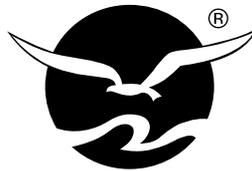


THIS STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Bursa Malaysia Securities Berhad (“Bursa Securities”) has not perused this Share Buy-Back Statement prior to its issuance as it is an Exempt Statement. Bursa Securities takes no responsibility for the contents of this Share Buy-Back Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Share Buy-Back Statement.



HAI-O ENTERPRISE BERHAD

*(Company No. 22544-D)
(Incorporated in Malaysia)*

**STATEMENT TO SHAREHOLDERS
IN RELATION TO THE PROPOSED RENEWAL OF
SHARE BUY-BACK AUTHORITY**

(“SHARE BUY-BACK STATEMENT”)

The Ordinary Resolution in respect of the above proposal will be tabled as Special Business at the 42nd Annual General Meeting (“AGM”) of Hai-O Enterprise Berhad (“Hai-O” or “the Company”) to be held at Ballroom I, Level 2, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur on Monday, 25 September 2017 at 11.30 a.m.. The notice of the 42nd AGM together with the Form of Proxy is enclosed together with the 2017 Annual Report of the Company.

If you decide to appoint a proxy or proxies for the AGM, you must complete and lodge the Form of Proxy for the AGM at the office of our Company’s Share Registrar, Boardroom Corporate Services (KL) Sdn Bhd, Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time appointed for holding the 42nd AGM or at any adjournment thereof. The lodging of the Form of Proxy for the AGM will not preclude you from attending and voting in person at the meeting should you subsequently decide to do so.

Date of Record of Depositors for the purpose of determining : Friday, 15 September 2017 at 5.00 p.m.
members’ entitlement to attend, vote and speak at the AGM

Last date and time for lodging the Form of Proxy : Saturday, 23 September 2017 at 11.30 a.m.

Date and time of the 42nd AGM : Monday, 25 September 2017 at 11.30 a.m.

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HAI-O ENTERPRISE BERHAD

(Company No. 22544-D)
(Incorporated in Malaysia)

STATEMENT IN RELATION TO THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY (“SHARE BUY-BACK STATEMENT”)

1. INTRODUCTION

At the 41st AGM of the Company held on 28 September 2016, your Board has obtained your approval to undertake the purchase by Hai-O of its own shares of up to ten percent (10%) of the total number of shares issued of the Company (“Proposed Share Buy-Back”). The approval for the renewal of the Proposed Share Buy-Back shall lapse at the conclusion of the forthcoming 42nd AGM of Hai-O which will be held on 25 September 2017.

On 29 June 2017, the Company announced that it proposes to seek from the shareholders the approval for the renewal of the Proposed Share Buy-Back. The renewal will be effective upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the Company’s forthcoming 42nd AGM until the conclusion of the next AGM of Hai-O or the expiry of the period within which the next AGM is required by law to be held, unless earlier revoked or varied by an ordinary resolution passed by the shareholders of the Company at a general meeting.

2. SOURCE OF FUNDS

The Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the Companies Act, 2016 (“the Act”) stipulates that the proposed purchase by a listed company of its own shares must be made wholly out of retained profits of the listed company.

Hai-O therefore proposes to allocate an amount not exceeding the audited retained profits of the Company for the purpose of the Proposed Share Buy-Back. The retained profits of the Company based on the latest audited financial statements for the year ended 30 April 2017 was RM16,164,225.

The funding for the Proposed Share Buy-Back will be sourced from internally generated funds and/or external borrowings, the proportion of which will depend on the quantum of the purchase consideration as well as the availability of internally generated funds and borrowings and repayment capabilities of the Company at the time of purchase(s). In the event the Proposed Share Buy-Back is to be partly financed by external borrowings, the Company expects that it will be capable of repaying such borrowings and that such funding is not expected to have any material effect on the cash flow of Hai-O Group.

