

**HAI-O ENTERPRISE BERHAD (22544-D)**  
(Incorporated in Malaysia)

MINUTES of the 44<sup>th</sup> Annual General Meeting of the Company held at Ballroom I, Level 2, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Thursday, 26 September 2019 at 11.30 a.m.

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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 extended a warm welcome to all the shareholders, Board of Directors and invitees to the 44<sup>th</sup> Annual General Meeting (44<sup>th</sup> AGM"). Upon confirming the presence of a quorum, the Meeting was called to order at 11.30 a.m.

**2. NOTICE**

There being no objection, the notice convening the meeting, having been circulated earlier to all the members of the Company within the prescribed notice period, was taken as read.

Mr KK Tan informed the Meeting that Mr Chow Kee Kan extended his apologies for not being able to attend the 44<sup>th</sup> AGM as he is currently in USA for his daughter's wedding.

He thereafter welcomed Mr Ng Chek Yong who was appointed as an Independent Non-Executive Director of the Company on 2 May 2019.

Next, Mr KK Tan reported that the Company had received 748 valid proxies carrying 60,056,281 shares or representing 20.69% of the Company's issued share capital. Voting for proposed resolutions 1 to 11 will require a simple majority or more than 50% of the total voting rights of the shareholders who are entitled to vote at the AGM.

The Meeting was informed that the Company has received a letter from the Minority Shareholders Watch Group ("MSWG") dated 13 September 2019. Mr KK Tan thereafter invited Ms Irene Chew, the Company Secretary, to read out MSWG's questions and the Company's responses thereto for the Meeting's information as well as to go through the overview of the Company's financial performance, summary of the business segment performance and outlook of the Group for the next financial year. Copies of the letter from MSWG and the Company's reply to MSWG are attached as Appendices I and II respectively. The presentation slides are attached as Appendix III.

Next, Ms Irene Chew informed the Meeting that voting for the resolutions as set out in agendas 2 to 7 in the notice of the 44<sup>th</sup> AGM will be carried out by poll in line with Bursa's Listing Requirements and GovernAce Advisory & Solutions Sdn Bhd, an independent scrutineer has been appointed to validate the votes. She thereafter invited Mr Alex Wong to brief the floor on the conduct of E-Polling.

**3. AUDITED FINANCIAL STATEMENTS ("AFS")**  
**THE YEAR ENDED 30 APRIL 2019 ("FYE 30 APRIL 2019")**

The AFS for the FYE 30 April 2019 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 thereafter invited questions on the AFS from the floor.

Mr Kuan Lay Ming, a shareholder enquired on (i) the rationale for the substantial increase in inventories written down to RM1.56 million from RM346,000 recorded in the previous financial year and (ii) the possibility to expand the MLM business online.

Mr Hew responded that there was an increase in products offered in FY2019 and the inventories written down were mainly for fashion and food & beverage products as required in accordance with the prevailing regulations.

On the expansion of MLM business online, Mr Hew informed that the MLM division had commenced online marketing since 2017 and the online business contributed approximately 10% of the Group's total revenue. The Group will continue to strengthen and enhance its e-commerce platform to increase efficiency and effectiveness to reach out to a wider market.

Next, Mr Chua Song Yun, a shareholder referred the Meeting to the statement contained in the MD&A where it was stated that the number of distributors dropped by 20% to approximately 120,000 members due to lower renewal rate as well as slowdown in new members' recruitment. He thereafter enquired on the reason for the lower members' renewal and new members' recruitment and if the current membership number could be maintained.

Mr Tham Yoke Lon, the General Manager of the MLM division was invited to respond to the above queries. Mr Tham informed that the MLM division celebrated its 25<sup>th</sup> anniversary in FY2018 and in conjunction thereto, attractive promotions were held. This led to an increase in new members in FY2018. However a substantial number of these members did not renew their membership subsequently.

Mr Tham added that the Company is one of the pioneer and leading direct selling company in Malaysia and is supported by strong fundamentals. Currently, the MLM segment has more than 240 Stock Keeping Units and have a wide range of good quality products. He informed that the MLM segment is constantly taking various proactive steps to reinforce its product offering and introduce attractive retention program. With the above initiatives, the MLM segment hopes to maintain its current membership base.

