeting of the Company.

It was highlighted that the Non-Executive Directors who are also shareholders of the Company would abstain from voting on this resolution.

14 RE-APPOINTMENT OF AUDITORS (ORDINARY RESOLUTION 6)

The resolution on the re-appointment of Messrs KPMG PLT as Auditors of the Company until the conclusion of the next AGM and to authorize the Directors to fix their remuneration was tabled.

Messrs KPMG PLT had given their consent to seek for re-appointment and no other nominations were received by the Company.

15. QUESTIONS AND ANSWERS SESSION

Mr KK Tan informed the Meeting that the Company had received questions from shareholders prior to the 46th AGM. The Company Secretary was then invited to read out the questions and the responses of the Company.

Next, the Meeting proceeded to answer the questions received from the shareholders during the Meeting that had not been addressed in (i) the overview of the Company's performance and results that was earlier presented by our Group Executive Director; or

(ii) responses to MSWG or (iii) our responses to the questions received prior to the AGM.

All questions received from shareholders and the responses of the Company are attached as **Appendix III**.

16. **VOTING SESSION**

At 12.25 p.m., Mr KK Tan reminded shareholders to vote as the voting session would continue for another 10 minutes.

At 12.35 p.m., Mr KK Tan announced that the voting session for the 46th AGM had ended.

The Meeting was then adjourned for 10 minutes to facilitate the validation of votes cast by the Scrutineers.

17. **ANNOUNCEMENT OF POLL RESULTS**

Mr KK Tan called the Meeting to order at 12.45 p.m. for the declaration of the poll results as stated below which has been verified by the Independent Scrutineers. The poll results are attached as **Appendix IV**.

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
Ordinary Resolution 1	88,939,675	99.9665	29,844	0.0335
Ordinary Resolution 2	89,008,027	99.9782	19,368	0.0218
Ordinary Resolution 3	88,974,807	99.9547	40,313	0.0453
Ordinary Resolution 4	43,478,752	99.6864	136,770	0.3136
Ordinary Resolution 5	88,734,071	99.8096	169,267	0.1904
Ordinary Resolution 6	88,929,928	99.8822	104,887	0.1178

Mr KK Tan declared all resolutions that had been put to the Meeting were duly carried.

18. **CLOSURE**

The Meeting was declared closed at 12.50 p.m. with a vote of thanks to the Chair.

46TH ANNUAL GENERAL MEETING

21 OCTOBER 2021



HAI-O ENTERPRISE BERHAD

Registration No. 197501000919 (22544-D)