3. RATIONALE, POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

Pursuant to the provisions of Section 127 of the Act, the Directors may deal with the shares in the following manner:-

- (i) cancel the shares so purchased; and/or
- (ii) retain the shares so purchased in treasury, which may be distributed as share dividends to the shareholders and/or resold on Bursa Securities in accordance with the relevant rules of Bursa Securities and/or transferred for the purposes of an employees’ share scheme and/or transferred as purchase consideration and/or cancelled subsequently and/or sold, transferred or otherwise be used for such purposes as the Minister may by order prescribe; and/or
- (iii) retain part of the shares so purchased as treasury shares and cancel the remainder; and/or
- (iv) such other manner as may be permitted by the Act.

Section 127(7) of the Act among others, permits the treasury shares to be transferred for the purposes of or under an employees’ share option scheme (“ESOS”) or as purchase consideration. An ESOS was approved by the shareholders of the Company at an Extraordinary General Meeting held on 15 March 2017. The Company has not granted any ESOS Options during the financial year ended 30 April 2017.

The Proposed Share Buy-Back, if exercised, is expected to potentially benefit the Company and its shareholders as follows:-

- The Company may be able to stabilise the supply and demand of the ordinary shares of Hai-O (“Hai-O Shares”) in the open market of Bursa Securities thereby supporting its fundamental value.
- The earnings per share of the Group will be strengthened if the shares purchased are cancelled which in turn will have a positive impact on the Company’s share price.

3. RATIONALE, POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK (CONT'D)

- If the Hai-O Shares so purchased by the Company are held as treasury shares, the Company may have the opportunity to distribute those shares as share dividends, thus benefiting the shareholders. The treasury shares may also be re-sold in the open market of Bursa Securities at a price higher than the purchase price, thereby realising a potential gain for Hai-O without affecting the Company's issued share capital.
- Hai-O may be able to use its financial resources where there is no immediate use for them.

However, the Proposed Share Buy-Back, if implemented, would reduce the financial resources of the Group. This may result in the Group having to forego better investment opportunities in the future or, at the least, deprive the Company and the Group of any income that may be derived from the deposit of such funds in interest bearing instruments. The Proposed Share Buy-Back may also result in a reduction of financial resources available for distribution in the form of cash dividends to the shareholders of Hai-O.

The actual treatment of the shares purchased pursuant to the Proposed Share Buy-Back would depend on, inter-alia, the prevailing equity market conditions and the financial position of Hai-O.

Your Board will be mindful of the interest of Hai-O and its shareholders in implementing the Proposed Share Buy-Back and its subsequent resale.

4. EFFECTS OF THE PROPOSED SHARE BUY-BACK

The effects of the Proposed Share Buy-Back on the Share Capital, Net Assets and Working Capital, Earnings, Dividends and Directors' and Substantial Shareholders' Shareholdings are set out below.

4.1 Share Capital

In the event Hai-O acquires the maximum number of Hai-O Shares authorised under the Proposed Share Buy-Back and all the purchased Hai-O Shares are cancelled, the total number of shares issued of Hai-O based on the following assumptions will be as follows:-

- Minimum Scenario** : Assuming all of the existing Treasury Shares are cancelled and none of the ESOS options are exercised before the implementation of the Proposed Renewal of Share Buy-Back.
- Maximum Scenario** : Assuming all the existing Treasury Shares are re-sold and all the ESOS Options and/or to be granted are exercised before the implementation of the Proposed Renewal of Share Buy-Back.

	Minimum Scenario No. of Shares	Maximum Scenario No. of Shares
Issued share capital as at 20 July 2017	298,653,890	298,653,890
Treasury Shares @ 20 July 2017 and assuming fully cancelled	(9,262,888)	-
Add: Maximum no. of Options to be issued pursuant to ESOS and assuming fully exercised	-	44,798,083 ¹
Less: To be purchased pursuant to the Proposed Share Buy Back and assuming fully cancelled	(20,602,501)	(34,345,197)
Total number of shares issued after the Proposed Share Buy-Back	268,788,501	309,106,776

Note 1: There were no ESOS Options granted during the financial year ended 30 April 2017.

4. EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

4.1 Share Capital (cont'd)

In the event that the Hai-O Shares purchased are retained as treasury shares, the issued share capital of Hai-O will not be reduced but the rights attaching to the treasury shares as to voting, dividends and participating in other distributions or otherwise will be suspended. While these Hai-O Shares remain as treasury shares, the Act prohibits the taking into account such shares in calculating the number or percentage of shares in Hai-O for any purpose whatsoever including substantial shareholding, takeovers, notices, the requisitioning and quorum of general meetings and the result of votes on resolutions at general meetings.

4.2 Net Assets and Working Capital

The effects of the Proposed Share Buy-Back is likely to reduce or increase the Net Assets per share of the Hai-O Group and will reduce the working capital of the Hai-O Group, the quantum of which depends on the number of Hai-O Shares purchased, the purchase price and the effective funding costs of the Hai-O Group. The Proposed Share Buy-Back will reduce the Net Assets per share of the Hai-O Group if the purchase price exceeds the Net Assets per share of the Group at the time of the purchase. Conversely, the Net Assets per share of Hai-O Group will increase if the purchase price is less than the Net Assets per share of the Hai-O Group at the time of the purchase.

Should the Company choose to resell the treasury shares on Bursa Securities, depending on the price at which the said shares are re-sold, the Proposed Share Buy-Back may have a positive effect on the Net Assets of the Group if a gain on disposal is achieved.

The audited Net Assets per share of the Hai-O Group as at 30 April 2017 is RM0.98.

4.3 Earnings

Assuming the purchased Hai-O Shares under the Proposed Share Buy-Back are cancelled, the Proposed Share Buy-Back may increase the earnings per share ("EPS") of Hai-O Group. In addition, on the assumption that the purchased Shares are treated as treasury shares and subsequently resold, the earnings of Hai-O Group may be affected depending on the actual selling price and number of treasury shares resold. In the event the purchased Shares are held as treasury shares, the effective reduction in the issued share capital of the Company pursuant to the Proposed Share Buy-Back would generally, all else being equal, increase the consolidated EPS of the Group.

4.4 Dividends

For the financial year ended 30 April 2017, your Board has declared an interim single tier dividend of 5 sen per ordinary share amounting to RM9,646,370 which was paid on 9 March 2017.

Subject to the approval of shareholders at the forthcoming 42nd AGM, your Board has recommended a final single tier dividend of 11 sen per ordinary share in respect of the financial year ended 30 April 2017.

Assuming the Proposed Share Buy-Back is implemented in full and the dividend quantum is maintained at historical levels, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of the Company as a result of the reduction in the number of shares issued as described under Section 4.1 above if the Hai-O Shares purchased are cancelled.

If the Hai-O Shares purchased are treated as treasury shares and assuming the dividend quantum of the Company is maintained at the historical levels, the Proposed Share Buy-Back will have the effect of increasing the dividend rate of the Company as a result of the suspension of rights attaching to the treasury shares as to dividend entitlement. Nonetheless, the treasury shares may be distributed as share dividends to shareholders of the Company if the Company so decides.

4. EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

4.5 Directors' and Substantial Shareholders' Shareholdings

(i) Directors

The proforma effects of the Proposed Share Buy-Back on the shareholdings of the Directors of Hai-O based on the Register of Directors' Shareholdings as at 20 July 2017 and assuming that Hai-O purchases the maximum ten percent (10%) of its total number of shares issued, are set out as follows:

Minimum Scenario: Assuming all of the existing Treasury Shares are cancelled and none of the ESOS options are exercised before the implementation of the Proposed Renewal of Share Buy-Back.

	As at 20 July 2017		After the Proposed Share Buy-back	
	No. of Shares	%	No. of Shares	%
Directors				
Tan Kai Hee	29,234,699	10.10	29,234,699	10.88
Tan Keng Kang	3,408,407	1.18	3,408,407	1.27
Hew Von Kin	301,152	0.10	301,152	0.11
Chia Kuo Wui	1,361,301	0.47	1,361,301	0.51
Y. Bhg. Datin Sunita Mei-Lin Rajakumar	50,454	0.02	50,454	0.02
Tan Kim Siong	18,000	0.01	18,000	0.01
Chow Kee Kan @ Chow Tuck Kwan	-	-	-	-
Soon Eng Sing	30,000	0.01	30,000	0.01
Y. Bhg. Professor Datuk Dr. Choo Yeang Keat	-	-	-	-

Maximum Scenario: Assuming all the existing Treasury Shares are re-sold and all the ESOS Options and/or to be granted are exercised before the implementation of the Proposed Renewal of Share Buy-Back.