Next, Mr Liew, a shareholder observed that despite the drop in revenue by approximately 28%, inventories increased from RM91.2 million recorded in the previous financial year to RM98.1 million. He enquired on the reasons for the increase.

Mr Hew explained that in 2017, the Group introduced more new products covering food and beverage and fashion series and had increased its inventories to meet market demand. However, due to the unanticipated change in Government, the unexpected downturn in economy and subdued market sentiment resulting from the US-China Trade War, sales dropped substantially and the unsold stocks were recorded as closing stock in FY2019.

Management would monitor the stock level and strive to reduce the stock to an acceptable level in the next financial year by carrying out promotions.

Next, Mr Rien Hashim, a shareholder enquired (i) if the Company could make similar dividend payout in the next financial year; (ii) the quarter recording the highest revenue and (iii) the timeframe for Hai-O to be classified as a Syariah Compliant Counter as majority of its distributors are Malays.

Mr Hew explained that the Company's dividend policy is to pay out at least 50% of the Group's Profit After Tax (PAT) as dividend. The total dividend payout for the financial year 2019 of 13 sen is equivalent to 80% of the Group's PAT. Dividend payout for FY2020 would be dependent on the Group's FY2020 performance.

On question (ii), Mr Hew informed that the Group operate under three core business segments namely, MLM, Wholesale and Retail. For the MLM division, sales are driven by the promotions carried out such as incentive trip campaigns and anniversary sales whilst for Wholesale and Retail, a higher sales is typically recorded in quarter 3 which coincide with Chinese New Year.

On Syariah Compliance, Mr Hew explained that although 70% of the Group's revenue is contributed by the MLM division, it would be difficult for the Company to be classified as a Syariah Compliant Counter as the some of the products such as medicated tonic sold by the Group contains non-halal ingredient and contribution from these products exceeded the minimum threshold set for Syariah compliance.

Notwithstanding the above, the Company would strive to be a Syariah Compliant Counter if there is a change in the business mix in the future to attract Institutional Syariah Compliant investors.

Lastly, Ms Lim Cian Yai, the representative from MSWG enquired on the strategy to further expand to the Indonesian market and if Hai-O would replicate the business model of Sahajidah Hai-O Marketing Sdn Bhd in Indonesia, particularly on the product range offered as Indonesia has a different culture and consumption pattern.

Mr Tham responded that Indonesia has a huge market and although the venture has yet to break even, Hai-O had managed to establish good image in Indonesia.

Mr Tham added that it is challenging to obtain approval for products in Indonesia due to the stringent requirements imposed by the authorities. Hai-O would continue with its concerted efforts to penetrate the Indonesian market and would work with local distributors/leaders to create new opportunities in Indonesia as well as to drive sales. In addition with the above, apart from Jakarta, Hai-O would also explore to expand its business to Medan and Jogjakarta which have less competition.

**4. RE-ELECTION OF MR TAN KAI HEE WHO RETIRES PURSUANT TO ARTICLE 102(1) OF THE COMPANY'S CONSTITUTION (ORDINARY RESOLUTION 1)**

In accordance with Article 102(1) of the Company's Constitution, Mr Tan Kai Hee was due to retire and being eligible, has offered himself for re-election.

The poll results in respect of Ordinary Resolution 1 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 1</b>	<b>72,427,018</b>	<b>99.9559</b>	<b>31,980</b>	<b>0.0441</b>

As 72,427,018 shares representing 99.9559% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 1 duly passed:-

"THAT Tan Kai Hee retiring pursuant to Article 102(1) of the Company's Constitution, and being eligible be hereby re-elected as Director of the Company."

**5. RE-ELECTION OF MR HEW VON KIN WHO RETIRES PURSUANT TO ARTICLE 102(1) OF THE COMPANY'S CONSTITUTION (ORDINARY RESOLUTION 2)**

In accordance with Article 102(1) of the Company's Constitution, Mr Hew Von Kin was due to retire and being eligible, has offered himself for re-election.