**TRANSITIONING TO A
VIBRANT FUTURE**



Agenda

1

FY2021 Financial Performance

2

Business Segment Overview

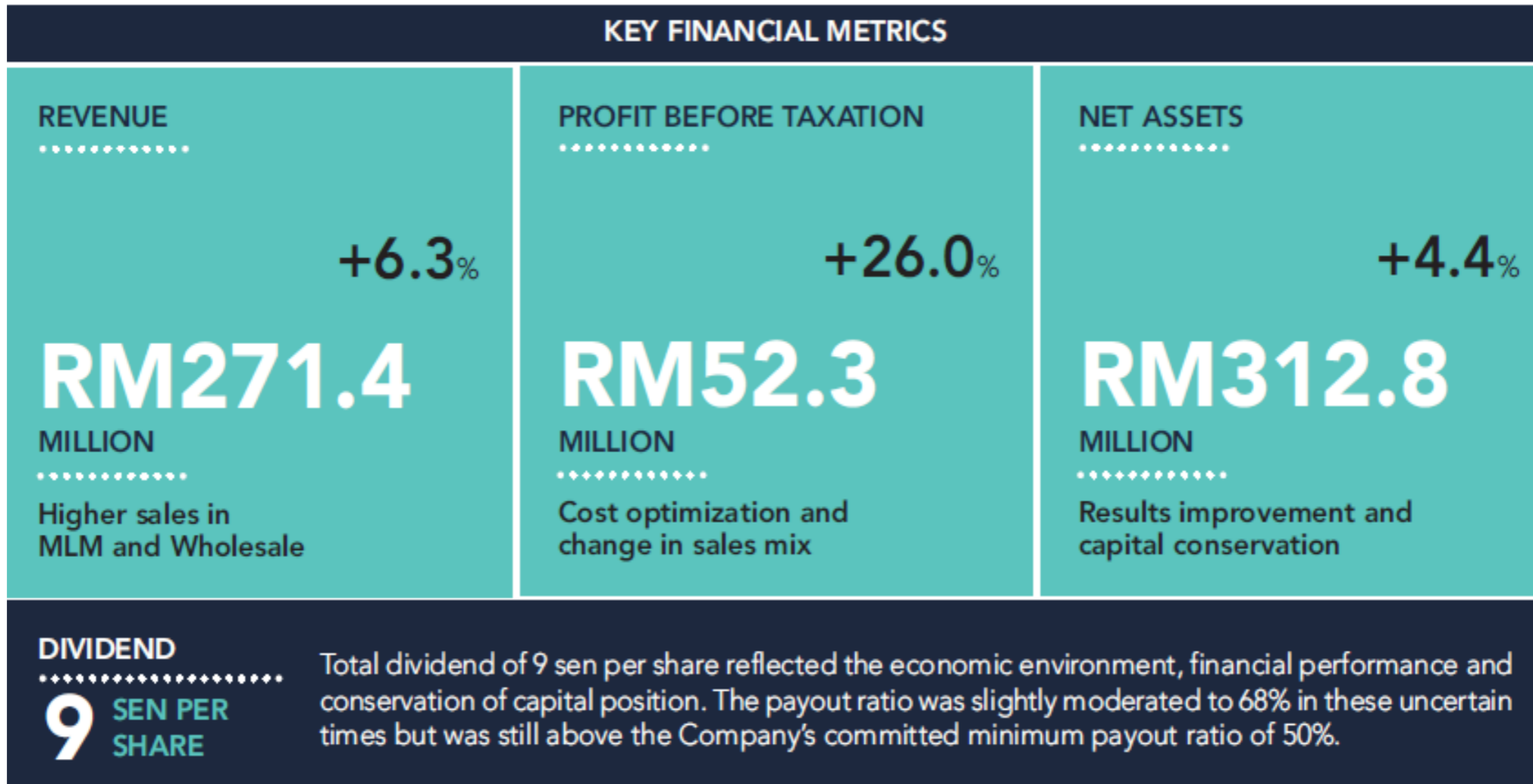
3

Outlook



1

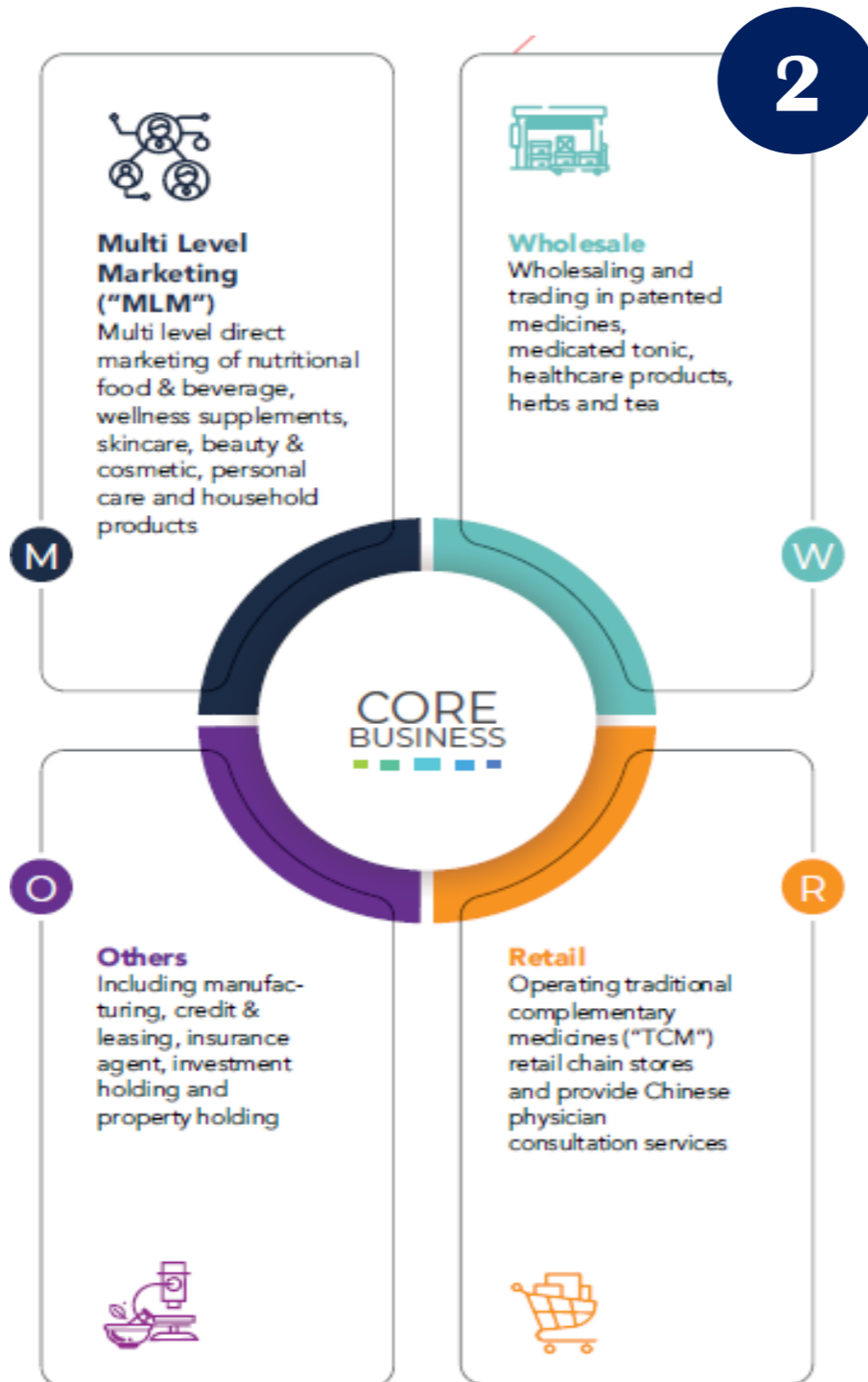
FY2021 Financial Highlights



“Delivering resilience and emerging stronger”

- Hai-O Group has delivered resilient results amidst the challenges which have driven us to work harder to emerge stronger
- the Group has plans in place to strengthen growth, fortify sustainability and manage business risks as we strive to add values to all stakeholders in a responsible and sustainable manner
- These include continuation of optimizing costs, upgrading and enhancing the digital infrastructures of our major business segments to support the sharp rise in e-commerce, exploring and adopting various sustainable business practices as we progress on our ESG journey
- We remain optimistic on the prospects of Hai-O Group given the strong fundamentals, track record, the demonstrated capability, dedication and team spirit of our employees, Management and the Board as we face the unprecedented challenges together



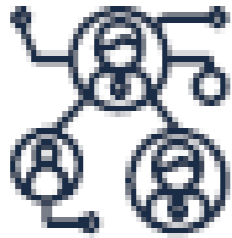


Business Segment Overview

- There was no change in the core business of the Group for the financial year under review
