



HAI-O ENTERPRISE BERHAD
(22544-D)



**43rd Annual General Meeting
25 September 2018**



Reply to Questions from Minority Shareholder Watchdog Group (MSWG)

Strategic & Financial Matters

Q1) As disclosed in the MD&A Statement, the Group intends to deepen Fashion, Beauty and Lifestyle products in the MLM segment.

- a) How much is the revenue contribution of this product line to the MLM revenue in terms of value and percentage for FYs 2017 and 2018?
- b) What will be the expected revenue of this product line for FY2019?
- c) Which product line in the MLM segment has the highest and the lowest revenue contribution to the Group's revenue in FY2018?

Answer to Q1 (a):

The revenue contribution of the Fashion, Beauty and Lifestyle products to the MLM segment for FY2017 and 2018 is set out below:

Revenue contribution	RM	%
FY2017	16.4 million	5.3
FY2018	25.4 million	7.2

Answer to Q1 (b):

Currently, the Group is still undertaking product development for the range of products under “Fashion, Beauty and Lifestyle”. The Group aims to maintain this range of products as one of the key revenue contributors for FY2019.

Answer to Q1 (c):

The highest and lowest revenue contributors to the MLM segment in FY2018 are products from “Food & Beverage” category and “Seasonal & Others” category, respectively.

Strategic & Financial Matters

Q2) The Group has acquired investment properties amounting to RM9.77 million in FY2018. (nil in FY2017).

- a) Please provide a breakdown of the investment properties by type, location and cost/ valuation?
- b) What will be the expected rental value per annum from the investment properties?

Answer to Q2 (a):

The breakdown of capital expenditure for investment properties of RM9.77 million in FY2018 is set out below:

	Property type / Purpose	Location	Cost
I	Upgrading and enhancement of facade	Bukit Bintang, Kuala Lumpur	RM2.7 million
II	3 units of 5 storey shop houses	Jalan Bendahara, Melaka	RM5.0 million
III	A townhouse for products show-room and exclusive business centre	Ampang, Kuala Lumpur	RM2.07 million
Total			RM9.77 million

Answer to Q2 (b):

The additional investment in properties is expected to generate approximately RM400,000 in rental income to the Group per annum.

Strategic & Financial Matters

Q3) What are the gross and net yields of the Group's investment properties excluding the newly acquired investment properties in FY2017 and FY2018?

Answer to Q3:

The Group's investment properties (excluding those acquired in FY2018) has generated an average gross yield of approximately 4.5% per annum and after netting off the related operating expenses, the net yield was about 3% per annum.

Strategic & Financial Matters

- Q4) As disclosed in the Group's Cash Flow Statement on page 105 of the Annual Report, the Company has disposed treasury shares and repurchased treasury shares within the FY2018.
- a) Please explain the rationale for the disposal and repurchase?
 - b) What was the average price for both the disposed treasury shares and the repurchased treasury shares?

Answer to Q4 (a):

The rationale for the disposal and repurchased of the Company's shares during FY2018 is consistent with item No. 3 of the Share Buy-Back Statement dated 30 August 2017, as summarised below:

- To stabilise the supply and demand of the Company's shares in the open market of Bursa Securities thereby supporting its fundamental value;
- 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; and
- Hai-O may be able to use its financial resources where there is no immediate use for them.

Answer to Q4 (b):

The average price for the disposed and repurchased treasury shares during the financial year ended 30 April 2018 was RM5.27 and RM4.88 respectively.

Strategic & Financial Matters

Q5) What are the gross and net distribution yields of the unit trust funds for both FYs 2017 and 2018. Please provide the rationale for investing in unit trust funds?

Answer to Q5:

The average gross and net distribution yields from the unit trust funds invested by the Group for FY2017 and FY2018 is set out below:

	* Average gross yield	Average net yield
FY2017	4.6%	3.5%
FY2018	5.5%	4.2%

** Included tax savings*

Financial resources invested in unit trusts (money market or cash fund) which are short term in nature were mainly working capital with no immediate use. The dividends received from these investments are tax exempted which provided tax savings to the Group.

Strategic & Financial Matters

Q6) What would be the impact on SST to the MLM business as compared to GST?

Answer to Q6:

The SST is expected to have some impact on our products in terms of costing ranging from 5% to 10% depending on the product components and origins of the raw materials used (imported or locally manufactured) as compared to 6% GST. Subject to market assessment on consumer spending behaviour under the current SST regime and negotiation with our suppliers, we are unable to ascertain the net impact of SST to the MLM business at this juncture.



Thank You

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