



HAI-O ENTERPRISE BERHAD
(22544-D)



**41st Annual General Meeting
28 September 2016**



Reply to Questions from Minority Shareholder Watchdog Group (MSWG)

Strategic & Financial Matters

Q1) The Group has registered a commendable growth in its revenue and profits. How confident is the Group in sustaining the growth going forward? What are the strategic measures taken by the Group to maintain this high growth and also to grow its market share?

Answer:

Q1) The Group has registered a commendable growth in its revenue and profits for the last financial year ended 30 April 2016 (FY2016). The improved performance was contributed by our MLM segment which delivered a set of respectable results which was primarily driven by higher sales volume and growth in recruitment of new members. This is a testament of our products centricity on “small ticket” consumer items strategy that bearing fruit.

Answer (cont'd):

Q1) We will continue to embark on further upgrading of our IT infrastructure to be more users friendly and comprehensive to adapt to the vibrant changing environment while facilitating our distributors in building their business networking regionally, and at the same time revamp and refurnish our network branches. We will open more distribution centers to improve the efficiency of current resources and to support the increasing in sales volume to ensure sustainability of our business while offering good products to our customers.

The Board of Directors is confident that with its business strategies in place, the Group will continue to drive a culture of high performance and improvement in the current financial year.

Strategic & Financial Matters

Q2) Revenue and segment profit for both wholesale and retail segments decreased in FYE2016. What concrete measures have been taken to address the wholesale and retail segment deteriorating financial performance and when are these segments expected to resume their growth?

Answer:

Q2) We expect the business activities of the Wholesale and Retail segment to be affected by the spending habits of consumers in an environment of increasing prices as a result of the GST implementation and the prolonged uncertainties both locally and externally. We will work closely with our business affiliates to strengthen our business ties and to expand the products offered while managing the cost and overheads. Our focus will be placed on talented management for business sustainability. With the business strategies in place, the Group will be in a better position to seize suitable opportunities when it arises in the future.

Strategic & Financial Matters

Q3) Please enlighten shareholders regarding the development of the e-commerce platform under the wholesale segment:

- (i) What is the current update, outlook and future development for the online portals that supports the Group's wholesale segment?
- (ii) How much CAPEX has been utilised for the development of the e-commerce platform?
- (iii) What will be the expected revenue and profit contribution of the e-commerce platform to the Group?

Answer:

Q3(i) We recognize that Online Shopping or e-commerce is now a worldwide trend. Technology is changing our world as well as the buying patterns of the consumers. The Group has set-up an e-store platform to cater for traditional healthcare products as well as the products exclusively for MLM. For the Wholesale segment, business alliances have also been established with some of the market leaders such as Shinhua Multimedia Sdn Bhd, which offers online purchase of Hai-O's healthcare products, via its electronic mall named "Logon". Efforts are also in the pipeline for other strategic business alliances to expand Hai-O's market share in the virtual market and to extend our products globally.

Answer (cont'd):

Q3(ii) The Group has allocated a budget of RM10 mil for the development of e-commerce platform, inclusive of the CAPEX in setting up regional distribution centers in the MLM segment.

Q3(iii) The transactions via e-commerce platform are still small, though on an increasing trend. As such, we are unable to estimate the contribution to the Group's revenue and profit as our undertaking in e-commerce activities are still in the preliminary stage.

Strategic & Financial Matters

Q4) We noted that the Company attained Halal certifications for 6 additional products for its MLM division. Please enlighten shareholders the following:

- (i) What is the percentage of Halal and non-Halal products distributed by the Group?
- (ii) What is the Group's strategy in capitalising on the Halal market? Did the Group manufacture its own Halal products?

Answer:

Q4(i) We differentiate our market in terms of MLM segment and traditional healthcare market through the Wholesale and Retail segment. Our products available for MLM segments, particularly the healthcare products, food & beverage, cosmetic & skincare series are mostly halal certified, which accounts for approximately 50% of the sales of the MLM segment.

Answer (cont'd):

Q4(ii) We currently have two (2) plants to manufacture pharmaceutical products. Both of our plants are certified with Good Manufacturing Practice (“GMP”) status while the newly set-up plant in Jalan Kapar has obtained halal certification for several products early this year. We are in the early stage to capitalize its strength and facilities and would expect to see a higher contribution from our manufacturing activities in the future.

Corporate Governance

MSWG is promoting certain standards of corporate governance best practices in PLCs. In this regard, we hope the Board could address the following:-

- 1) Publishing a copy of the Company's Memorandum & Articles of Association on the Company's website.

Answer:

1) As suggested, we will make available a copy of the Company's Memorandum & Articles of Association on the Company's website.



Thank You

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