- The Group's revenue and earnings continue to be driven by 3 core business segments with other business activities primarily in property investments and manufacturing activities



Segmental review – MLM



MLM focused on 4 essential factors to maintain sustainability and continuity:
“Products, Price, Promotion and Place”

REVENUE
.....

+10.0%

RM172.4

MILLION
.....

FY2020: RM156.7 million

PROFIT BEFORE TAXATION
.....

+4.6%

RM34.0

MILLION
.....

FY2020: RM32.5 million

MLM segment remains the largest revenue and profit contributor of the Group

Multi-pronged strategy focussing on products pricing and mix, members recruitment and engagement, digital adoption and operational improvement

MLM recorded 10% revenue growth to RM172.4 million and 4.6% PBT growth to RM34.0 million in FY2021



Segmental review – Wholesale



Ongoing transformation for pandemic transition with products focus on young consumer market and affordable everyday needs health food

REVENUE

+6.4%

RM58.6

MILLION

FY2020: RM55.1 million

PROFIT BEFORE TAXATION

+130.0%

RM13.8

MILLION

FY2020: RM6 million

Performance spurred by the distribution of higher margins products in FY2021

The benefits of ongoing cost optimisation initiatives further lifted profitability

Wholesale segment posted a 6.4% growth in revenue to RM58.6 million and more than two-fold increase in PBT to RM13.8 million in FY2021



