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

Unaudited Interim Financial Report
31 October 2018

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

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

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

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/10/2018	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2017	CURRENT YEAR TO DATE 31/10/2018	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2017
	RM'000	RM'000	RM'000	RM'000
Revenue	92,171	123,528	172,256	248,065
Cost of sales	(56,495)	(80,828)	(104,409)	(164,261)
Gross Profit	35,676	42,700	67,847	83,804
Other income	1,158	3,214	2,117	5,426
Depreciation	(1,226)	(980)	(2,363)	(1,938)
Administrative expenses	(6,395)	(6,620)	(13,762)	(16,414)
Selling & distribution expenses	(10,973)	(10,336)	(21,099)	(19,914)
Other expenses	(243)	(557)	(571)	(697)
Operating Profit	**17,997**	**27,421**	**32,169**	**50,267**
Interest income	279	442	594	762
Finance costs	(25)	(15)	(77)	(75)
Share of profit/(loss) of equity-accounted investee, net of tax	10	2	14	1
Share of loss of associate company	-	-	-	-
Profit before tax	18,261	27,850	32,700	50,955
Tax expenses	(4,407)	(6,224)	(8,186)	(11,735)
Profit after tax	**13,854**	**21,626**	**24,514**	**39,220**
Profit attributable to:				
Owners of the parent	13,601	21,438	24,598	39,304
Non-controlling interest	253	188	(84)	(84)
	13,854	21,626	24,514	39,220
Earnings Per Share attributable to equity holders of the parent				
- Basic	4.68	7.40	8.47	13.58
- Diluted	4.67	n.a.	8.46	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 October 2018
The figures have not been audited.

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

	INDIVIDUAL PERIOD (2nd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/10/2018	PRECEDING YEAR CORRESPONDING QUARTER 31/10/2017	CURRENT YEAR TO DATE 31/10/2018	PRECEDING YEAR CORRESPONDING PERIOD 31/10/2017
	RM'000	RM'000	RM'000	RM'000
Profit for the period	13,854	21,626	24,514	39,220
Other comprehensive income				
- Foreign currency translation differences for foreign operations	28	27	30	43
Total comprehensive Income for the period	13,882	21,653	24,544	39,263
Total comprehensive income attributable to:				
Owners of the parent	13,629	21,465	24,628	39,347
Non-controlling Interest	253	188	(84)	(84)
	13,882	21,653	24,544	39,263

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 OCTOBER 2018

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/10/2018 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/4/2018 (RM'000) (Audited)
ASSETS		
Non-current assets		
Property, Plant and Equipment	84,692	83,344
Investment properties	58,846	55,950
Investment in jointly control entity	2,180	2,166
Investment in an associates	-	-
Other Investments	12	12
Goodwill arising from consolidation	85	85
Trade receivables - non current	1,652	1,623
Deferred tax assets	1,159	1,615
	148,626	144,795
Current Assets		
Inventories	100,593	91,184
Trade and other receivables	29,702	33,406
Other Investments		
Financial assets at fair value through profit or loss	56,012	57,941
Cash and Cash Equivalents	63,311	68,674
	249,618	251,205
TOTAL ASSETS	398,244	396,000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	157,257	157,092
Treasury Shares	(23,404)	(21,581)
Other reserves	1,267	1,278
Retained earnings	164,173	171,116
	299,293	307,905
Non-controlling interest	10,561	11,019
Total Equity	309,854	318,924
Non-current Liabilities		
Borrowings	-	-
Deferred tax	455	400
	455	400
Current Liabilities		
Trade & other payables	81,186	66,785
Short term borrowings	1,561	1,405
Short-term provisions	1,863	3,248
Current tax payables	3,325	5,238
	87,935	76,676
Total Liabilities	88,390	77,076
TOTAL EQUITY AND LIABILITIES	398,244	396,000
Net assets per share attributable to ordinary equity holders of the parent (RM)	**1.03**	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 OCTOBER 2018

