

B E S H O M

THE BEST STARTS FROM HOME

6th ANNUAL GENERAL MEETING

8 October 2026

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

A. Operational & Financial Matters

1. The Group's revenue declined from RM209.6 million in FY2022 to RM144.8 million in FY2026, while profit before tax (PBT) fell from RM40.3 million to RM10.3 million, return on equity (ROE) declined from 8.9% to 2.5%, and earnings per share (EPS) fell from 9.46 sen to 2.58 sen (Source: Page 6 of AR2026).

Despite the weaker PBT, ROE and EPS, the Group declared total dividends of 2.5 sen per share for FY2026, representing a payout ratio of approximately 102% (Source: Page 17 of AR2026).

- a) Does the Board view the prolonged decline in earnings and ROE as a long-term concern, despite the measures taken to manage costs and drive sales growth? (Source: Page 16 of AR2026).

What targets have been set to improve performance, and if revenue and PBT do not recover within the next two financial years, will the Board consider restructuring or discontinuing underperforming businesses or assets, or further reducing costs?

- b) With the Group's FY2026 dividend payout exceeding its earnings, how does the Board intend to sustain the current payout without putting pressure on the Group's cash flow and financial position?

Answer to Q1 (a):

The Board acknowledges the declining trend in earnings and ROE, particularly amid the challenging and increasingly competitive business environment, and recognises this as an area requiring continued monitoring and assessment. The Board and Management remain focused on improving the Group's performance by refining business strategies; optimising costs; improving operational efficiency; revamping underperforming business units, and pursuing new products, markets and business opportunities with growth potential.

The Board will continue to closely monitor each business segment's performance and implement timely and appropriate measures to address performance challenges and enhance shareholders' returns over the longer term.

Each business segment is assigned specific annual performance targets, with Management closely monitoring the performance and adjusting strategies and action plans where necessary during the year.

For business with persistent underperformance, the Group will consider appropriate measures, including restructuring, rationalisation and cost optimisation, taking into consideration their overall prospects and contribution to the Group.

Answer to Q1 (b):

While the FY2026 dividend payout slightly above the Group's reported earnings, the earnings included non-cash items such as depreciation and provisions. As such, the higher payout is not expected to materially impact the Group's cash flow or financial position. The Group has maintained a stable liquidity position, with cash and short-term investments of over RM90 million over the past few financial years. This has enabled the Board to strike an appropriate balance between rewarding shareholders while retaining sufficient funds to support the Group's operations.

2. The MLM segment recorded a significant decline in revenue from RM53.5 million in FY2025 to RM40.5 million in FY2026, while PBT fell from RM4.4 million to RM2.7 million. The Group attributed the weaker performance in recent years to cautious consumer spending on discretionary products and increasing competitive pressure from other MLM players, particularly in member recruitment and retention. (Source: Page 23 of AR2026).
 - a) The Group's MLM distributor network declined from approximately 39,000 in FY2025 to 29,000 in FY2026 (Source: Page 23 of Sustainability Statement 2026). Meanwhile, almost 1,600 participants joined the leadership training programmes, with over 20% advancing to the next ranking level within six months (Source: Pages 23–25 of AR2026).

In this context, what was the distributor retention rate and number of active distributors in FY2026 compared with FY2025? To date, to what extent have the training programmes improved distributor retention and productivity, and is the current distributor base sufficient to support a sustainable recovery in MLM profitability?

Question 2 (continued):

- b) Despite cautious consumer spending on discretionary products and the continued decline in MLM revenue, the Group has launched several new products and product extensions (Source: Page 25 of AR2026). What criteria does the Group use to assess their sales and profitability potential and decide whether to retain or discontinue them?
- c) If MLM revenue continues to decline despite the Group's efforts and initiatives, has the Board reassessed whether the current MLM business model remains sustainable? If not, what other strategic options would the Board consider?

Answer to Q2 (a):

Distributor retention and engagement are monitored through active distributor base and members activation through new and renewed memberships. The active distributor base declined from approximately 39,000 in FY2025 to 29,000 in FY2026. While the active base has contracted, purchase activation among new and renewed members has improved, indicating encouraging progress in members acquisition and engagement.

The MLM segment will continue to strengthen the effectiveness of its training programmes, focusing on measurable business outcomes. The approach follows a structured progression involving customer acquisition, sales, recruitment and development of new leaders, with the aim of translating training outcomes into sustained productivity and developing new business leaders.

The current active distributor base has yet to reach the desired level to support a sustainable recovery in MLM profitability. The segment will therefore continue to intensify recruitment, reactivation and structured network-building initiatives, while developing more consumer distributors into active business builders and leaders.

Answer to Q2 (b):

The Group adopts a systematic product evaluation process, taking into consideration overall market demand, commercial viability, customer and distributor acceptance, and the product's potential contribution to the Group's financial performance. The assessment focuses on products with recurring consumer demand and the potential to strengthen the Group's product portfolio.

Answer to Q2 (c):

The direct-selling industry continues to evolve amid changing consumer behaviour, the growing adoption of digital and social commerce channels, and increasing competition for active and productive distributors. In response, the Group continues to refine and adapt its MLM business model towards a more hybrid and consumer-driven approach, incorporating digital channels, social media adoption and physical community engagement, while further strengthening the core fundamentals of network building and leadership development.

The Board will continue to monitor the effectiveness of the business strategies, and refine and adjust them where appropriate, supported by appropriate resource allocation, in response to market developments and changes.