Segmental review – Retail

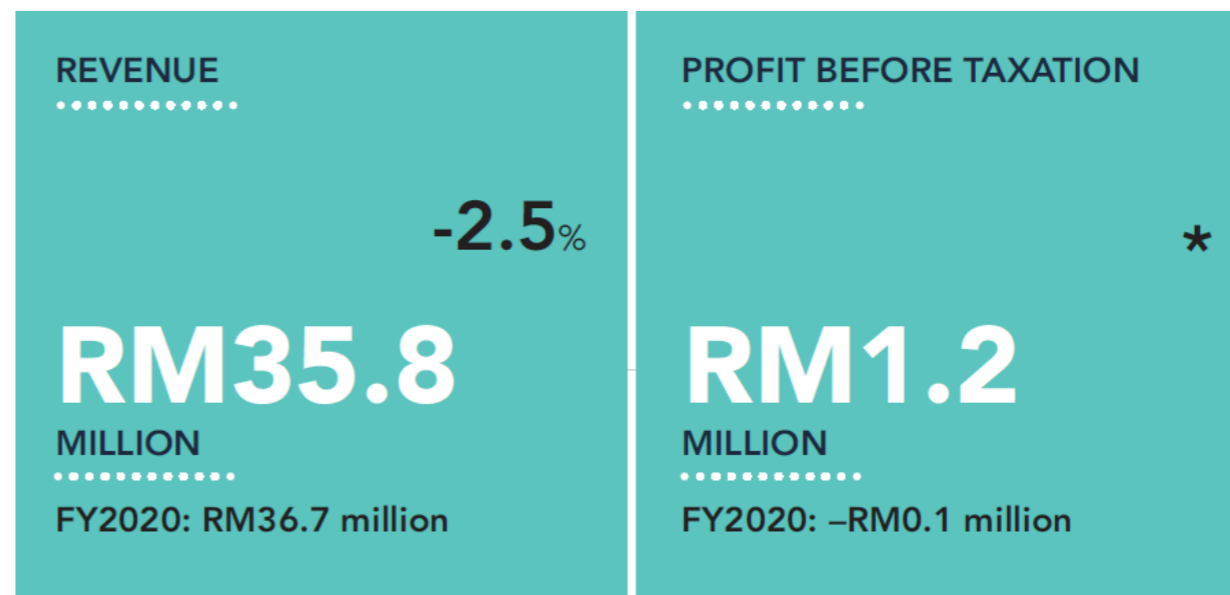
Operations hardest hit by the COVID-19 pandemic

Focusing on value creation from the perspective of sales channel, promotion and cost containment remain relevant

Retail segment staged a profit turnaround to record PBT of RM1.2 million amidst a slight decline in revenue to RM35.8 million in FY2021, which was commendable in a crisis year



Revamped sales model, expansion in e-commerce and cost optimization in response to challenging trading conditions

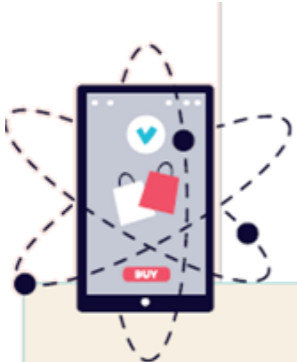


* Not applicable due to a loss position for the last financial year

3

Outlook

“Finding the right alignment for business sustainability and continuity”



✓ Committed to entrenching our businesses and operations digitally by strengthening and enhancing the existing digital infrastructures

✓ Relentlessly focus on the delivery of the four essential factors: Product, Price, Promotion, Place



✓ Costs optimization

“Amidst the COVID-19 storm, the Board is confident of emerging stronger with a solid foundation for the next financial year”



TRANSITIONING TO A VIBRANT FUTURE





Hai-O Enterprise Berhad
46th Annual General Meeting
Reply to Question from
Minority Shareholders Watch Group (MSWG)



Reply to MSWG

Operational & Financial Matters

Q1. Hai-O group posted stronger revenue of RM271.4 million, a 6.3% higher year-on-year (FY2020: RM255.2 million), while profit before taxation (“PBT”) grew by 26% to RM52.3 million in FY2021 (FY2020: RM41.5 million). The increase in PBT was partly due to the Group’s cost optimization initiatives which yielded total savings of more than RM3.5 million, as well as a one-off gain from disposal of vintage tea amounting to RM0.9 million (page 19 of Annual Report (AR) 2021).

Q1(a). What are the costs that the Group has successfully reduced in FY2021 that led to a total savings of more than RM3.5 million?



Reply to MSWG

Answer to Q1(a):

The following cost optimization initiatives undertaken by the Group are the primary reasons which resulted in a total savings of more than RM 3.5 million:

- i. Lower expenses in the following:
 - event sponsoring;
 - advertising and promotion; and
 - marketing and distribution.