	2019 6-month ended 31/10/2018 (RM '000)	2018 6-month ended 31/10/2017 (RM '000)
Profit before tax	32,700	50,955
Adjustment for :-		
Depreciation	2,363	1,938
Dividend income	(879)	(952)
Initial application of MFRSs adjustments	406	-
Equity settled share-based payment transaction	-	2,597
Fair value (gain)/loss on other investments	3	(275)
Finance costs	77	75
Finance income	(594)	(762)
Gain/(loss) on disposal of property, plant and equipment	4	(1,097)
Gain/(loss) on disposal of other investment	(66)	(31)
Property, plant and equipment written off	13	22
Share of profit of equity-accounted investee, net of tax	(14)	(1)
Provision for sales campaign	(1,385)	(1,263)
Reversal of impairment gain		(225)
Unrealised foreign exchange differences	184	17
Operating profit before changes in working capital	32,812	50,998
Changes in working capital		
Inventories	(9,409)	(6,887)
Receipts from customers	5,458	1,485
Net Change in other receivables	(818)	(3,468)
Payment to suppliers, contractors and employees	(7,979)	(5,681)
Net Change in other payables	(1,304)	11,029
Payment of income taxes	(10,553)	(7,273)
	(24,605)	(10,795)
Net cash flows from operating activities	**8,207**	**40,203**
Investing Activities		
Accretion of equity interests in subsidiaries	(8)	(60)
Acquisition of other investments	(23,696)	(35,836)
Purchase of property, plant and equipment & IP	(6,636)	(7,104)
Proceeds from disposal of other investment	26,357	14,607
Proceeds from disposal of property, plant and equipment	8	1,286
Dividend received	210	7
Interest received	594	762
Net cash used in investing activities	**(3,171)**	**(26,338)**
Financing Activities		
Purchase of Company's own share	(1,823)	(220)
Proceeds from issue of share	123	5,144
Dividend paid	(8,728)	-
Interest paid	(77)	(75)
Repayment / drawdown of trade facilities	156	(1,854)
Net cash from/ (used in) financing activities	**(10,349)**	**2,995**
Net Changes in Cash & Cash Equivalents	(5,313)	16,860
Effect of exchange rate & fluctuations on cash held	(50)	42
Cash & Cash Equivalents at begining of financial period	68,674	76,848
Cash & Cash Equivalents at end of the financial period	**63,311**	**93,750**

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 OCTOBER 2018

	I------Attributable to Equity Holders of the Parent------I							
	I------Non distributable------I				Distributable			
	Share Capital	Treasury shares	Exchange fluctuation reserve	Capital reserve	Retained Earnings	Total	Non-controlling interest	Total Equity
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
6-month **ended 31 October 2018**								
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	-	-	-	-	406	406	-	406
Profit for the period	-	-	-	-	24,598	24,598	(84)	24,514
Other comprehensive income for the period	-	-	30	-	-	30	-	30
Total comprehensive income for the period	-	-	30	-	24,598	24,628	(84)	24,544
Employees ' share option reserve	41	-	-	(41)	-	-	-	-
Share issued pursuant to ESOS	124	-	-	-	-	124	-	124
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	17	17	(25)	(8)
Dividend	-	-	-	-	(31,964)	(31,964)	(349)	(32,313)
Purchase of Company's own shares	-	(1,823)	-	-	-	(1,823)	-	(1,823)
Balance at end of financial period	**157,257**	**(23,404)**	**(26)**	**1,293**	**164,173**	**299,293**	**10,561**	**309,854**
6-month **ended 31 October 2017**								
Balance as at 1 May 2017	149,327	(19,687)	(343)	657	154,860	284,814	11,355	296,169
Profit for the period	-	-	-	-	39,304	39,304	(84)	39,220
Other comprehensive income for the period		-	43	-	-	43		43
Total comprehensive income for the period	-	-	43	-	39,304	39,347	(84)	39,263
Employees' share option reserve	1,691	-	-	906	-	2,597	-	2,597
Share issued pursuant to ESOS	5,144	-	-	-	-	5,144	-	5,144
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	242	242	(302)	(60)
Dividend	-	-	-	-	(31,983)	(31,983)	(223)	(32,206)
Purchase of Company's own shares	-	(220)	-	-	-	(220)	-	(220)
Balance at end of financial period	**156,162**	**(19,907)**	**(300)**	**1,563**	**162,423**	**299,941**	**10,746**	**310,687**

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 October 2018 by RM 369,506.

