



## **HAI-O ENTERPRISE BERHAD**

### **EXTRAORDINARY GENERAL MEETING**

- (I) PROPOSED INTERNAL REORGANISATION;**
- (II) PROPOSED TERMINATION OF EXISTING ESOS; AND**
- (III) PROPOSED NEW ESOS**

**19 MAY 2021**



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# INTRODUCTION

## Summary of the Proposals

- i. Proposed internal reorganisation by way of Scheme of Arrangement comprising the following proposals:-
  - a) Proposed share exchange of up to 300,297,890 Hai-O Enterprise Shares, representing the entire issued share capital of Hai-O Enterprise (including treasury shares held by Hai-O Enterprise) with up to 300,297,890 BESHOM Shares on the basis of 1 BESHOM Share for every 1 existing Hai-O Enterprise Share held on the Entitlement Date; and
  - b) Proposed assumption of the listing status of Hai-O Enterprise by BESHOM, the admission of BESHOM to, and withdrawal of Hai-O Enterprise from, the Official List of Bursa Securities, with the listing of and quotation for 300,297,892 BESHOM Shares on the Main Market of Bursa Securities;
- ii. Proposed termination of the Existing ESOS; and
- iii. Proposed establishment of new ESOS of up to 15% of the issued share capital of BESHOM (excluding treasury shares of BESHOM, if any) at any point in time over the duration of the Proposed New ESOS to the Eligible Persons.

# RATIONALE AND JUSTIFICATION

## **Proposed Internal Reorganisation**

The Proposed Internal Reorganisation serves to:-

- i. separate the investment holding function and the operating business, wherein BESHOM will become the investment holding vehicle assuming the listing status of Hai-O Enterprise, whilst Hai-O Enterprise will continue to operate the existing businesses and there will be no change to the business activities of Hai-O Enterprise's subsidiaries;
- ii. enable BESHOM Group to achieve ease and flexibility in the expansion of new business segments or streamlining business segments as and when the opportunities arise; and
- iii. provide greater flexibility for business operations and facilitate an effective management of the different businesses moving forward.

## **Proposed Termination of Existing ESOS**

The Company wishes to terminate the Existing ESOS due to the following:-

- i. the outstanding Existing ESOS Options are no longer attractive in view of their exercise price of RM3.63 is higher than the prevailing market price of Hai-O Enterprise Shares which as at the LPD is RM2.21; and
- ii. the Company does not intend to grant any further Existing ESOS Options until the termination of the Existing ESOS. Pursuant thereto, the Board proposes to terminate the Existing ESOS and to replace it with the Proposed New ESOS.