	As at 20 July 2017		After full exercise of ESOS Options		After the Proposed Share Buy-back	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Directors						
Tan Kai Hee	29,234,699	10.10	52,144,531 ^a	18.02	29,434,699	9.52
Tan Keng Kang	3,408,407	1.18	77,970,823 ^c	26.94	3,568,407	1.15
Hew Von Kin	301,152	0.10	-	-	421,152	0.14
Chia Kuo Wui	1,361,301	0.47	-	-	1,381,301	0.45
Y. Bhg. Datin Sunita Mei-Lin Rajakumar	50,454	0.02	150,000 ^e	0.05	70,454	0.02
Tan Kim Siong	18,000	0.01	7,500 ^f	0.003	38,000	0.01
Chow Kee Kan @ Chow Tuck Kwan	-	-	-	-	20,000	0.01
Soon Eng Sing	30,000	0.01	-	-	50,000	0.02
Y. Bhg. Professor Datuk Dr. Choo Yeang Keat	-	-	-	-	-	-

[#]The shareholdings of Directors were calculated based on the 1st tranche of options offered to the Directors on 3 July 2017.

4. EFFECTS OF THE PROPOSED SHARE BUY-BACK (CONT'D)

4.5 Directors' and Substantial Shareholders' Shareholdings (cont'd)

(ii) Substantial Shareholders

The proforma effects of the Proposed Share Buy-Back on the shareholdings of the Substantial Shareholders of Hai-O based on the Register of Substantial Shareholders as at 20 July 2017 and assuming that Hai-O purchases the maximum ten percent (10%) of its total number of shares issued, are set out as follows:

Minimum Scenario: Assuming all of the existing Treasury Shares are cancelled and none of the ESOS options are exercised before the implementation of the Proposed Renewal of Share Buy-Back.

	<-----As at 20 July 2017----->		<-----After the Proposed Share Buy-Back----->	
	No. of Shares	%	No. of Shares	%
Substantial Shareholders				
Tan Kai Hee	29,234,699	10.10	29,234,699	10.88
Akintan Sdn Bhd	22,807,113	7.88	22,807,113	8.49
Tan Siow Eng	20,241,231	6.99	20,241,231	7.53
Excellant Communication Sdn Bhd	15,548,679	5.37	15,548,679	5.78
Tan Keng Kang	3,408,407	1.18	3,408,407	1.27
Tan Keng Song	715,320	0.25	715,320	0.27
Phan Van Denh	110,750	0.04	110,750	0.04
			52,144,531 ^a	19.40
			-	-
			61,137,999 ^b	22.75
			-	-
			77,970,823 ^c	29.01
			80,663,910 ^d	30.01
			81,268,480 ^e	30.24

Maximum Scenario: Assuming all the existing Treasury Shares are re-sold and all the ESOS Options and/or to be granted are exercised before the implementation of the Proposed Renewal of Share Buy-Back.

	<-----As at 20 July 2017----->		<----After full exercise of ESOS Options---->		<--After the Proposed Share Buy-back-->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Substantial Shareholders						
Tan Kai Hee #	29,234,699	10.10	29,434,699	8.57	29,434,699	9.52
Akintan Sdn Bhd	22,807,113	7.88	22,807,113	6.64	22,807,113	7.38
Tan Siow Eng	20,241,231	6.99	20,241,231	5.89	20,241,231	6.55
Excellant Communication Sdn Bhd	15,548,679	5.37	15,548,679	4.53	15,548,679	5.03
Tan Keng Kang #	3,408,407	1.18	3,568,407	1.04	3,568,407	1.15
Tan Keng Song	715,320	0.25	715,320	0.21	715,320	0.23
Phan Van Denh	110,750	0.04	110,750	0.03	110,750	0.04
			52,304,531 ^a	15.23	52,304,531 ^a	16.92
			-	-	-	-
			61,497,999 ^b	17.91	61,497,999 ^b	19.90
			-	-	-	-
			77,970,823 ^c	26.94	78,170,823 ^c	25.29
			80,663,910 ^d	27.87	81,023,910 ^d	26.21
			81,268,480 ^e	28.08	81,628,480 ^e	26.41

#The shareholdings of Mr. Tan Kai Hee and Mr. Tan Keng Kang were calculated based on the 1st tranche of options offered to the Directors on 3 July 2017.

