



HAI-O ENTERPRISE BERHAD
(22544-D)



**44th Annual General Meeting
26 September 2019**



Reply to Questions from Minority Shareholders Watch Group (MSWG)

Strategy & Financial Matters

Q1) The venture into Brunei and Indonesia has not seen material development during the year (page 17 of AR2019). What are the reasons for the lack of significant progress in expanding into the two markets? How does the Company view the potential in the two markets?

Answer to Q1:

The markets in Indonesia and Brunei have not seen material development. As at 30 April 2019, only 19 SKU (Stock Keeping Units) are available for sale in Indonesia, which restrict market development in Indonesia. Typically, the application and registration of product requires a lengthy process of at least 12 months before approval is obtained and the different type of products would also be subject to various compliance requirements.

Answer to Q1 (cont'd):

Apart from the Malaysia market, the Company hopes to see a growth in the distributorship in the Indonesia market due to its high population. The Company will continue to make efforts and work with potential leaders to build the network in Indonesia.

As for the Brunei market, the set-up is currently small. The branch only serves as a distribution centre for its MLM members in Brunei and is mainly aimed at the consumer market.

Strategy & Financial Matters

Q2) The performance of the multi-level marketing division in FY2019 was affected by negative consumer sentiment, as well as lower members' renewal and recruitment rate. Has the Company seen any improvement in members' spending and recruitment number in the first half of FY2020?

Answer to Q2:

As mentioned in our AR2019, the Group does not expect an immediate uplift in the business environment. We foresee that the high cost of living will continue. This will be a constraint to the consumers' ability and willingness to spend. Accordingly, the current sentiment will continue to put pressures on members' spending and membership growth in the first half of FY2020.

Strategy & Financial Matters

Q3) Given the strategy to focus on small ticket items (page 20 of AR2019) to support sales, the topline and profit margin of the Company might be under pressure. How does the Company intend to address these concerns?

Answer to Q3:

While it is the Company's strategy to focus on small ticket items, products distributed by the Company have been prioritised with emphasis on cost optimisation. Hence, the focus on small ticket items would not affect the overall profit margin of the Company.

Strategy & Financial Matters

Q4) The high cost of living has constrained the ability of consumers to spend. Besides, the Company expects no immediate uplift in the business environment (page 28 of AR2019). What is the likely impact on the company's revenue and profit in FY2020?

Answer to Q4:

Although it would be another challenging year ahead, we believe that our solid financial strength and ongoing business strategies that we have put in place will put the Company in a good position to continue to deliver a satisfactory set of results in FY2020.

Corporate Governance Matters

Q1) Chapter 9, Paragraph 9.21(2) of the Main Market Listing Requirements (MMLR) requires companies to publish the summary of Key Matters Discussed at the previous AGM onto the Company's website.

As at 11 September 2019, the Minutes of AGM/EGM were not available on the Company's website (www.hai-o.com.my) including the AGM slides and replies to MSWG.

Answer to Q1:

We would like to thank MSWG for highlighting the matter. We wish to inform that the following documents were uploaded onto the Company's website as soon as they were available for public viewing last year. The inability to view the documents were probably due to the different technical issues or individual's computer settings. We have enhanced the accessibility to be a more user friendly.

Answer to Q1 (cont'd):

You may refer to the links below for easy reference.

(i) Reply to MSWG - uploaded on 26 Sept'18

- [https://www.hai-o.com.my/agm_minutes/Reply to MSWG-43rd AGM.pdf](https://www.hai-o.com.my/agm_minutes/Reply_to_MS WG-43rd_AGM.pdf)

(ii) 43rd AGM presentation slides - uploaded on 9 Nov'18

- [https://www.hai-o.com.my/agm_slides/AGM slides Final 200918.pdf](https://www.hai-o.com.my/agm_slides/AGM_slides_Final_200918.pdf)

(iii) Minutes of 43rd AGM - uploaded on 22 Nov'18

- [https://www.hai-o.com.my/agm_minutes/Minutes of 43rd HAI-O AGM.pdf](https://www.hai-o.com.my/agm_minutes/Minutes_of_43rd_HAI-O_AGM.pdf)



Thank You

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