## RATIONALE AND JUSTIFICATION *(Cont'd)*

**Proposed  
ESOS**

**New**

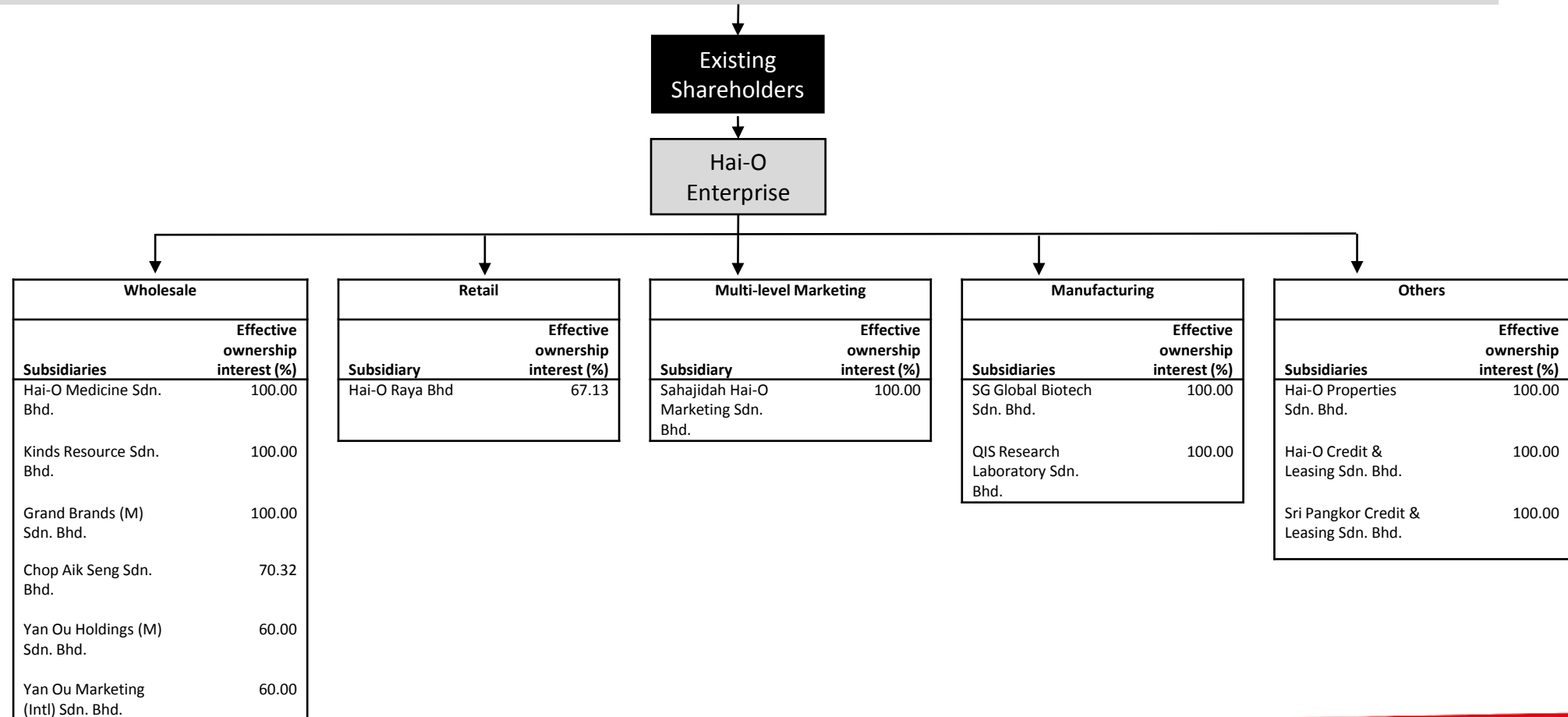
The purpose of the New ESOS is to enable BESHOM to grant new ESOS Options to the Eligible Persons. This will provide the Eligible Persons with an opportunity to have equity participation in BESHOM and help achieve the objectives as set out below:-

- i. to recognize the contribution of the Eligible Persons;
- ii. to reward the Eligible Persons;
- iii. to motivate the Eligible Persons;
- iv. to inculcate a greater sense of belonging and dedication amongst the Eligible Persons; and
- v. to possibly retain said Eligible Persons.

# CORPORATE STRUCTURE

The corporate structure of the Hai-O Enterprise Group before the Proposed Internal Reorganisation is depicted below:-

Corporate structure of Hai-O Enterprise Group as at the LPD



# CORPORATE STRUCTURE (Cont'd)

Through the Proposed Internal Reorganisation, the investment holding function and the operating business will be separated, wherein BESHOM will become the investment holding vehicle assuming the listing status of Hai-O Enterprise, whilst Hai-O Enterprise will continue to operate the existing businesses and there will be no change to the business activities of Hai-O Enterprise's subsidiaries.



# EFFECTS OF THE PROPOSALS

The proforma effects of the Proposed Internal Reorganisation and Proposed New ESOS are set out below based on the following scenarios:-

**Minimum Scenario :** Assuming none of the Existing ESOS Options are exercised into new Hai-O Enterprise Shares and all the treasury shares are cancelled prior to the Entitlement Date

**Maximum Scenario:** Assuming all of the Existing ESOS Options are exercised into new Hai-O Enterprise Shares all of the treasury shares are resold to the market at acquisition cost prior to the Entitlement Date.

