



**Hai-O Enterprise Bhd**  
**45<sup>th</sup> Annual General Meeting**  
**Questions from Shareholders**



1) Hai-O Group has delivered considerably good performance amidst the general economy slow down and impact from COVID-19. I believe this set of good performance is the result of extra and effective effort made by the Group to focus on "online business" to address the impact of MCO.

Can you explain what measures you have taken and how this strategy helped to support your sales during MCO?



**Answer to Q1:**

We recognise the importance and prospects of online business and have recently enhanced our online marketing platform to cater for this inevitable change in consumer buying pattern, including enhancement of communications via social media for new product introduction, sharing of product knowledge, handling online transactions, logistics and delivery arrangements.

On top of that, timely and attractive promotion coupled with the right marketing strategies allowed us to keep distributors motivated to do business even when staying at home during MCO. In addition, in response to the economy slowdown, the company also focused on recurring consumables which are sold at affordable prices such as, health supplements and wellness products, in particular.

During the MCO period, the Group, especially the MLM division had aggressively leveraged on e-commerce platform to encourage distributors to make use of the online portal to reach out to members and consumers. The launch of free membership and the "Stay at home, earn from home" campaign has attracted a significant increase in new members and had contributed to the improvement in sales to the Group. In addition, the increase in consumers awareness to build up immune system during the Covid-19 pandemic also helped to improve sales of health-food supplements.



2) What is your view on post-MCO in the midst of weakening consumer sentiment due to rampant pay cuts and even layoffs? What are your strategies for boosting your sales (e.g. launching healthcare products, any discount promotions, with a focus on products that are more affordable and important to consumers)?

**Answer to Q2:**

Weakening consumer sentiment can affect purchasing power. In response to this, the company has carried out proactive strategies such as making available products in smaller unit quantities / size for selected SKUs, thus, making it more affordable to consumers. Furthermore, the company has always maintained its “value for money” strategy, whereby high quality goods are sold at reasonable prices and are always favoured by the general market. We have hundreds of SKUs, and we mainly focus on food and beverages, personal and household products, which generally meet the needs of the current market condition.



3) Currently, how much of your sales are made through online channel? After the MCO, will you continue to use the online method of sales instead of carrying out solely physical sales by distributors? Do you have a specific target in the next few years, and what is targeted percentage of sales from the online channel?

**Answer to Q3:**

The company focuses on both online and conventional sales channels simultaneously, as both are important to us and they complement each other. During the MCO period, the volume of online businesses increased by more than 30% for our MLM segment, as distributors are more receptive to online marketing. We will continue to focus on expansion of conventional sales transactions while promoting the online platform. Our target is to increase online transactions contribution to 40% in the near future for MLM segment.

As for retail segment, the online sales are currently not significant to the Group revenue. The Company has taken various initiatives and will continue to expand this business line and tap on opportunities to reach out to a wider group of customers. Apart from the e-store set-up internally, our products are also available on other e-marketplace, such as Lazada and Shopee.



4) Could you explain the revenue model of your online sales? Will your MLM agents still earn commissions from online sales as the online channel is developed by the Company? How will online channel impact the dynamics / relationship between the Company and your MLM agents?

**Answer to Q4:**

The company is committed to creating a more sustainable and competitive market platform to facilitate the distributors to build and expand their businesses. The online system not only caters for sales transactions, but is also used as the platform for business operations and management. The status of distributors will not be affected and the commission payout structure remains unchanged. We are just doing things more efficiently and effectively. The higher the sales (online or offline), the higher the income for distributors. These are positively correlated. Therefore, the distributors shall be motivated to be more proactive and enthusiastic, which are pivotal to the MLM business.



5) Do you think MLM sector as a whole compared to other sectors can be maintained? In your opinion, does the MLM sector have an advantage in the midst of this turmoil over the physical retail sector?

**Answer to Q5:**

The direct selling industry is traditionally a recession proof industry, and is an option for people to increase their part-time income when the unemployment rate rises as it has a low start-up capital.

Direct selling companies have entered into an efficient, highly regulated and well-managed phase. The competitiveness of the direct sales industry has improved with the help of online marketing and digitalised infrastructure. We are confident that the current MCO situation would not affect the industry for long term but in fact it will expedite the switching from “business that require close & physical interaction” to a “virtual / online interaction” business model if it is well managed.

Besides, we also believe that recruitment will increase as those who has lost their job and suffered other income cutbacks would see direct selling as a relatively attractive career prospect. Direct selling can be a blessing at a time where a steady income remains uncertain. It only involves a small capital investment and can be considered as a source of secondary income at a time of increase layoffs and unemployment.



6) Can you share with us how much Capex you have spent to develop your online infrastructure and your continuous improvement efforts? Is this investment an annual venture?

**Answer to Q6:**

Thus far, the Company has invested more than RM2 million on its online infrastructure. We will continue to invest in technology to further strengthen the operations, especially to facilitate the business of our MLM distributors whereby they can do their business any where and anytime and meet the market needs while improving the company's competitiveness. For the wholesale & retail segments, we have recently extended our ecommerce presence via e-market platform such as via Lazada & Shopee to reach out to wider group of customers. Also, the Group is revamping its e-store platform, to enhance its integrated ordering system and to incorporate additional features to improve the customers' buying experience. The upgraded version is expected to be launched during this financial year.



7) Referring to MD&A statement, it was noted that “FY2020 was not an easy year for Hai-O, and Company has made strategic adjustments to strike an optimal balance between short term priorities and long-term growth”. Under the hardship of current economy and the Covid-19 pandemic, could you please enlighten us about the Prospect of the Group?

**Answer to Q7:**

We are of the view that the current financial year would be another challenging year for the Group given the uncertainties surrounding the US-China trade disputes and impact from Covid-19 pandemic. Apart from the ongoing strategies undertaken by the respective business units, the Group will continue to enhance its digital marketing strategies across all major business segments to tap on opportunities and wider market coverage under the “new normal”. We believe that with dedicated efforts to increase our operational efficiencies and the on-going business strategies that are on track, we should have what it takes to drive the Group forward.

We remain optimistic to deliver positive results amidst the challenging business environment.



8) The Dividend payout ratio was up to 90% in FY2020 and in average 72% for past 10 years. Would the Board considered to change Dividend Policy to reward shareholders by setting higher dividend payout to reward shareholders?

**Answer to Q8:**

We will maintain the Dividend policy to distribute at least 50% of the profit for the year as dividend.

Dividend payout of 90% in FY 2020 was proposed after taking into consideration of our financial performance, capital management and also our philosophy “reward to shareholders”.



9) Good morning Mr Chairman and other Board Members. I am a hard core loyal shareholder of Hai O Enterprise Berhad. I will not sell the shares any time because I am absolutely confident our Directors will deliver when the time comes, as they have done previously. Only thing is that we cannot shake hands and talk with our Directors this time around. Very sad indeed. I sincerely hope our Chairman will provide some e- vouchers for us to buy our products online. Thank you very much.

**Answer to Q9:**

Thank you for your support. The e-voucher code and discount voucher was attached together with the notice of AGM which distributed to shareholders on 26 Aug 2020.

Promo Code : **SP2020, HAIORM20. ( validity period : 26/8/2020 – 25/10/2020)**

You can either redeem these voucher through:

Hai-O E-store;

Shopee; or

Lazada Lazmall Hai-O



# THANK YOU

Wisma Hai-O, Lot 11995

Batu 2, Jalan Kapar

41400 Klang, Selangor Darul Ehsan

T : 03-33423322 F : 03-33434257

[www.hai-o.com.my](http://www.hai-o.com.my)