HAI-O ENTERPRISE BHD
Company No: 22544-D
(Incorporated in Malaysia)

Unaudited Interim Financial Report
31 July 2018

HAI-O ENTERPRISE BHD (Co.No. 22544-D)

Quarterly report on consolidated results for the financial period ended 31 July 2018
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS
FOR THE QUARTER ENDED 31 JULY 2018

	INDIVIDUAL PERIOD (1st Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/7/2018	PRECEDING YEAR CORRESPONDING QUARTER 31/7/2017	CURRENT YEAR TO DATE 31/7/2018	PRECEDING YEAR CORRESPONDING PERIOD 31/7/2017
	RM'000	RM'000	RM'000	RM'000
Revenue	80,085	124,537	80,085	124,537
Cost of sales	(47,914)	(83,433)	(47,914)	(83,433)
Gross Profit	32,171	41,104	32,171	41,104
Other income	959	2,212	959	2,212
Depreciation	(1,137)	(958)	(1,137)	(958)
Administrative expenses	(7,367)	(9,794)	(7,367)	(9,794)
Selling & distribution expenses	(10,126)	(9,578)	(10,126)	(9,578)
Other expenses	(328)	(140)	(328)	(140)
Operating Profit	**14,172**	**22,846**	**14,172**	**22,846**
Interest income	315	320	315	320
Finance costs	(52)	(60)	(52)	(60)
Share of profit/(loss) of equity-accounted investee, net of tax	4	(1)	4	(1)
Share of loss of associate company	-	-	-	-
Profit before tax	14,439	23,105	14,439	23,105
Tax expenses	(3,779)	(5,511)	(3,779)	(5,511)
Profit after tax	**10,660**	**17,594**	**10,660**	**17,594**
Profit attributable to:				
Owners of the parent	10,997	17,866	10,997	17,866
Non-controlling interest	(337)	(272)	(337)	(272)
	10,660	17,594	10,660	17,594
Earnings Per Share attributable to equity holders of the parent				
- Basic	3.78	6.17	3.78	6.17
- Diluted	3.77	n.a.	3.77	n.a.

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.

HAI-O ENTERPRISE BHD (Co.No. 22544-D)

Quarterly report on consolidated results for the financial period ended 31 July 2018
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JULY 2018

	INDIVIDUAL PERIOD (1st Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/7/2018	PRECEDING YEAR CORRESPONDING QUARTER 31/7/2017	CURRENT YEAR TO DATE 31/7/2018	PRECEDING YEAR CORRESPONDING PERIOD 31/7/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	10,660	17,594	10,660	17,594
Other comprehensive income				
- Foreign currency translation differences for foreign operations	2	16	2	16
Total comprehensive Income for the period	10,662	17,610	10,662	17,610
Total comprehensive income attributable to:				
Owners of the parent	10,999	17,882	10,999	17,882
Non-controlling Interest	(337)	(272)	(337)	(272)
	10,662	17,610	10,662	17,610

The Condensed Consolidated Statement of Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.

HAI-O ENTERPRISE BHD (Co.No. 22544-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JULY 2018

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/7/2018 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2018 (RM'000) (Audited)
ASSETS		
Non-current assets		
Property, Plant and Equipment	85,958	83,344
Investment properties	57,446	55,950
Investment in jointly control entity	2,170	2,166
Investment in an associates	-	-
Other Investments	12	12
Goodwill arising from consolidation	85	85
Trade receivables - non current	1,740	1,623
Deferred tax assets	949	1,615
	148,360	144,795
Current Assets		
Inventories	104,781	91,184
Trade and other receivables	24,327	33,406
Other Investments		
Financial assets at fair value through profit or loss	53,277	57,941
Cash and Cash Equivalents	60,181	68,674
	242,566	251,205
TOTAL ASSETS	390,926	396,000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	157,203	157,092
Treasury Shares	(22,415)	(21,581)
Other reserves	1,252	1,278
Retained earnings	182,534	171,116
	318,574	307,905
Non-controlling interest	10,657	11,019
Total Equity	329,231	318,924
Non-current Liabilities		
Borrowings	-	-
Deferred tax	604	400
	604	400
Current Liabilities		
Trade & other payables	55,772	66,785
Short term borrowings	1,020	1,405
Short-term provisions	1,510	3,248
Current tax payables	2,789	5,238
	61,091	76,676
Total Liabilities	61,695	77,076
TOTAL EQUITY AND LIABILITIES	390,926	396,000
Net assets per share attributable to ordinary equity holders of the parent (RM)	**1.10**	1.06

The Condensed Consolidated Financial Position should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.