## Share Capital

The Proposed Internal Reorganisation **will not have any effect on the issued share capital of Hai-O Enterprise** as there are no issuance of new Hai-O Enterprise Shares involved. For illustrative purposes, the proforma effects of the Proposed Internal Reorganisation and Proposed New ESOS on the issued share capital of BESHOM are as follows:-

	Minimum Scenario		Maximum Scenario	
	No. of BESHOM Shares	RM	No. of BESHOM Shares	RM
Issued share capital as at the LPD	2	2	2	2
New BESHOM Shares to be issued pursuant to the Proposed Share Exchange	289,170,402	273,558,656	300,730,890	301,622,598
	<b>289,170,404</b>	<b>273,558,658</b>	<b>300,730,892</b>	<b>301,622,600</b>
New BESHOM Shares to be issued arising from full exercise of the New ESOS Options pursuant to the Proposed New ESOS	43,375,560	85,883,609	45,109,633	89,317,073
<b>Enlarged issued share capital of BESHOM</b>	<b>332,545,964</b>	<b>359,442,267</b>	<b>345,840,525</b>	<b>390,939,673</b>

## EFFECTS OF THE PROPOSALS (Cont'd)

### NA and gearing

BESHOM Group's NA and gearing will not be significantly different from Hai-O Enterprise Group's NA and gearing prior to and after the implementation of the Proposed Internal Reorganisation. For illustrative purposes, the proforma effects of the Proposed Internal Reorganisation and Proposed New ESOS on the NA per share and gearing of the enlarged BESHOM Group based on latest audited consolidated financial statements of Hai-O Enterprise Group as at 30 April 2020 are as set out below:-

Minimum Scenario	Audited consolidated Hai-O Enterprise Group as at 30 April 2020 (RM'000)	After adjusting for subsequent events	Proforma	After the Proposed Internal Reorganisation		
		Hai-O Enterprise Group (RM'000)	Hai-O Enterprise Group (RM'000)	Hai-O Enterprise Group (RM'000)	BESHOM (RM'000)	Consolidated BESHOM Group (RM'000)
Share capital	157,256	157,256	151,429	151,429	273,558	273,558
Reorganisation Reserve	-	-	-	-	-	(122,129)
Treasury shares	(24,158)	(26,492)	-	-	-	-
Revenue reserve	166,488	143,315	122,650	122,129	-	122,129
<b>NA/Shareholders' fund</b>	<b>299,586</b>	<b>274,079</b>	<b>274,079</b>	<b>273,558</b>	<b>273,558</b>	<b>273,558</b>
Number of ordinary shares	290,313,302	289,170,402	289,170,402	289,170,402	289,170,404	289,170,404
NA per share (RM)	1.03	0.95	0.95	0.95	0.95	0.95
Total borrowings (RM'000)	-	-	-	-	-	-
Gearing (times)	-	-	-	-	-	-



# EFFECTS OF THE PROPOSALS (Cont'd)

Maximum Scenario	Audited consolidated Hai-O Enterprise Group as at 30 April 2020 (RM'000)	After adjusting for subsequent events	Proforma	After the Proposed Internal Reorganisation		
		Hai-O Enterprise Group (RM'000)	Hai-O Enterprise Group (RM'000)	Hai-O Enterprise Group (RM'000)	BESHOM (RM'000)	Consolidated BESHOM Group (RM'000)
Share capital	157,256	157,256	159,345	159,345	301,623	301,623
Reorganisation Reserve	-	-	-	-	-	(142,278)
Treasury shares	(24,158)	(26,492)	-	-	-	-
Revenue reserve	166,488	143,315	142,799	142,278	-	142,278
<b>NA/Shareholders' fund</b>	<b>299,586</b>	<b>274,079</b>	<b>302,144</b>	<b>301,623</b>	<b>301,623</b>	<b>301,623</b>
Number of ordinary shares	290,313,302	289,170,402	300,730,890	300,730,890	300,730,892	300,730,892
NA per share (RM)	1.03	0.95	1.00	1.00	1.00	1.00
Total borrowings (RM'000)	-	-	-	-	-	-
Gearing (times)	-	-	-	-	-	-

