



HAI-O ENTERPRISE BERHAD  
(22544-D)



**42<sup>nd</sup> Annual General Meeting  
25 September 2017**



HAI-O ENTERPRISE BERHAD  
(22544-D)

# **Reply to Questions from Minority Shareholder Watchdog Group (MSWG)**



## Strategic & Financial Matters

Q1) The Group has expended its MLM business by venturing into fashion and beauty care under the brand “infinence”. Kindly brief shareholders on the status of the new MLM brand and its expected contribution to the Group’s business.



## **Answer to Q1:**

The range of products that have been launched thus far under the brand “infinence” includes Fashion Lifestyle Hijabs and Skincare Series which have received good response from our members, especially during the festive Ramadan sales promotion this year. The Group is currently undertaking products development for some of the products and is expected to roll out more SKU (stock keeping units) under the “infinence” brand in the current financial year. As the brand is still new to the market, we are unable to gauge the expected contribution to Group’s business.



## Strategic & Financial Matters

- Q2) Please enlighten shareholders on the manufacturing activities under the others segment:
- i. How much CAPEX has been utilised for the development of the manufacturing plants?
  - ii. What was the utilisation rate of the Group's manufacturing plants?
  - iii. What is the current update, outlook and future development for the manufacturing activities that supports the Group's MLM and Retail segment?



## Answer to Q2:

- i. The total CAPEX for the development of the new manufacturing plant was approximately RM4.5 million.
- ii. The Group's manufacturing plants are currently operating below its optimum level whereby, the plants will have room to increase its production capacity should the plants receive more orders from the external OEM customers and / or internal customers.



## Answer to Q2 (cont'd):

- iii. Apart from receiving manufacturing orders from external customers, the manufacturing plants support both the MLM and Retail segments for the manufacture of TCM healthcare products, supplements and herbal products. Currently, there are over 20 products supplied to our MLM and Retail segments which are manufactured in-house.

The manufacturing plants are of international standard and are certified by ISO, HACCP, US FDA and GMP. With more orders from TCM contract manufacturing as well as manufacturing of health food and food supplements to meet the increasing demand of customers, the manufacturing activities are expected to have a positive impact to the Group's performance.



## Strategic & Financial Matters

Q3) The Company aims to differentiate its products and services by stationing Chinese physicians at selected retail outlets. Does the Company face intense competition for Chinese physicians and what would be the impact to the Group? Was the shortage of Chinese physicians the main cause of the closure of 2 retail outlets in FYE 2017?





## **Answer to Q3:**

The provision of TCM Chinese physicians at our retail outlets forms part of our value-added services to our customers in a form of general medical consultation and products knowledge. The closure of 2 retail outlets during the FYE 2017 was part of the outlets rationalisation strategy and the outlets concerned had under-performed.



## Strategic & Financial Matters

Q4) The reduction of contribution from rental of property investment in FYE 2017 was due to non-renewal of tenancy agreement of one of the key tenants.

- i. What were the reasons for key tenants not renewing the tenancy agreements with the Group?
- ii. How would the Group mitigate the risk of non-renewal and sustain its rental revenue?



## Answer to Q4:

- i. To the best of the knowledge of the Company, the reason for non-renewal of tenancy agreement by the key tenant was due to re-location of its factory.
- ii. We are in the midst of upgrading and refurbishing one of the main units with a view to convert the same for our own use as a warehouse to cater for the increase in sales volume.

To ensure the Group's sustain the rental revenue, we actively engage with property agents to benchmark our properties and offers our properties to the market at competitive rental rates.



**HAI-O ENTERPRISE BERHAD**  
**(22544-D)**

# Thank You

**Wisma Hai-O, Lot 11995**

**Batu 2, Jalan Kapar**

**41400 Klang, Selangor D.E.**

**T : 03-33423322 F : 03-33434257**

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