HAI-O ENTERPRISE BHD (Co.No. 22544-D)

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JULY 2018

	2019 3-month ended 31/7/2018 (RM '000)	2018 3-month ended 31/7/2017 (RM '000)
Profit before tax	14,439	23,105
Adjustment for :-		
Depreciation	1,137	958
Dividend income	(337)	(455)
Initial application of MFRSs adjustments	404	-
Equity settled share-based payment transaction	55	2,597
Fair value (gain)/loss on other investments	(2)	(118)
Finance costs	52	60
Finance income	(315)	(320)
Gain on disposal of property, plant and equipment	-	(558)
Property, plant and equipment written off	-	2
Share of profit of equity-accounted investee, net of tax	(4)	1
Provision for sales campaign	(1,738)	(248)
Allowance for doubtful debts	89	-
Unrealised foreign exchange differences	137	(121)
Operating profit before changes in working capital	13,917	24,903
Changes in working capital		
Inventories	(13,597)	(6,877)
Receipts from customers	9,088	2,975
Net Change in other receivables	295	(45)
Payment to suppliers, contractors and employees	264	919
Net Change in other payables	(2,575)	1,292
Payment of income taxes	(5,868)	(3,750)
	(12,393)	(5,486)
Net cash flows from operating activities	**1,524**	**19,417**
Investing Activities		
Accretion of equity interests in subsidiaries	(8)	(51)
Acquisition of other investments	(338)	(27,292)
Purchase of property, plant and equipment & IP	(5,247)	(1,086)
Proceeds from disposal of other investment	5,004	13,336
Proceeds from disposal of property, plant and equipment	-	679
Dividend received	337	455
Interest received	315	320
Net cash from/(used in) investing activities	**63**	**(13,639)**
Financing Activities		
Purchase of Company's own share	(834)	-
Proceeds from issue of share	28	-
Dividend paid	(8,728)	-
Interest paid	(52)	(60)
Repayment / drawdown of trade facilities	(385)	(461)
Net cash used in financing activities	**(9,971)**	**(521)**
Net Changes in Cash & Cash Equivalents	(8,384)	5,257
Effect of exchange rate & fluctuations on cash held	(109)	28
Cash & Cash Equivalents at begining of financial period	68,674	76,848
Cash & Cash Equivalents at end of the financial period	**60,181**	**82,133**

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.

HAI-O ENTERPRISE BHD (Co.No. 22544-D)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JULY 2018

	I---------------------Attributable to Equity Holders of the Parent------------------I						Non-controlling interest	Total Equity
	I----------------------Non distributable----------------------------I				Distributable			
	Share Capital	Treasury shares	Exchange fluctuation reserve	Capital reserve	Retained Earnings	Total		
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
3-month **<u>ended 31 July 2018</u>**								
Balance as at 1 May 2018	157,092	(21,581)	(56)	1,334	171,116	307,905	11,019	318,924
Initial application of MFRSs adjustments	-	-	-	-	404	404	-	404
Profit for the year	-	-	-	-	10,997	10,997	(337)	10,660
Other comprehensive income for the year	-	-	2	-	-	2	-	2
Total comprehensive income for the year	-	-	2	-	10,997	10,999	(337)	10,662
Employees ' share option reserve	28	-	-	(28)	-	-	-	-
Share issued pursuant to ESOS	83	-	-	-	-	83	-	83
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	17	17	(25)	(8)
Purchase of Company's own shares	-	(834)	-	-	-	(834)	-	(834)
Balance at end of financial period	**157,203**	**(22,415)**	**(54)**	**1,306**	**182,534**	**318,574**	**10,657**	**329,231**
3-month **<u>ended 31 July 2017</u>**								
Balance as at 1 May 2017	149,327	(19,687)	(343)	657	154,860	284,814	11,355	296,169
Profit for the year	-	-	-	-	17,866	17,866	(272)	17,594
Other comprehensive income for the year		-	16	-	-	16		16
Total comprehensive income for the year	-	-	16	-	17,866	17,882	(272)	17,610
Employees' share option reserve	-	-	-	2,597	-	2,597	-	2,597
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	108	108	(159)	(51)
Purchase of Company's own shares	-	-	-	-	-	-	-	-
Balance at end of financial period	**149,327**	**(19,687)**	**(327)**	**3,254**	**172,834**	**305,401**	**10,924**	**316,325**

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 30 April 2018 and the accompanying explanatory notes attached to the interim financial statements.