The poll results in respect of Ordinary Resolution 2 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 2</b>	<b>102,211,633</b>	<b>99.9437</b>	<b>57,586</b>	<b>0.0563</b>

As 102,211,633 shares representing 99.9437% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 2 duly passed:-

“THAT Hew Von Kin retiring pursuant to Article 102(1) of the Company’s Constitution, and being eligible be hereby re-elected as Director of the Company.”

**6. RE-ELECTION OF MR CHOW KEE KAN @ CHOW TUCK KWAN WHO RETIRES PURSUANT TO ARTICLE 102(1) OF THE COMPANY’S CONSTITUTION (ORDINARY RESOLUTION 3)**

In accordance with Article 102(1) of the Company’s Constitution, Mr Chow Kee Kan @ Chow Tuck Kwan was due to retire and being eligible, has offered himself for re-election.

The poll results in respect of Ordinary Resolution 3 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 3</b>	<b>102,290,333</b>	<b>99.9096</b>	<b>92,536</b>	<b>0.0904</b>

As 102,290,333 shares representing 99.9096% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 3 duly passed:-

“THAT Chow Kee Kan @ Chow Tuck Kwan retiring pursuant to Article 102(1) of the Company’s Constitution, and being eligible be hereby re-elected as Director of the Company.”

**7. RE-ELECTION OF MR NG CHEK YONG WHO RETIRES PURSUANT TO ARTICLE 109 OF THE COMPANY’S CONSTITUTION (ORDINARY RESOLUTION 4)**

In accordance with Article 109 of the Company’s Constitution, Mr Ng Chek Yong was due to retire and being eligible, has offered himself for re-election.

The poll results in respect of Ordinary Resolution 4 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 4</b>	<b>102,454,398</b>	<b>99.9607</b>	<b>40,286</b>	<b>0.0393</b>

As 102,454,398 shares representing 99.9607% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 4 duly passed:-

“THAT Ng Chek Yong retiring pursuant to Article 109 of the Company’s Constitution, and being eligible be hereby re-elected as Director of the Company.”

**8. PAYMENT OF DIRECTORS’ FEES (ORDINARY RESOLUTION 5)**

The Company had proposed a payment of Directors’ fees of RM224,250 for the financial year ended 30 April 2019.

The Directors who are also the shareholders of the Company abstained from voting on this resolution.

The poll results in respect of Ordinary Resolution 5 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 5</b>	<b>59,027,632</b>	<b>99.9006</b>	<b>58,736</b>	<b>0.0994</b>

As 59,027,632 shares representing 99.9006% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 5 duly passed:-

“THAT the payment of Directors’ fees of RM224,250 for the financial year ended 30 April 2019 be hereby approved.”

**9. THE PAYMENT OF DIRECTORS’ REMUNERATION AND BENEFITS (EXCLUDING DIRECTORS’ FEES) TO NON-EXECUTIVE DIRECTORS UP TO AN AMOUNT OF RM1,000,000 FROM 27 SEPTEMBER 2019 UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY (ORDINARY RESOLUTION 6)**

The Company had proposed a Directors’ remuneration and benefits (excluding Directors’ fees) to Non-Executive Directors up to an amount of RM1,000,000 from 27 September 2019 until the next Annual General Meeting of the Company.

The Non-Executive Directors who are also the shareholders of the Company abstained from voting on this resolution.

The poll results in respect of Ordinary Resolution 6 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 6</b>	<b>100,828,431</b>	<b>99.9245</b>	<b>76,186</b>	<b>0.0755</b>

As 100,828,431 shares representing 99.9245% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 6 duly passed:-

“THAT the payment of a Directors’ remuneration and benefits (excluding Directors’ fees) to Non-Executive Directors up to an amount of RM1,000,000 from 27 September 2019 until the next Annual General Meeting of the Company be hereby approved.”

**10. FINAL SINGLE TIER DIVIDEND OF 9 SEN (ORDINARY RESOLUTION 7)**

The Directors had recommended that a final single tier dividend of 9 sen per ordinary share for the financial year ended 30 April 2019 be paid.

The poll results in respect of Ordinary Resolution 7 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 7</b>	<b>101,743,590</b>	<b>99.9938</b>	<b>6,286</b>	<b>0.0062</b>

As 101,743,590 shares representing 99.9938% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 7 duly passed:-

“THAT the declaration of a final single tier dividend of 9 sen per ordinary share for the financial year ended 30 April 2019 be hereby approved.”