The above were driven by the Group's aggressive digital adoption for sales promotion campaigns, virtual training events and functions.

- ii. Shorter outlets operating hours and rental concession from landlord for the Retail segment; and
- iii. Lower CSR costs incurred for the year.



Reply to MSWG

Q1(b). Are the better performances in the top-line and bottom-line figures sustainable in FY2022?

Answer to Q1(b):

The sustainability in both the top-line and bottom-line results will depend on the progress and success of the National Immunisation Programme, reopening of various economic sectors nationwide and the state of recovery of consumer sentiment, which remain uncertain at the moment.



Reply to MSWG

Q2. The Retail segment operation was the hardest hit by Covid-19 pandemic as the retail chain stores were affected by various movement controls imposed by the Government in FY2021. Stringent lockdowns had led to a virtual elimination of casual shoppers for major retail businesses (page 19 & 27 of AR 2021).

Q2(a). How have the full lockdown in June 2021 and the weaker consumer sentiments affected the Retail segment business?



Reply to MSWG

Answer to Q2(a):

The full lockdown in June 2021 has adversely affected the overall retail industry and businesses which operate physical outlets. In addition to the movement restrictions which reduced the consumer footfall to the retail outlets, consumers have also turned more cautious in spending which has affected the demand for high value products that yielded higher margin. Hence, the revenue of the Retail segment dropped by 7.9% for Q1FY2022 as compared to previous year's corresponding quarter.



Reply to MSWG

Q2(b). Covid-19 pandemic has caused inevitable change in customer buying behaviour (page 27 of AR 2021). Does the Company expect the Retail segment to lag in its recovery when this segment relies on brick-and-mortar sales? If so, how is the Company addressing these challenges?

Answer to Q2(b):

The pandemic had resulted in less customer traffic in physical retail outlets but on the other hand, has increased online shopping. Our focus on essential health foods and supplements, and the intensified digital adoption by extending the retail business to various e-commerce platforms have and will continue to boost retail sales. Ongoing sales campaigns and aggressive promotions activities to be held in the physical stores and online platforms are expected to sustain the retail business momentum.



Reply to MSWG

Q2(c). Hai-O has an internal e-Commerce platform (Hai-O eStore) and Hai-O flagship stores were set-up at both Lazada and Shopee in August 2020 (page 29 of AR 2021). How much e-Commerce sales accounted for the total sales for Retail segment in FY2021? How successful is Hai-O eStore, Lazada and Shopee stores in attracting retail segment shoppers to make purchases online? Please elaborate on the traction and results from your online platforms.



Reply to MSWG

Answer to Q2(c):

The e-Commence sales accounted for approximately 3% of the Retail segment sales for the FY2021. We have revamped our Hai-O eStore which has gone live in August 2021 to improve the overall customer online shopping experience, particularly in the payment system and delivery options to attract more online shoppers. We are confident that with a more efficient use of social media for advertising and promotional activities, the e-Commerce sales contribution for the Retail segment in FY2022 is expected to be encouraging and potentially could double the performance of FY2021.



Reply to MSWG

Q3. Hai-O plans to step up the development of relatively more affordable range of health products to cater to everyday needs, as well as to implement strategies to penetrate the young consumer market (page 26 of AR 2021).

Q3(a). Given that the Group will focus on launching more affordable health products, how will this impact the Group's net profit margin (FY2021: 14.3%) going forward with the change in sales mix?

Answer to Q3(a):

The Group's effort on launching more affordable health products will not have a major impact to the Group's net profit margin, after factored in the cost structure and pricing strategy.



Reply to MSWG

Q3(b). What is the competitive advantage of the Group in health products for young consumer segment? How does the Group differentiate itself from other competitors in this segment?

Answer to Q3(b):

Hai-O is able to offer a wide range of quality and premium products at a reasonable price to the customers as Hai-O has established a long term relationship with overseas suppliers who offer a wide range of products with high product quality assurance at competitive pricing.

With the above competitive advantages, Hai-O has been the market leader for over 45 years in traditional complementary medicine (TCM) products.



Reply to MSWG

Q4. The allowance for impairment loss on non-trade receivables from an associate has increased from RM78,771 in FY2020 to RM1.5 million in FY2021 (page 123 of AR 2021).

Q4(a). What are the reasons for the substantial impairment losses and what made this impairment necessary? Please name the associate with the impairment losses.