PART A -- Notes To The Interim Financial Report

A1 Basis of preparation

The interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB"). This interim financial statement also complies with IAS 34, Interim Financial Reporting issued by the International Accounting Statements Board ("IASB").

The interim financial report should be read in conjunction with the most recent annual financial statements of the Group for the year ended 30 April 2018.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 April 2018.

Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 April 2018 except for the adoption of new standards, amendments and interpretation that have been issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for the Group effective for annual periods beginning on or after 1 January 2018.

The MFRSs which are effective commencing 1 January 2018 and have significant impact on the financial statements of the Group are:

MFRS 9, Financial Instruments

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. The new standard contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"), and eliminates the existing MFRS 139 categories of held to maturity ("HTM"), loans and receivables ("L&R") and available for sale ("AFS").

MFRS 9 also replaces the incurred loss model in MFRS 139 with a forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured on either 12-month ECLs or lifetime ECLs. The Group applied the simplified approach and record lifetime ECLs on all trade receivables.

The Group has elected not to restate comparative figures and has performed assessment on the impact on accounting for its financial assets as at 1 May 2018.

Impact as a result of MFRS 9 adoption

	RM
Retained earnings as at 1 May 2018	171,115,866
ECL on trade and other receivables	(557,250)
Retained earnings as at the date of initial application of MFRS 9	170,558,616

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the considerations to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following five-step models:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Under MFRS 15, any bundled goods or services that are distinct should be separately recognised and any discounts or rebates on the contract price should generally be allocated to the separate elements. Consideration payable to a customer should be accounted for as a reduction of the revenue unless the payment to the customer is in exchange for a distinct good or service that the customer transfer to the entity. The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point of time at the end of a contract may have to be recognised over the contract term and vice versa.

The Group adopted MFRS 15 using cumulative effect retrospective method of adoption. The comparative figures was not restated and the cumulative impact arising from the adoption was recognized in retained earnings as at 1 May 2018.

The Group's business comprise of Wholesale, Multi-Level Marketing, Retail and Others segments. Manufacturing and leasing business are fall under Others segment. However Leasing business is scoped out under MFRS 15 as it is accounted for under MFRS 117 Leases.

Under MFRS 15, revenue was recognized when a customer obtains control of the goods. The overall revenue recognition requirements are captured in the steps of the five-step method.

The Group has assessed its sales of goods transactions and reviewed its marketing and promotional campaign to identify the performance obligation. The Group regards most of the sales transactions consists of a single performance obligation to transfer promised goods. The Group expects the revenue recognition to occur at a point in time when the customers take control of the goods. Hence, the Group concludes that there is no impact on the timing of revenue recognition.

The Group also need to determine whether there is a significant financing component in the contract. The Group has evaluated and has concluded that there is no element of financing as the sales of goods are either on cash term or credit term.

For the adoption of MFRS 15, the Group has considered the followings:

Wholesale Division

Variable consideration

For the Wholesale division, the contract with customers provides a right of return. The Group used the most likely amount method to estimate the goods that will be returned. Based on assessment performed, it does not have a material effect on the Group's financial statements. The marketing plan of the Wholesale division includes giving A&P incentive to customers which gives rise to variable consideration. Previously, the Group classified the advertising & promotion ("A&P") incentive under marketing cost. The reclassification did not have any impact on the retained earnings as at 1 May 2018 but it reduced the revenue and marketing cost for the period ended 31 July 2018 by RM 274,248.

Multi-level marketing Division

Variable consideration

Sales of goods

The contract with customers provides a right of return which gives rise to variable consideration. The Group used the most likely amount method to estimate the goods that will be returned and had previously provided a provision for goods returned of RM 0.4 million. Based on assessment performed, it does not have a material effect on the Group's financial statements for the period ended 31 July 2018.