**11. RE-APPOINTMENT OF AUDITORS (ORDINARY RESOLUTION 8)**

Messrs KPMG PLT who was retiring at the 44<sup>th</sup> AGM had given their consent to seek for re-appointment. It was noted that no other nominations had been received by the Company.

The poll results in respect of Ordinary Resolution 8 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 8</b>	<b>99,398,587</b>	<b>99.9456</b>	<b>54,136</b>	<b>0.0544</b>

As 99,398,587 shares representing 99.9456% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 8 duly passed:-

“THAT Messrs KPMG PLT be and is hereby re-appointed as Company’s Auditors and to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be determined by the Directors.”

**12. RETENTION OF MR CHOW KEE KAN @ CHOW TUCK KWAN AS AN INDEPENDENT NON-EXECUTIVE DIRECTOR (ORDINARY RESOLUTION 9)**

On the invitation of Mr KK Tan, Mr Soon who is a member of the Nominating Committee stated on behalf of the Board that the Nominating Committee and the Board have assessed Mr Chow’s independency and recommended that he be retained as an Independent Non-Executive Director.

The poll results in respect of Ordinary Resolution 9 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 9</b>	<b>102,425,383</b>	<b>99.9636</b>	<b>37,336</b>	<b>0.0364</b>

As 102,425,383 shares representing 99.9636% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 9 duly passed:-

“THAT Mr Chow Kee Kan @ Chow Tuck Kwan be hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.”

**13. AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 (ORDINARY RESOLUTION 10)**

The next item on the agenda was to seek the shareholders authority for the allotment of shares pursuant to Sections 75 and 76 of the Companies Act, 2016.

The poll results in respect of Ordinary Resolution 10 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 10</b>	<b>100,573,540</b>	<b>99.9700</b>	<b>30,136</b>	<b>0.03</b>

As 100,573,540 shares representing 99.9700% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 10 duly passed:-



“THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit and in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”

**14. PROPOSED SHARE BUY-BACK BY THE COMPANY (ORDINARY RESOLUTION 11)**

The Company had proposed to seek the approval from the shareholders for a renewal of the Shareholders’ Mandate to buy back the Company’s shares.

The poll results in respect of Ordinary Resolution 11 was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Ordinary Resolution 11</b>	<b>102,555,762</b>	<b>99.9821</b>	<b>18,386</b>	<b>0.0179</b>

As 102,555,762 shares representing 99.9821% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Ordinary Resolution 11 duly passed:-

“THAT subject to the rules, regulations and orders made pursuant to the Companies Act, 2016 (“the Act”), provisions of the Company’s Constitution and the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, the Board be and is hereby authorised to purchase the Company’s shares (“Hai-O Shares”) through Bursa Securities (“Proposed Share Buy-Back”) subject to the following:-

- a. the maximum number of Hai-O Shares which may be purchased and/or held as treasury shares by the Company at any point in time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of issued shares of the Company;
- b. the maximum fund to be allocated by the Company for the purpose of purchasing the Hai-O Shares shall not exceed the aggregate of the retained profits of the Company;
- c. the authority conferred by this resolution will be effective immediately upon the passing of this Resolution and will expire at the conclusion of the next Annual General Meeting of the Company, unless earlier revoked or varied by an

ordinary resolution of the shareholders of the Company at a general meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities; and

- d. upon completion of the purchase(s) of the Hai-O Shares by the Company, the Board be and is hereby authorised to retain the Hai-O Shares so purchased as treasury shares, of which may be distributed as dividends to shareholders and/or re-sold on Bursa Securities and/or subsequently cancelled and in other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND that the Board be and is hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Hai-O Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto.”

**15. PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY (SPECIAL RESOLUTION) (“PROPOSED ADOPTION”)**

The Company had proposed to seek the approval from the shareholders for adoption of a new Constitution of the Company.

Mr KK Tan informed that this resolution required a majority of more than 75% of the total voting rights of the shareholders present at the meeting.

