



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

18 October 2013

BY FAX/HAND

(Fax No.: 603-7880 8699)

The Board of Directors
Hai-O Enterprise Berhad
Unit 621, 6th Floor, Block A,
Kelana Centre Point,
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: **38th Annual General Meeting (AGM) of Hai-O Enterprise Berhad (HAIO or the Company)**

MSWG received the Notice that HAIO would hold its 38th Annual General Meeting (AGM) at 11.30 a.m. on Wednesday, 23 October 2013.

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) With Hai-O Marketing switching strategy to diversify into different product categories and focus primarily on "small ticket" items, would the Board enlighten shareholders on the following:-
 - a. Would the new strategy not bring down the overall gross margin and if so, how would the Group address the issue and enhance its return on equity or at least to sustain it?
 - b. Has the past strategy of depending on selected key products/ "big ticket" items created necessary brands value? Would it not be more sustaining to the Group in the long run to have products leverage on brands?
 - c. What was the basis for the reversal of provisions for sales campaign during the year? How would this reversal affect the efforts of boosting distribution force concerning the Incentive Trips Campaign?
- 2) What was the basis of classifying Pu-Er tea leaves to property, plant and equipment and why?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

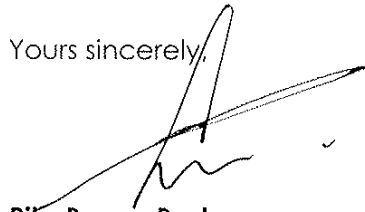
(Incorporated in Malaysia • Company No: 524989-M)
Tingkat 11, Bangunan KWSP, No: 3, Changkat Raja Chulan, Off Jalan Raja Chulan, 50200 KUALA LUMPUR.
Tel: (603) 2070 9090 Fax: (603) 2070 9107
E-Mail: watchdog@mswg.org.my Website: www.mswg.org.my

- 3) Inventories had increased 32% as compared to RM49.9 million as at 30 April 2013 compared to 30 April 2012. What is the biggest value item in the inventories and how much? Is the Board expecting substantial improvement in revenue for the year ending 30 April 2014?
- 4) What was the basis for quoted shares in Malaysia to be classified under non-current instead of current assets? Why was dividend income from unit trusts not classified under revenue just as other dividend income received?

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