Performance Bonus

Previously, the Group classified performance bonus paid to distributors in its Cost of Sales. Under MFRS 15, the Group is required to determine whether the consideration paid to its distributors is a payment for a distinct goods or services. The performance bonus paid to the distributors are categorized into two types: (i) Group network sales bonus and (ii) personal sales bonus. The Group is in the view that personal sales bonus is a reduction of transaction price whereas group network sales bonus is a consideration paid to distributors for the provision of distinct services. The reclassification did not have any impact on the retained earnings as at 1 May 2018, but it reduced the revenue and cost of sales for the period ended 31 July 2018 by RM1,247,377.

New and renewed member fee

Previously, the Group classified amount of member fees received over the time under other income. The reclassification from other income to revenue did not have any impact on the retained earnings as at 1 May 2018 but it increased the revenue and reduced other income by RM 1,465,151 for the period ended 31 July 2018.

The marketing plan includes giving product voucher to new members or cash voucher to renewed members which has 3 months validity period for their future acquisition of goods at discounted price which gives rise to variable consideration. Previously, the Group classified the voucher claimed as A&P expenses at point in time. Under MFRS 15, the Group is required to determine the amount of variable consideration and is in the view that this performance obligation is satisfied over time. The reclassification of A&P expenses to net off from revenue did not have any impact on the retained earnings as at 1 May 2018. Based on the historical data, the Group adjusted the variable consideration of RM 315,684 to reduce retained earnings as at 1 May 2018. The subsequent assessment on redeemable voucher was RM 642,996 for the period ended 31 July 2018 and is classified as contract liability.

Rebate to customers

The marketing plan of the MLM division includes giving rebate to customers on products under promotion which gives rise to variable consideration. Previously, the Group classified rebate given to distributors in its Cost of Sales. Under MFRS 15, the reclassification did not have any impact on the retained earnings as at 1 May 2018 but it reduced the revenue and cost of sales for period ended 31 July 2018 by RM 1,238,927.

Statement of financial position

The impact of adopting both MFRS 9 and MFRS 15 ("MFRS") to opening balances are as follows:

1 May 2018	**As previously reported**	**Retrospective adjustment of MFRS**	**After MFRS Adjustments**
	RM	**RM**	**RM**
Assets			
Deferred tax assets	1,615,208	25,645	1,640,853
Trade and other receivables	30,239,138	(557,250)	29,681,888
Impact to assets	31,854,346	(531,605)	31,322,741
Liabilities			
Contract liabilities	-	315,684	315,684
Trade and other payables	66,785,505	(1,533,313)	65,252,192
Current tax liabilities	5,237,521	280,055	5,517,576
Impact to liabilities	72,023,026	(937,574)	71,085,452
Equity			
Retained earnings	171,115,866	405,969	171,521,835

A2 Seasonal or cyclical factors of interim operations

The Group's interim business operations are not significantly affected by seasonal or cyclical factors for the quarter under review except for some seasonal consumer products, which are affected by major festive seasons.

A3 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income, or cash flows because of their nature, size or incidence.

A4 Changes in estimates of amounts reported previously

There was no material changes in estimates of amounts reported in prior interim period of the current or previous financial years.

A5 Issues, repurchase and repayments of debts and equity securities

There have been no other issuance, cancellation, repurchases, resale and repayments of debts and equity securities during the quarter under review except for the followings:-

i) The details of shares held as treasury shares for the period ended 31 July 2018 are as follows:

	Number of Treasury shares	**Total Cost Consideration RM**
Balance as at 1 May 2018	9,294,988	21,580,611
Repurchased during the quarter	182,500	834,821
Balance as at 31 July 2018	**9,477,488**	**22,415,432**

The repurchase transactions were financed by internally generated funds.

As at 18 September 2018, the treasury shares held were 9,636,088 shares with total purchase consideration of RM 23,105,835.

ii) The details of shares issued pursuant to ESOS for the period ended 31 July 2018 are as follows:

During the period under review, a total of 23,000 ESOS options were exercised at subscription price of RM 3.63 per share and granted with listing and quotation on the Main Market of Bursa Securities. As at 31 July 2018, the issued share capital of the Company increased to RM 157,203,394 included the capitalisation of ESOS reserve to share capital of RM 27,446.

