



MINORITY SHAREHOLDER WATCHDOG GROUP
Shareholder Activism and Protection of Minority Interest

12 October 2011

BY FAX/POST
(Fax No. 603-3342 8285)

The Board of Directors
Hai-O Enterprise Berhad.
Wisma Hai-O, Lot 11995,
Batu 2, Jalan Kapar,
41400 Klang,
Selangor Darul Ehsan.

Attention: Mah Li Chen/ Cynthia Gloria Louis/ Chew Mei Ling
Company Secretary

Dear Sirs

Re: **Thirty-Sixth (36th) Annual General Meeting (AGM) of Hai-O Enterprise Berhad ("Haio" or "the Company")**

We received a Notice that the Company would hold its 36th AGM on Wednesday, 19 October 2011 at 11.30 a.m. at the Banquet Hall, 2nd Floor, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur.

We would like to raise the following points and queries and would be pleased if you could address them during the AGM as follows:-

Strategic and Financial Matters

1. As explained in the Chairman's Statement, the Group reported lower revenue and pre-tax profit as a result of implementation of stricter new membership guidelines imposed in April 2010, in tandem with the new Direct Sales Act. The multi-level marketing division which is the principal subsidiary of the Group has undergone realignment of its business strategies and restructuring of distributors network, putting in place some programmes, activities, workshops, incentive campaigns, etc. to rectify the situation. Has there been any concrete positive results arising from the realignment and restructuring and when does the Board foresee a rebound in revenue and operating profit of the Group?

BADAN PENGAWAS PEMEGANG SAHAM MINORITI BERHAD

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2. Note 7 of the Annual Report revealed that more than RM10 million of freehold land and buildings have been added to the Groups' Property, Plant and Equipment. What are the intended uses of the said land and buildings and was the addition carried out at the right timing in view of significant decline in revenue in FY2011 as compared to previous three (3) fiscal years.
3. What is the percentage of the revenue derived from overseas market? Which are the countries that the Group has penetrated its businesses into? How has been the revenue growth in overseas market? Does the Group plan to grow the overseas market aggressively in the near future?
4. The Group has diversified into the technology business segment which has not recorded any revenue in FYE 2011 but registered a loss before tax of RM2.4 million. Kindly brief shareholders on the status of the business segment.

Corporate Governance

1. In line with the Corporate Governance Blue Print 2011, a cumulative term limit of up to nine years will be imposed on directors. Directors may continue to serve thereafter, but will be re-designated as non-independent directors.

We noted that one of the independent directors have served on the Board for more than nine years.

- i) What is the Board's plan as regards this as it will then tilt the balance of independent directors in the Company?
- ii) We would also encourage the Board to formalise a policy on the succession planning, constantly reviewing the Board evaluation process and setting maximum tenure for independent directors.

2. Disclosure of directors' remuneration

We encourage the Board to disclose the remuneration of each director as recommended by the Malaysian Code on Corporate Governance.

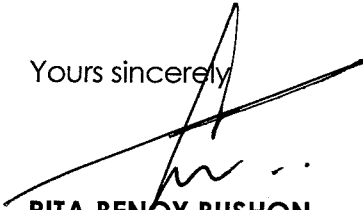
3. We note that the Board currently consists of seven (7) members, of which four (4) are independent non-executive directors. It is recommended that the Board appoint a senior independent non-executive director, who will serve as a point of contact for shareholders or other parties to voice their concerns which include whistle-blowing. In this regard, it would also be appropriate to disclose his/her contact number and email address in the Annual Report and the Company's website.

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At the same time, we would appreciate if the Board could give us a written reply for our record and posting into the website.

Thank you.

Yours sincerely



RITA BENOY BUSHON
Chief Executive Officer