The poll results in respect of Special Resolution was recorded as follows:-

	FOR		AGAINST	
	Number of Shares	%	Number of Shares	%
<b>Special Resolution</b>	<b>102,495,249</b>	<b>99.9725</b>	<b>28,186</b>	<b>0.0275</b>

As 102,495,249 shares representing 99.9725% of the total votes cast were in favour of the motion, Mr KK Tan declared the following Special Resolution duly passed:-

“THAT approval be and is hereby given for the Company to adopt a new Constitution in the form and manner as set out in “Appendix II”, Part B of the Statement / Circular to Shareholders dated 27 August 2019 in place of the existing Constitution of the Company.

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Adoption with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities.”

**16. CLOSURE**

The Meeting was declared closed at 12.20 p.m. with a vote of thanks to the Chair.



**44<sup>th</sup> Annual General Meeting  
26 September 2019**

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

2

## 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?

3

### 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.

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### **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](http://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\\_MS WG-43rd\\_AGM.pdf](https://www.hai-o.com.my/agm_minutes/Reply_to_MS WG-43rd_AGM.pdf)

(ii) 43<sup>rd</sup> 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 43<sup>rd</sup> 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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**[www.hai-o.com.my](http://www.hai-o.com.my)**



## Agenda



**FY2019 Performance**

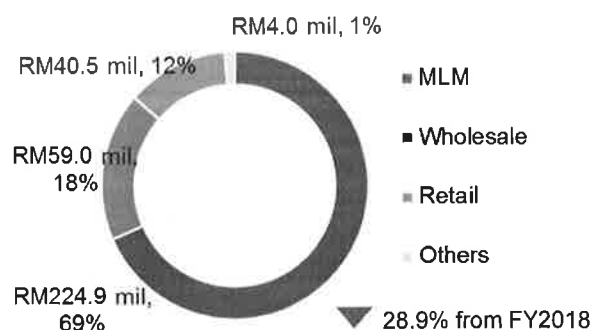


**Business Segment Performance**

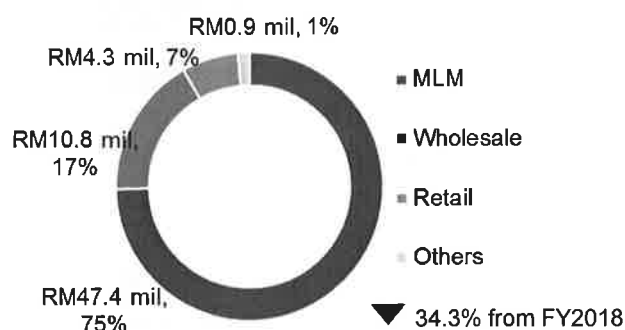


**Outlook**

**Revenue**  
**RM328.4 million**



**Profit before tax**  
**RM63.4 million**



Equity attributable to owners of the Company

**RM310.2 million**  
▲ 0.7% from FY2018

Cash and cash equivalents and short-term investments

**RM95.1 million**  
▲ 24.9% from FY2018

Dividend per share

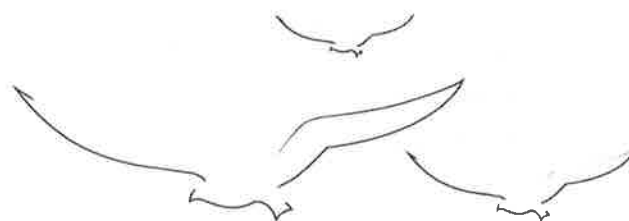
**RM0.13**  
▼ 7 sen from FY2018, but represents 80% payout ratio

**FY2019**  
**Financial**  
**Highlights**



HALO ENTERPRISE BERHAD

We strived to maintain business momentum while addressing operating environment challenges, the Group's financial performance was affected by:



**"Bearish turn in market sentiments"**

**"Lower sales across all 3 major business divisions"**

**"Higher marketing and branding as well as CSR costs"**

Group's balance sheet remained strong, backed by profitable business and good working capital management:

**"Marginal increase in shareholders' equity of 0.7%"**

**"13 sen dividend per share, equivalents to 80% payout ratio"**



HALO ENTERPRISE BERHAD

## Business Segments



**MLM** - Multi level direct marketing of nutritional food & beverage, wellness supplements, skincare, beauty & cosmetic, personal care and household products