Subsequent to the first quarter ended 31 July 2018, an additional 3,000 and 5,000 ESOS options were exercised at subscription price of RM 3.63 per share which had been granted with listing and quotation on the Main Market of Bursa Securities on 15 August 2018 and 14 Sept 2018 respectively. With effect thereof, the total number of shares issued of the Company increased to 300,294,890.

A6 Dividend paid

The second single tier interim dividend of 3 sen per ordinary share amounting to RM 8,727,945 in respect of the previous financial year ended 30 April 2018 was paid on 13 June 2018.

A7 Segment information

Details of segmental analysis for the period ended 31 July 2018 are as follows:

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
REVENUE						
Revenue from external customers	58,033	13,556	7,617	879	-	**80,085**
Inter-segment revenue	55	36,664	8	961	(37,688)	-
Total revenue	58,088	50,220	7,625	1,840	(37,688)	80,085
RESULT						
Segment profit/(loss)	10,370	2,721	(602)	835	848	**14,172**
Finance costs						(52)
Interest income						315
Share of loss of equity-accounted investee, net of tax						4
Profit before taxation						14,439
Income tax expenses						(3,779)
Net profit for the year						**10,660**

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	148,679	172,426	31,421	38,400	-	**390,926**
Segment liabilities	28,661	29,834	2,081	1,119	-	**61,695**

A8 Property, plant and equipment

There is no revaluation of property, plant and equipment brought forward from the previous audited financial statements.

A9 Events after the interim period that have not been reflected in the financial statements for the interim period

There was no material events subsequent to the period ended 31 July 2018.

A10 Changes in the composition of the Group

There was no change in the composition of the Group during the interim period except for the following:

The Company had acquired additional 3,000 ordinary shares of Hai-O Raya Bhd for a total cash consideration of RM 8,400 during the quarter under review.

A11 Contingent liabilities

The changes in contingent liabilities of the Company and the Group since the last annual Statement of Financial Position date are as follows :-

Company	**As at 18/9/2018**	**As at 31/7/2018**	**As at 30/4/2018**
	RM'000	**RM'000**	**RM'000**
Corporate guarantee in respect of credit facilities granted to subsidiary companies	Nil	Nil	Nil

Group	**As at 18/9/2018**	**As at 31/7/2018**	**As at 30/4/2018**
	RM'000	**RM'000**	**RM'000**
Bank guarantee given to third parties in respect of services rendered to the Company	828	828	819

A12 Capital commitment

The capital commitment of the Group for the period ended 31 July 2018 is as follows:

	Approved, contracted but not provided for
	RM'000
Property, plant and equipment	1,362
Total	**1,362**

PART B -- Explanatory Notes Pursuant To Appendix 9B of The Bursa Securities Listing Requirement

B1 A detailed analysis of the performance of operating segments of the Group, setting out material factors affecting the earnings and/or revenue of each segment for the current quarter and financial period-to-date:

Financial review for current quarter and financial period to date

	Quarter and Year-to-date ended				
	Before MFRS Adjustments	**Effects of MFRS**	**After MFRS Adjustments**	**Preceding Year Corresponding Quarter**	**Changes**
	31/7/2018 (RM '000)	**(RM '000)**	**31/7/2018 (RM '000)**	**31/7/2017 (RM '000)**	
Revenue	82,637	(2,552)	80,085	124,537	(35.7)%
Gross Profit	32,287	(116)	32,171	41,104	(21.7) %
Operating Profit	14,356	(184)	14,172	22,846	(38.0)%
Profit Before Tax	14,623	(184)	14,439	23,105	(37.5)%
Profit After Tax	10,844	(184)	10,660	17,594	(39.4)%
Profit Attributable to Ordinary Equity Holders of the Parent	11,181	(184)	10,997	17,866	(38.4)%

Statement of profit & loss and other comprehensive income

For the 1st quarter under review, the Group recorded lower revenue of RM 80.1 million, a decrease of 35.7% as compared to the previous year corresponding quarter of RM 124.5 million. This is after factored in the impact of MFRS 9 and MFRS 15 which was effective on or after 1 January 2018. Revenue increased by about 4.0% in the Wholesale division which was mainly contributed by higher sales from patented medicine, however it was offset by lower revenue in the Multi-level marketing ("MLM") and Retail divisions, a decrease of 43.3% and 6.2% to RM 58.0 million and RM 7.6 million, respectively.