# EFFECTS OF THE PROPOSALS (Cont'd)

## Earnings and EPS

- The Proposed Internal Reorganisation will not have any material effect on the consolidated EPS of Hai-O Enterprise Group vis-à-vis the consolidated EPS of BESHOM upon completion of the Proposed Internal Reorganisation in view that the Proposed Share Exchange will be implemented on the basis of 1 new BESHOM Share for every 1 existing Hai-O Enterprise Share held.
- The Proposed New ESOS is not expected to have any immediate effect on the consolidated EPS of BESHOM Group until such time when the New ESOS Options are granted and vested. Future earnings of BESHOM Group may be affected as, according to MFRS 2, the costs arising from the New ESOS Options are required to be measured at the date on which the New ESOS Options are granted and recognised as an expense over the vesting period of the New ESOS Options.
- Any potential effect on the EPS of BESHOM Group will depend on the number of New ESOS Options granted and exercised, the subscription price payable upon the exercise of the New ESOS Options under the Proposed New ESOS and various factors that affect the fair value of the New ESOS Options. However, it should be noted that the estimated cost does not represent a cash outflow as it is merely an accounting treatment.
- The Board takes note of the potential impact of MFRS 2 on BESHOM Group's future earnings and shall take into consideration such impact in the allocation and granting of the New ESOS Options to the Eligible Persons.

# EFFECTS OF THE PROPOSALS (Cont'd)

## Substantial Shareholders' Shareholdings

- The Entitled Shareholders will cease to be shareholders of Hai-O Enterprise after the Proposed Internal Reorganisation and will instead hold BESHOM Shares in proportion to their respective shareholdings in Hai-O Enterprise on the Entitlement Date.
- The Proposed New ESOS is not expected to have any immediate effect on the substantial shareholders' shareholdings in Hai-O Enterprise. Any potential effect on the substantial shareholdings in Hai-O Enterprise will depend on the new BESHOM Shares to be issued arising from the exercise of the New ESOS Options under the Proposed New ESOS at any point in time.

# APPROVALS REQUIRED

- i. the approval of Bursa Securities for the following:-
  - a) the admission of BESHOM to the Official List and the listing of and quotation for the entire issued share capital of BESHOM of up to 300,297,892 BESHOM Shares on the Main Market of Bursa Securities, in place of Hai-O Enterprise Shares which shall be delisted; and
  - b) the listing of such number of additional new BESHOM Shares representing up to 15% of the issued share capital of BESHOM (excluding treasury shares, if any), to be issued pursuant to the exercise of the New ESOS Options under the Proposed New ESOS,
- ii. the approval of the shareholders of Hai-O Enterprise at the EGM for the Proposed New ESOS;
- iii. the approval of the shareholders of Hai-O Enterprise at the CCM and EGM for the Proposed Internal Reorganisation;
- iv. the order of the High Court sanctioning the Proposed Internal Reorganisation;
- v. the approval/consents of the financiers/creditors of Hai-O Enterprise, if required; and
- vi. the approval, consent and/or sanction of any other relevant authorities/parties, if required.

# TENTATIVE TIMETABLE

The tentative timetable for the implementation of the Proposals is set out below:-

Tentative dates	Key events
19 May 2021	<ul style="list-style-type: none"><li>• Convening the CCM and the EGM</li></ul>
End of May 2021	<ul style="list-style-type: none"><li>• Submission of application to the High Court for sanction of the Scheme of Arrangement</li></ul>
End of June 2021	<ul style="list-style-type: none"><li>• High Court sanction for the Scheme of Arrangement</li></ul>
Early July 2021	<ul style="list-style-type: none"><li>• Suspension of trading of Hai-O Enterprise Shares</li><li>• Entitlement Date</li></ul>
End July 2021	<ul style="list-style-type: none"><li>• Delisting of Hai-O Enterprise Shares and listing of BESHOM Shares</li><li>• Implementation of the Proposed New ESOS</li></ul>

Barring any unforeseen circumstances, the Board expects the Proposals to be completed/implemented by the 3<sup>rd</sup> quarter of 2021.

**THANK YOU**



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