**Wholesale** - Wholesaling and trading in patent medicines, medicated tonic, healthcare products, herbs and tea



**Retail** - Operating traditional complementary medicines ("TCM") retail chain stores and provide Chinese physician consultation services

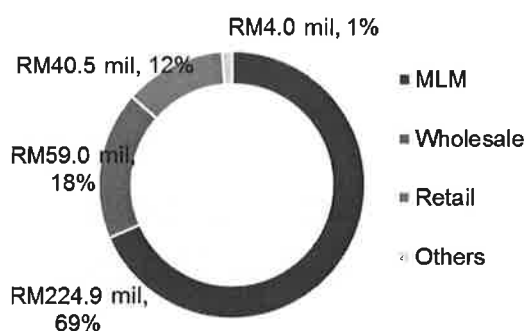
**We continue to operate under 3 core business segments**

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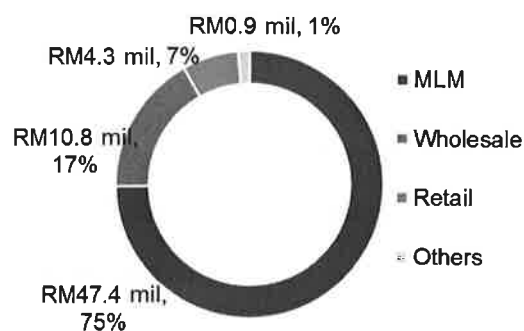


## Segment Contributions

**Revenue**  
RM328.4 million



**Profit before tax**  
RM63.4 million



- MLM segment continues to be the major revenue and PBT contributor**
- The decrease in the Group's revenue and PBT was mainly attributed to MLM segment which suffered a drop in sales by more than 30%**
- The Wholesale and Retail segments were more resilient with a decline in sales of 7.4% and 2.4% respectively**



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## Segment Review – MLM



- ❑ **Contraction in revenue and PBT, the first decline after 4 years of consecutive growth**
- ❑ **Financial performance was affected by cutback in members' spending and slowdown in members recruitment and renewal**
- ❑ **Proactive steps taken to counter deterioration of market condition including reinforce product offering, build members' loyalty and increase productivity**

Revenue  
**RM224.9 mil**

▼ by 36.2% from  
RM352.5 million in FY2018

PBT  
**RM47.4 mil**

▼ by 32.6% from  
RM70.3 million in FY2018

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HALO ENTERPRISE BERHAD

## Segment Review – Wholesale



- ❑ **Recorded lower revenue of RM59.0 million and PBT of RM10.8 million or a drop by 7.4% and 45.5% respectively**
- ❑ **PBT was affected by lower sales, higher CSR expenses as well as higher operating expenses**
- ❑ **Higher operating expenses incurred mainly for new market penetration and enhancement of distributors' incentive structure**

Revenue  
**RM59.0 mil**

▼ by 7.4% from  
RM63.7 million in FY2018

PBT  
**RM10.8 mil**

▼ by 45.5% from  
RM19.8 million in FY2018

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HALO ENTERPRISE BERHAD

## Segment Review – Retail



- ❑ Resilient in defending drop in revenue which decreased marginally by 2.4%
- ❑ PBT was however affected by higher operating costs and drop in sales of premium products which command higher margins
- ❑ Financial results were achieved on the back of improvement in product mix, new promotional activities, collaborations with strategic business partners and staff training to increase productivity

Revenue  
**RM40.5 mil**  
▼ by 2.4% from  
RM41.5 million in FY2018

PBT  
**RM0.9 mil**  
▼ by 40.0% from  
RM1.5 million in FY2018

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## Outlook

The Group will continue to chart our course to:

- ❑ build on measures to expand and adapt products pipeline to cater for market demand
- ❑ strengthen operational capability, i.e. upgrading the skills of distributors and employees
- ❑ improve the adoption of digitalisation in businesses and operations
- ❑ optimise productivity and efficiency

Subject to the successful execution of these measures, the Group is expected to stay on track to deliver another profitable financial performance for the coming year

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