Answer to Q4(a):

The impairment of RM 1.5 million was related to an amount owing by an overseas associate company, PT Hai-O Indonesia. The impairment was deemed necessary as the recovery is remote as its business operations was badly affected by COVID-19 pandemic. The Group will continue to monitor the amount owing and will take appropriate action to recover the long overdue balances.



Reply to MSWG

Q4(b). What is the likelihood of further impairment or reversal or recoverability in FY2022?

Answer to Q4(b):

The likelihood of further impairment in FY2022 is low and the reversal or recoverability of the amount owing will depend on the business performance of the associate company.



Reply to MSWG

Corporate Governance Matters

Q5. Hai-O in its Corporate Governance (CG) Report 2021 states that it has departed from Practice 4.5 which requires the board to disclose in its annual report the company's policies on gender diversity, its targets and measures to meet those targets. Currently, the Company has two women directors on the Board representing 22% of the total Board members. The Board does not have any policy on gender diversity policies and targets.

When does the Board plan to disclose in its annual report the company's policies on gender diversity, its targets and timeframe to meet those targets, as required by the Malaysian Code of Corporate Governance?



Reply to MSWG

Answer to Q5:

The Board will endeavour to provide more information and disclosure on gender diversity in the annual report for FY2022 as guided by MCCG 2021 which takes effect for listed corporations with financial year ending 31 December 2021.



THANK YOU

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Hai-O Enterprise Bhd
46th Annual General Meeting
Questions from Shareholders



Hai-O 46th AGM Questions from Shareholders

Q1. What is the post-pandemic outlook for the company?

Answer to Q1:

The uplift of the movement and travel restrictions and the gradual reopening of various economic sectors nationwide as the national vaccination programme progresses well to achieve herd immunity by end of 2021, would definitely provide support for the growth recovery of the Group in near future.

As Hai-O is operating in consumer-oriented businesses, the recovery in consumer sentiments would help retail operators especially those who require physical presence to serve customers like us. Our direct sales business, is always about maintaining warm relationships and connections made via networking.



Answer to Q1 (cont'd):

Our distributors had during the pandemic mastered the necessary online skills in areas such as training, sales and marketing and networking etc. to closely interact with people both online and offline. The lifting of restrictions would allow our distributors to showcase their enhanced skill and agility to adapt and operate in the new normal.

Various strategies were developed and implemented to maintain business sustainability and continuity of the business growth. While it is almost impossible to accurately predict the future, we remain cautiously optimistic on the prospect of Hai-O given the strong fundamental, trade records and the dedication and team spirit of our distributors and employees that demonstrated the ability to adapt to short term challenges to achieve long term sustainability.



Hai-O 46th AGM Questions from Shareholders

Q2. What areas of business has the company benefited from the Covid-19 pandemic?

Answer to Q2:

i) The Covid-19 pandemic has inevitably affected many business sectors, both globally and domestically especially the retail industry. The crisis has pushed us to hone our agility and ability to adapt to the changes, enhancing business stability and sustainability to tap new opportunities while managing risks. As we operate under the various stages of MCO, NRP with stringent SOPs, the Company has looked into and implemented various strategies and measures to achieve higher cost efficiency. This included organising events / functions and marketing activities virtually. All these had enabled the Company to enhance its efficiency and improve profitability.



Answer to Q2 (cont'd):

- ii. Consumers have increasingly turned to online shopping during the lockdown and movement restrictions. Recognising this important shift, we have expanded the use of digital platforms in our business operations, social and marketing engagement with stakeholders. The adoption of digitised platforms has also accelerated our online presence in the MLM and Retail segments, enabling us to reach a wider customer base. As a result, our ecommerce sales increased by more than 2 fold in FY2021.

- iii. Increase in demand for essential and health supplements due to higher awareness of health conscious consumers. The Group will focus to develop more affordable range of health products to tap business opportunities and defend our market position as a key essential healthcare player.



Hai-O 46th AGM Questions from Shareholders

Q3. The Company has declared 1st and 2nd interim dividends of 4 sen and 5 sen per share respectively in FY2021. In addition to the cash dividends, the Board had also declared share dividend of 1 for 26 existing ordinary shares on 4 June 2021. We would like to thank the Board for the generously and the consistent returns to shareholders. However, no further shares buy back undertaken by the Company since the distribution of share dividend and no renewal mandate on share buy-back tabled in this AGM for approval.

The Company has no intention to implement share buy back in future?



