



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

12 October 2012

BY FAX/HAND

(Fax No.: 603-7880 8699)

The Board of Directors
Hai-O Enterprise Berhad
No 3, Jalan SS7/19,
Kelana Jaya,
47301 Petaling Jaya,
Selangor Darul Ehsan

Attention: Ms. Mah Li Chen/ Ms. Cynthia Gloria Louis/ Ms. Chew Mei Ling
Company Secretaries

Dear Sir,

Re: 37th Annual General Meeting (AGM) of Hai-O Enterprise Berhad (HAIO or the Company)

MSWG received the Notice that HAIO would hold its 37th Annual General Meeting (AGM) at 11.30 a.m. at the Banquet Hall, 2nd Floor, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur on Thursday, 18 October 2012.

In this regard, we would like to raise the following points in the interest of minority shareholders and all other stakeholders of the Group and the Company.

Strategic & Financial Matters:

- 1) In regard to the Group's multi-level marketing business, how is the progress of the overseas business and plans going forward? What is the contribution of PT Hai-O Indonesia and its growth?
- 2) How much revenue and profit after tax in terms of percentage does the bird nest trading segment contribute to the Group? Recently, there have been reports on issues pertaining to the exports of the bird nest products to China. Would these issues affect the operation of the segment?
- 3) The Board had on 8 September 2012 announced that the Company will be signing a letter of intention ("LOI") with Tong Ren Tang CM to jointly inject additional investment into Peking Tong Ren Tang (M) Sdn Bhd ("PTRT(M)"). The Company will need to contribute RM12.4 million for the proposed investment.

What is the status of the proposed investment as the validity period of the LOI is until 31 December 2012? How is the Company going to fund the contribution of RM12.4 million? What is the future and prospect of PTRT(M) and the traditional Chinese physician services and retail of traditional Chinese medicines sector in Malaysia?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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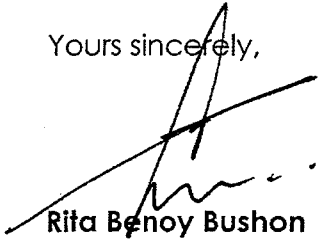
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- 4) As noted on page 89 (Note 9) of the Annual Report, investment in quoted unit trusts has increased significantly from RM35.5 million in FY2011 to RM57.3 million in FY2012. What is the rationale for setting aside such huge funds for investment in unit trusts instead of other investments or paying out higher dividends to shareholders? What has been the average return on the investment?
- 5) What is the outstanding Section 108 credit balance and why has the Company been paying single tier dividend instead of dividend under the imputation system over the last two financial years?

We look forward to be present at the Company's AGM and trust that the Board of Directors will address the points raised during the AGM so as to benefit the shareholders present. At the same time, we await a written reply for our record.

Thank you.

Yours sincerely,



Rifa Benoy Bushon
Chief Executive Officer
WKW/CCF