Notes:

- Deemed interested by virtue of his substantial interest in Akintan Sdn Bhd and Daritan Sdn Bhd and through the direct and indirect interest of his family members in Hai-O respectively.
- Deemed interested by virtue of her substantial interest in Akintan Sdn Bhd and Daritan Sdn Bhd and through the direct and indirect interest of her family members in Hai-O respectively.
- Deemed interested through the direct and indirect interest of his family members in Hai-O.
- Deemed interested through the direct and indirect interest of her family members in Hai-O.
- Deemed interested through the direct and indirect interest of her spouse.
- Deemed interested through the direct and indirect interest of his spouse.

5. PURCHASE OF SHARES AND RESALE OF TREASURY SHARES

During the financial year ended 30 April 2017, the Company had purchased an aggregate of 368,100 shares on Bursa Securities at total consideration of RM1,045,986 which are presently being held as treasury shares in accordance with the provisions of Section 127 of the Act. As at 30 April 2017, a total of 9,262,888 ordinary shares were held as treasury shares.

The Company has not resold any treasury shares on Bursa Securities during the financial year ended 30 April 2017. There was no cancellation of treasury shares by the Company during the financial year ended 30 April 2017.

Information of the shares purchased by the Company during the financial year ended 30 April 2017 is set out on page 122 under Note 14.4 of the Financial Statements as contained in the 2017 Annual Report.

6. PUBLIC SHAREHOLDING SPREAD

Based on our Register of Substantial Shareholders and the Record of Depositors as at 20 July 2017, the public shareholding spread of Hai-O is 64.84% of the issued share capital.

Assuming the Proposed Share Buy-Back is implemented in full, the public shareholding spread would be expected to be reduced to:-

- (i) 62.15% in the event all of the existing Treasury Shares are cancelled and none of the ESOS options are exercised before the implementation of the Proposed Renewal of Share Buy-Back; and
- (ii) 67.09% in the event all the existing Treasury Shares are re-sold and all the ESOS Options and/or to be granted are exercised before the implementation of the Proposed Renewal of Share Buy-Back.

(assuming the Hai-O Shares are purchased from public shareholders other than our existing Directors and substantial shareholders pursuant to the Proposed Share Buy-Back and the number of Hai-O Shares held by the Directors of the Hai-O Group, the substantial shareholders of Hai-O and persons connected to them remain unchanged).

7. IMPLICATION RELATING TO THE MALAYSIAN CODE ON TAKE-OVERS AND MERGERS, 2010 (“CODE”)

The Proposed Share Buy-Back is not expected to trigger any obligation to undertake a mandatory general offer pursuant to the Code as a result of the Proposed Share Buy-Back.

It is the intention of Hai-O to implement the Proposed Share Buy-Back in a manner that will not result in any of the shareholders of Hai-O having to undertake a mandatory take-over offer pursuant to the Code.

8. DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

Save for the proportionate increase in the percentage of shareholdings and/or voting rights in their capacity as the shareholders of the Company as a consequence of the share movement pursuant to the Proposed Share Buy-Back, none of the directors and/or substantial shareholders of the Company and any person connected with the directors and/or substantial shareholders of the Company, have any interest, direct or indirect, in the Proposed Share Buy-Back, and in the resale of the treasury shares, if any.

9. DIRECTORS’ RECOMMENDATION

Your Board, having considered all aspects of the Proposed Share Buy-Back, is of the opinion that the Proposed Share Buy-Back is in the best interest of the Company and its shareholders. Accordingly, your Board recommends that you vote in favour of the ordinary resolution in respect of the Proposed Share Buy-Back to be tabled at the forthcoming 42nd AGM.