Hai-O 46th AGM Questions from Shareholders

Answer to Q3:

Thank you for your feedback. The Board is conscious of the impact of the pandemic on our shareholders as many of whom may to some extent rely on dividends as extra income. For last FY2021, the payout ratio was 68%, which exceeded the minimum commitment of 50%. The decision by the Board is on the basis that dividends received are of real value to our shareholders after considering the economic environment, current FD rates, financial performance and Company's capital position.

The Company is currently undertaking the corporate proposal on internal re-organisation. The implementation of share exchange for Hai-O Enterprise Berhad's shares with BESHOM's shares is anticipated to complete by end of 2021.

Hence, any share buy-back now is not practical. BESHOM, the new listed entity will continue to adopt the same policies and best practices that are currently practiced by Hai-O. The share buy-back proposal, if relevant will be taken by BESHOM, at a later date. BESHOM will continue to build a sustainable value for its shareholders.



Hai-O 46th AGM Questions from Shareholders

Q4. As noted in Annual Report, the Internal Reorganisation is expected to complete by 3QFY2022. This is not in line with the initial estimated timeline. What causes the delay?

Answer to Q4:

The High Court of Malaya has on 23 July 2021 sanctioned the Company's Scheme of Arrangement under the Proposed Internal Reorganisation with conditions. The Company will proceed with the necessary steps to implement after the AGM as no objection was filed by any of our financiers during the conditional period within the one (1) month from the date of the notice served.

The implementation is expected to complete as scheduled.



Hai-O 46th AGM Questions from Shareholders

Q5. The reduced in operating cost which was helped the higher profit made for the financial year ended 2021. Do you expect to continue enjoy low operating cost in your business operations post pandemic? How much cost saving driven by the rental discount given by landlord?

Answer to Q5:

The lower operating cost arising from the swift strategies and measures taken to mitigate cost are temporary and short term in nature. This included the rental concession by landlords and the lower personnel cost due to shorter operating hours during various phases of lockdowns for the retail segment. In the last FY2021, the total rental waiver granted by our landlords amounted to approximately RM300k.



Hai-O 46th AGM Questions from Shareholders

Q6. Under the current challenging business environment, why the short-term employee benefits still increase from RM4.7 million in one year ago to RM5.2 million in FY2021?

Answer to Q6:

The employee remuneration is inclusive of performance-link incentive which is correlated with the Group's performance. The amount in FY2021 was higher as compared to last financial year 2020, in tandem with the higher profit recorded in FY2021.



Hai-O 46th AGM Questions from Shareholders

Q7. CEO MD&A reported that 2 retail stores were closed in FY2021 and 55 stores are in operations.

i. Are the 55 stores owned and operated by Hai-O. If not, how many are "franchised" operated?

Answer to Q7(i):

Out of the total 55 stores, 7 are franchise shops owned by independent franchisees and the 48 stores are operated by Hai-O.

ii. How many of these 55 stores are operating at a loss in FY2021?

Answer to Q7(ii):

Approximately 25% of our retail stores are operating at a loss in FY2021 due to the pandemic.



Hai-O 46th AGM Questions from Shareholders

Q8. Any plan to increase retail distribution channels? If yes, kindly elaborate.

Answer to Q8:

Expansion of marketing channel would enable our products to reach a wider group of customers. For retail business expansion, we plan to open 1 to 2 new outlets annually. However, the execution plan would also depend on the availability of strategic locations, rental and availability of manpower etc. In view of the pandemic and “new normal” practices, we will emphasise more on the online and e-commerce platforms to boost retail sales. Apart from the above, we are also undertaking ongoing strategies to extend our customer base by opening more accounts via modern trade channels such as hypermarkets, supermarkets and pharmacy chain stores.



Hai-O 46th AGM Questions from Shareholders

Q9. Since its inception, Hai-O's branding has been perceived as a predominantly Chinese health and food products distributor and retailer. Malaysian Chinese population is expected to shrink below 20% of the total population in the next 10 years. What can Hai-O do to rebrand itself to be perceived as less "Chinese oriented" in order to capture more of the non-Chinese market as how it has successfully done in the MLM business?



Hai-O 46th AGM Questions from Shareholders

Answer to Q9:

As Malaysia is a multiracial country with a predominant Malay population, we have identified this opportunity and gap in the market and this has led to the formation of Sahajidah Hai-O Marketing (“SHOM”). With 29 years of experience in the direct selling industry, we have emerged to be one of the leading local direct selling companies in Malaysia, comprising of more than 80% Malay and Bumiputera distributors. SHOM plays a vital role in contributing to the Group’s business. It accounts for more than 70% of the Group’s revenue. In line the demography of Malaysia, we will continue to expand our products range by developing more halal products, especially FMCG to cater for the non-Chinese market.