The Group's gross profit margin improved by about 7.0% as a result of change in sales mix with higher sales contribution from Wholesale division which command higher margin. However, the Group recorded lower pre-tax profit of RM 14.4 million as compared to previous year corresponding period of RM 23.1 million, a decrease of 37.5%. The decrease in pre-tax profit was mainly attributable to lower revenue registered in the MLM and Retail divisions and higher marketing costs incurred. In addition, 6% rebate promotion on sales was carried out in May 2018 prior to the abolishment of GST on 1 June 2018 amounting to RM 1.2 million and the higher CSR cost of RM 1.3 million incurred during the quarter had further lowered the bottom line.

Statement of financial position

The equity attributable to equity holders of the parent stood at RM 318.6 million, an increase of 3.5% as compared to previous financial year ended 30 April 2018 of RM 307.9 million, after taking into account the profit attributable to owners of the company of RM 11.0 million. During the period under review, a total of 23,000 ESOS options ("Hai-O shares") were exercised and listed on the Main Market of Bursa Securities. An amount of RM 0.1 million of ESOS reserve was capitalised to share capital upon the issuance of Hai-O shares. With effect thereof, the issued share capital increased to RM 157.2 million accordingly.

The Group's total assets as at 31 July 2018 stood at RM 390.9 million (FYE 30.4.2018: RM 396.0 million). The decrease in total assets by RM 5.1 million was mainly due to the reduction in Trade and other receivables from RM 33.4 million to RM 24.3 million and higher dividend paid out despite an increase in inventories from RM 91.2 million to RM 104.8 million to cater for wider product range offered by the Group.

The Group's total liabilities was RM 61.7 million (FYE 30.4.2018: RM 77.1 million). This was mainly due to the decrease in Trade and other related payables and tax payables.

The net assets per share increased to RM 1.10 against previous financial year ended 30 April 2018 of RM 1.06.

Statement of Cash Flow

The Group's cash and cash equivalents and short term investment was RM 113.5 million.

The net cash flow from operating activities was RM 1.5 million primarily generated from the operating profit of the three main divisions with MLM and Retail divisions' sales mainly transacted in cash despite an outflow for higher inventories and income tax payment. The net cash used in financing activities was an outflow of about RM 10.0 million after dividend payment of RM 8.8 million and purchase of treasury shares amounting to RM 0.8 million. As a result, the Group recorded a net decrease in cash and cash equivalent by RM 8.4 million to RM 60.2 million in the current period.

Segmental Analysis

(i) *MLM division*

The division recorded lower revenue and pre-tax profit of RM 58.0 million and RM 10.6 million for the period under review as compared to the previous year's corresponding quarter of RM 102.4 million and RM 19.1 million respectively. Excluding the adjustment arising from MFRS, the revenue was RM 60.4 million. Higher sales in the previous year's corresponding quarter was mainly attributable to the overwhelming response ahead of the 25th anniversary grand sales promotion in last financial year and successful overseas incentive trip campaign to Gold Coast, Australia with over 500 distributors qualified for the trip.

The slow-down of business activities post GE14 has impacted the performance of MLM division in the 1st quarter as members turned more cautious in their spending and slow down in members' recruitment rate. Furthermore, 6% rebate promotion on sales which was carried out in May 2018 prior to the abolishment of GST amounting to RM 1.2 million was absorbed by the division coupled with higher marketing and branding costs incurred on newly launched fashion and lifestyle products has further lowered the bottom line.

(ii) *Wholesale division*

Revenue increased marginally by 4.6% to RM 13.6 million as compared to the preceding year's corresponding quarter of RM 13.0 million. The increase in revenue was mainly attributable to higher sales from premium patented medicine before the price revision by the overseas principal.

Despite higher CSR costs amounting to RM 1.3 million incurred and lower contribution from inter-segment sales, the pre-tax profit increased by 8.9% to RM 3.7 million due to higher margin achieved in the Wholesale division .

(iii) *Retail division*

In the current quarter under review, the revenue decreased by 6.2% to RM 7.6 million as compared to the higher based in the preceding year's corresponding quarter of RM 8.1 million. There was an extensive sales promotion been carried out in the previous year's corresponding quarter on one of its premium house brand products which had contributed higher revenue and profit to the division. In addition, the impact of GE14 has caused the consumers turned more cautious in their spending and cut down spending on non-essential goods.