3. The Group's inventories declined from RM74.7 million in FY2025 to RM63.8 million in FY2026 (Source: Note 12, Page 119 of AR2026). However, inventory valuation remained a Key Audit Matter due to the significant judgement involved in assessing slow-moving inventories and their net realisable value (NRV) (Source: Page 153 of AR2026), while the Wholesale segment also recognised additional provisions for slow-moving inventories (Source: Page 26 of AR2026).
- a) Inventory write-offs increased from RM264,509 in FY2025 to RM510,606 in FY2026, despite inventories declining to RM63.8 million (Source: Note 12, Page 119 of AR2026).
 - i. How much of the RM510,606 write-off came from the Wholesale segment, given its additional provisions for slow-moving inventories?
 - ii. Of the RM510,606 inventory write-off, how much is related to obsolete, damage or slow-moving stock?
 - b) The Group continues to carry RM5.55 million of finished goods and trading goods at NRV. How does the Board assess whether the remaining inventory can be sold at its carrying value, and whether further discounts are needed to clear slow-moving stock?

Answer to Q3 (a)(i):

Approximately 65% of the RM510,606 inventory write-off was attributable to the Wholesale segment.

Answer to Q3 (a)(ii):

Of the RM510,606 inventory write-off, approximately 20% related to obsolete stock, 74% to damaged stock, and the remaining 6% to slow-moving stock.

Answer to Q3 (b):

The Board and Management regularly assess the recoverability of the inventories, taking into consideration factors such as the condition and ageing of the products, product category, market demand and expected selling prices, to ensure that inventories are carried at values that are expected to be recoverable through sale.

To complement the above, various promotional strategies targeted at relevant customer segments will also be implemented to expedite the sale of the inventories, including tailored discount programmes based on product category and market demand.

B. Sustainability Matters

1. During FY2026, the MLM segment experienced a data privacy breach arising from a cross-site code injection attack on the SHOM Trip Registration Portal, affecting personal data records of up to 250 distributors. The incident was classified as a minor case, with no immediate financial risk to the affected distributors or the Group. (Source: Page 36 of Sustainability Statement 2026)
 - a) Up to 250 distributors were affected by the data breach. Please explain why the incident was considered a “minor case” and what factors were used to assess its impact.
 - b) Despite the Group’s ongoing cybersecurity monitoring and controls, why did the Group fail to detect the cyber threats earlier? What weaknesses allowed the breach to occur and what improvements have been made to prevent a similar breach from affecting more distributors?
 - c) Following the breach, the Group removed the affected application and migrated to a new server.

Does the Board consider these measures sufficient to address the root cause of the breach, and ensure that all cybersecurity weaknesses have been fully addressed?
 - d) What is the total cost incurred to date from the cyberattack, including remediation and system upgrades, and does the Group expect any further costs or liabilities arising from the incident?

Answer to Q1 (a):

The incident was assessed as a minor case based on the overall scale, nature and assessed impact of the incident, taking into consideration the following factors:

- **Scope of exposure:** The incident was limited to approximately 250 distributors and confined to a non-core system that is not part of the Group's key operational, financial or payment systems, and did not affect the continuity of its core business operations.
- **Nature of the data involved:** The affected information included distributor codes, names, identification numbers, contact details, addresses and certain passport information. No financial information, banking details or payment credentials were compromised.
- **Assessed impact:** Based on the Group's assessment of the incident, there was no indication of any immediate financial loss or other direct harm to the affected individuals arising from the breach.

Accordingly, the incident was assessed as having a relatively limited impact. Nevertheless, the Group treated the data breach seriously and took the necessary remedial and preventive measures to contain the incident and strengthen its data security controls.

Answer to Q1 (b):

The cyber threat was not detected earlier because the attack was targeted on “SHOM Trip Registration Portal”, a standalone web application. The threat actor exploited a vulnerability in the application’s input validation controls through a cross-site injection technique, which enabled unauthorised access to and extraction of certain data without being detected by the existing monitoring systems.

Upon becoming aware of the incident, the Company took immediate containment and preventive measures, including:

- Immediate removed the affected application;
- Infrastructure and system upgrade;
- Independent security assessment;
- Distributor protection and awareness; and
- Regulatory reporting

Following the incident, the Group has further strengthened its cybersecurity controls and monitoring, including a review of the security measures for standalone and non-core applications, to enhance the prevention and early detection of potential cyber threats.

Answer to Q1 (c):

The Board views the immediate removal of the affected application and the subsequent server migration as the critical first step, while continuing to implement further measures to address all cybersecurity weaknesses. These actions have therefore been supplemented by further security measures, including:

- Eliminating the identified vulnerability;
- Strengthening the system infrastructure; and
- Independent security assessment.

With these measures in place, the Board is reasonably satisfied that the identified vulnerabilities have been appropriately addressed. Nevertheless, cybersecurity risks continue to evolve, and the Group will therefore continuously review and strengthen its controls to protect against emerging threats.

Answer to Q1 (d):

The total cost incurred to date in relation to the cyber incident, including remediation and system upgrade costs, amounted to approximately RM11,700.

Based on the information currently available, the Group does not expect any material additional costs or liabilities arising directly from the incident. Nevertheless, the Group will continue to monitor the situation and undertake necessary cybersecurity enhancements as part of its ongoing security measures.

The background of the image is a photograph of a desert landscape. In the foreground and middle ground, there are rolling hills and valleys covered in distinct, wavy layers of sedimentary rock. The colors of the rock range from dark brown and black to lighter tan and orange. In the upper right portion of the image, a bright sun is low on the horizon, creating a strong lens flare and casting a warm, golden light across the entire scene. The sky is a clear, pale yellow.

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THANK YOU