Hai-O 46th AGM Questions from Shareholders

Q10. (a) Segment revenue and profit have been in a downtrend since FY2018. Why is this the case?

(b) In FY2021, the number of MLM members has further dropped to only 89,000, compared to 114,000 in FY2020 and 153,000 in FY2018. What caused this high attrition rate over the past years? Do we expect the size of MLM members will continue to shrink going forward?

(c) What are the strategies to reverse this trend?



Hai-O 46th AGM Questions from Shareholders

Answer to Q10:

The downtrend in revenue and profit from FY2019 was mainly due to subdued consumer sentiment post the general election (GE14) as consumers turned more cautious and held back their spending amidst political and economic uncertainties. The business environment became more challenging following the outbreak of Covid-19 pandemic with stringent regulatory SOPs imposed by the Government including restricted movements and physical distancing SOPs. This has again disrupted the pace of the domestic economic recovery and dampened the already fragile consumer sentiment.



Answer to Q10 (cont'd):

The spike in distributors membership was attributed to the attractive and large-scale campaigns carried out of the Company, especially the pre-25th anniversary of SHOM in FY2018. The slowdown in members recruitment and lower renewal rate was observed following the imposition of various phases of MCO as the mega events on marketing and recognition which are deemed vital to the MLM business was not allowed to be held physically. In recent years, in order to continuously promote member recruitments & retention, various measures have been carried out including free membership and renewal, attractive gifts for new members, better online shopping experience with improved digital infrastructure and etc. We are constantly running effective promotions and introducing new products to expand our consumer base. Furthermore, with the country slowly moving into an endemic phase and as more activities are opening up, we are slowly resuming physical events and activities.



Hai-O 46th AGM Questions from Shareholders

Q11. We understanding Hai-O will invest for new IPO for Orgabio Holdings Berhad, can the management explain rationale on such investment?

Answer to Q11:

The proposed investment in Orgabio has taken into consideration its good prospect and growth recorded over the years. The proposed investment is also in line with our strategic policy on the supply chain management and product quality assurance.



THANK YOU

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Date: 21st October 2021

The Chairman of the Meeting
Hai-O Enterprise Berhad

Dear Sirs,

Independent Scrutineer Report for the conduct of poll for Hai-O Enterprise Berhad's Annual General Meeting held on 21st October 2021

We, GovernAce Advisory & Solutions Sdn. Bhd., as the appointed independent scrutineer in attendance at the Annual General Meeting (AGM) of Hai-O Enterprise Berhad held on 21st October 2021 have performed the procedures as listed in our letter of engagement dated 4th October 2021.

The results of the poll, as casted by the shareholders and proxy holders present and voting based on the results generated by the Polling System provided by Boardroom Share Registrars Sdn. Bhd. are as attached.

Thank you.

Yours sincerely,
For and on behalf of
GovernAce Advisory & Solutions Sdn. Bhd.



A handwritten signature in black ink, appearing to be the initials "h." followed by a flourish.

Independent Scrutineer



GovernAce Advisory & Solutions Sdn. Bhd.
Company Registration No. 201701029561 (1243730-W)
Unit 210, Block B, Phileo Damansara 1,
No. 9, Jalan 16/11, Off Jalan Damansara,
46350 Petaling Jaya,
Selangor Darul Ehsan.
Tel/ Fax: +603 7498 0875
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The results of the poll as follows:

	VOTES FOR	NO OF RECORDS	%	VOTES AGAINST	NO OF RECORDS	%	VOTES TOTAL
RESOLUTION 1	88,939,675	674	99.9665	29,844	41	0.0335	88,969,519
RESOLUTION 2	89,008,027	653	99.9782	19,368	39	0.0218	89,027,395
RESOLUTION 3	88,974,807	638	99.9547	40,313	54	0.0453	89,015,120
RESOLUTION 4	43,478,752	599	99.6864	136,770	85	0.3136	43,615,522
RESOLUTION 5	88,734,071	596	99.8096	169,267	94	0.1904	88,903,338
RESOLUTION 6	88,929,928	656	99.8822	104,887	43	0.1178	89,034,815



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