The division recorded a pre-tax loss of RM 0.6 million due to lower margin and revenue recorded in the 1st quarter especially on the house brand products.

(iv) *Others division*

Revenue are mainly comprised of rental income from investment properties, manufacturing activities and credit & leasing business. The main contributors are from the manufacturing and properties segments.

The manufacturing segment is mainly focus on the inter-segment's OEM sales for MLM and Retail divisions with its total revenue maintained at about RM 1.0 million. The pre-tax profit was marginally lowered from RM 1.1 million to RM 0.9 million due to lower inter-segment sales in the manufacturing division.

B2 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter

Financial review for current quarter compared with immediate preceding quarter

	Current Quarter **31/7/2018 (RM '000)**	**Immediate Preceding Quarter** **30/4/2018 (RM '000)**	**Changes**
Revenue	80,085	110,649	(27.6%)
Gross Profit	32,171	38,960	(17.4%)
Operating Profit	14,172	22,802	(37.8%)
Profit Before Tax	14,439	23,050	(37.4%)
Profit After Tax	10,660	16,674	(36.1%)
Profit Attributable to Ordinary Equity Holders of the Parent	10,997	16,274	(32.4%)

For the 1st quarter under review, the Group recorded lower revenue and pre-tax profit of RM 80.1 million and 14.4 million, decreased by 27.6% and 37.4% as compared with the immediate preceding quarter of RM 110.6 million and RM 23.1 million, respectively due to reasons as mentioned below :

(i) <u>*MLM division*</u>

The revenue decreased by 26.6% to RM 58.0 million as compared with the immediate preceding quarter of RM 79.1 million mainly attributable to the distributors had slow-down business activities during Ramadan fasting month and Hari Raya festive season coupled with lower member recruitment rate post GE14 which has resulted the dropped in revenue for the 1st quarter ended 31 July 2018.

The pre-tax profit was lowered from RM 16.8 million to RM 10.6 million mainly attributable to the drop in revenue and higher marketing and branding costs incurred for the newly launched fashion and lifestyle products. In addition, 6% rebate promotion on sales which was carried out in May 2018 prior to the abolishment of GST amounting to RM 1.2 million was absorbed by the division has further lowered the bottom line.

(ii) *Wholesale division*

Despite the increase in sales of the premium patented medicine before price revision by the overseas principals, it was offset by lower sales in Chinese medicated tonic and tea amid to the weaker consumer sentiment. Hence, total revenue in the Wholesale division was lowered by 20.0% to RM 13.6 million as compared with the immediate preceding quarter of RM 17.0 million.

The pre-tax profit maintained at about RM 3.7 million due to the improvement in contribution from inter-segment sales.

Retail division

Higher revenue of RM 13.7 million was recorded in the immediate preceding quarter due to the year-end members' sales campaign and additional contribution from CNY sales. Sales are usually lower following after the sales promotion period. Moreover consumer sentiment remains subdued despite the 3-months tax free holiday effective 1 June 2018.

Due to lower revenue recorded in the 1st quarter, the division recorded a loss of RM 0.6 million.

B3 Commentary on prospects for the next quarter

The domestic consumers remain cautious given the uncertainties over the U.S.-China Trade War, depreciation of Ringgit Malaysia against USD and prolonged weak consumer sentiments. In spite of the challenges surrounding the business environment, the Group will continue to take proactive measures to mitigate the business risks.

The newly introduced "Infinence" brand beauty and lifestyle related range of products are the new market segment penetrated by the MLM division. The MLM division will continue to embark on several marketing programs, create brand awareness through social media platforms and a series of advertising campaigns. For the Wholesale division, it will continue to promote its premium Chinese medicated tonics and expand into non-alcoholic products to further penetrate the younger consumers market. To widen its customers based, the Wholesale division will continue to expand its neighbourhood medical halls network. The half yearly members' sales campaign will be carried out for the Retail division and is foresee will post higher sales in the next quarter.

In view of the above, the Board of Directors remains cautiously optimistic that the Group will continue to be profitable in the next quarter.

B4 Statement of the Board of Directors' opinion on achievability of the financial estimate, forecast, projection or internal targets previously announced

There were no financial estimate, forecast, projection or internal targets previously announced by the Board of Directors.

B5 Profit forecast / profit guarantee previously announced

There were no profit forecast or profit guarantee previously announced.

B6 Trade Receivables

Ageing analysis of trade receivables of the Group as at 31 July 2018 are as follow:

	RM '000
Not past due	13,543
Past due 1-30 days	3,077
Past due 31-60 days	270
Past due more than 60 days & not impaired	1,086
Past due more than 60 days & impaired	-
	17,976

The trade receivables were mainly for non-related parties with credit term of 60-90 days.

B7 Taxation

The provision for income tax is based on the business income earned for the period under review.

For the financial period to date, the effective tax rate of the Group is higher than the statutory tax rate due mainly to certain expenses which are not deductible for tax purpose and losses of certain subsidiary companies which cannot be set off against profits of certain subsidiaries as no Group relief is available for tax purposes.

	Current quarter ended **31/7/2018** **(RM '000)**	**Current year to date** **31/7/2018** **(RM '000)**
Profit before taxation	14,439	14,439
Taxation at applicable tax rate – 24%	3,465	3,465
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	314	314
Total Income Tax Expenses	**3,779**	**3,779**

B8 Status of Corporate Proposals

There were no outstanding corporate proposals for the period under review.

B9 Group Borrowings and Debts Securities

The Group borrowings and debts securities are as follows :

Current period ended 31/7/2018				
Group Borrowings	**Currency**	**Secured/ Unsecured**	**Type of borrowing**	**RM'000**
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,020
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				**1,020**

Preceding period ended 31/7/2017				
Group Borrowings	**Currency**	**Secured/ Unsecured**	**Type of borrowings**	**RM'000**
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	2,585
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				**2,585**

The short-term borrowings are solely comprised of trade facilities for working capital purpose which are denominated in RM currency. Apart from the working capital banking facilities, the Group does not have other drawn down banking facilities and the gearing level is negligible.

B10 Changes in Material Litigation

The Group is not engaged in any material litigation, claims or arbitration, including those pending or threatened against our Group, either as plaintiff or defendant, which has a material effect on the financial position of the Group.

B11 Dividend

No interim dividend has been declared for the quarter under review (31/7/2017: Nil).

The final single tier dividend of 11 sen per ordinary share in respect of the previous financial year ended 30 April 2018 which was approved by the shareholders at the Annual General Meeting on 25 September 2018 will be paid on 22 November 2018. (FYE 30/4/2017: a final single tier dividend of 11 sen per ordinary share).

The entitlement date for the dividend payment is 9 November 2018.

B12 Earnings per share (EPS)

Earnings per share

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	**CURRENT YEAR TO DATE**	PRECEDING YEAR CORRESPONDING PERIOD
	31/7/2018	31/7/2017	**31/7/2018**	31/7/2017
Earnings				
Net profit for the period attributable to equity holders of the parent (RM'000)	10,997	17,866	10,997	17,866
Weighted average number of shares ('000)	291,171	289,413	291,171	289,413
Weighted average number of shares for diluted EPS ('000)	291,310	-	291,310	-
Basic earnings per share (sen)	3.78	6.17	3.78	6.17
Dilutive earnings per share (sen)	3.77	n.a.	3.77	n.a.

B13 Auditors' report of the preceding annual financial statement

The auditors' report of the preceding annual financial statement does not contain any modified opinion or material uncertainty related to going concern nor qualification.

B14 Items included in the Statement of Profit and Loss and Other Comprehensive Income

	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/7/2018 RM' 000	31/7/2017 RM' 000	**31/7/2018 RM' 000**	31/7/2017 RM' 000
Profit before taxation is arrived at after (charging)/crediting:				
Interest income	315	320	315	320
Other income including investment Income	772	1,752	772	1,752
Interest expense	(52)	(60)	(52)	(60)
Depreciation and amortization	(1,137)	(958)	(1,137)	(958)
Provision for and write off of receivables	89	-	89	-
Provision for and write off of inventories	(51)	(183)	(51)	(183)
Gain or (loss) on disposal of quoted or unquoted investment and/or PPE	-	558	-	558
Foreign exchange gain/(loss):				
- Realised	93	-	93	-
- Unrealised	(137)	121	(137)	121
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-