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 October 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 October 2018 by RM 4.18 million.

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 2.90 million for the period ended 31 October 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 202,418 for the period ended 31 October 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 October 2018 by RM 2.70 million.

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 October 2018 are as follows:

	Number of Treasury shares	**Total Cost Consideration RM**
Balance as at 1 Aug 2018	9,477,488	22,415,432
Repurchased during the quarter	243,400	988,269
Balance as at 31 Oct 2018	**9,720,888**	**23,403,701**

The repurchase transactions were financed by internally generated funds.

As at 7 December 2018, the treasury shares held were 9,888,088 shares with a total purchase consideration of RM 23,927,345.

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

During the period under review, a total of 34,000 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 October 2018, the issued share capital of the Company increased to RM 157,256,450 included the further capitalisation of ESOS reserve to share capital of RM 40,572. With effect thereof, the total number of shares issued of the Company increased to 300,297,890.

Subsequent to the second quarter ended 31 October 2018, there was no ESOS options exercised.

A6 Dividend paid

A final single tier dividend of 11 sen, amounting to RM 31,963,470 in respect of the previous financial year ended 30 April 2018 as approved by the shareholders at the Annual General Meeting held on 25 September 2018 was paid on 22 November 2018.

A7 Segment information

Details of segmental analysis for the period ended 31 October 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	121,197	30,692	18,443	1,924	-	**172,256**
Inter-segment revenue	166	49,249	8	2,961	(52,384)	-
Total revenue	121,363	79,941	18,451	4,885	(52,384)	172,256
RESULT						
Segment profit/(loss)	24,388	5,778	(30)	1,827	206	**32,169**
Finance costs						(77)
Interest income						594
Share of loss of equity-accounted investee, net of tax						14
Profit before taxation						32,700
Income tax expenses						(8,186)
Net profit for the period						**24,514**

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	155,568	171,517	33,504	37,655	-	**398,244**
Segment liabilities	58,625	24,437	2,202	3,126	-	**88,390**

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 October 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:

During the period under review, a wholly-owned subsidiary, Hai-O (Guangzhou) Trading Ltd had disposed off entire of its 49% equity interest in Qian Ti Healthcare Technology Ltd ("Qian Ti") for a total cash consideration of RMB 1.47 million. With effect thereof, Qian Ti ceased to be an associate company of the Group.

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 7/12/2018**	**As at 31/10/2018**	**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 7/12/2018**	**As at 31/10/2018**	**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	628	828	819

A12 Capital commitment

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

	Approved, contracted but not provided for
	RM'000
Property, plant and equipment	851
Total	**851**

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 year to date

	Individual Period (2nd Quarter)				
	Before MFRS Adjustments 31/10/2018 (RM '000)	Effects of MFRS (RM '000)	After MFRS Adjustments 31/10/2018 (RM '000)	Preceding Year Corresponding Quarter 31/10/2017 (RM '000)	Changes
Revenue	94,477	(2,306)	92,171	123,528	(25.4)%
Gross Profit	33,640	2,036	35,676	42,700	(16.4)%
Operating Profit	16,858	1,139	17,997	27,421	(34.4)%
Profit Before Tax	17,122	1,139	18,261	27,850	(34.5)%
Profit After Tax	12,715	1,139	13,854	21,626	(35.9)%
Profit Attributable to Ordinary Equity Holders of the Parent	12,462	1,139	13,601	21,438	(36.6)%

	Year-to-date ended				
	Before MFRS Adjustments 31/10/2018 (RM '000)	Effects of MFRS (RM '000)	After MFRS Adjustments 31/10/2018 (RM '000)	Preceding Year Corresponding Period 31/10/2017 (RM '000)	Changes
Revenue	177,114	(4,858)	172,256	248,065	(30.6)%
Gross Profit	65,927	1,920	67,847	83,804	(19.0) %
Operating Profit	31,215	954	32,169	50,267	(36.0)%
Profit Before Tax	31,746	954	32,700	50,955	(35.8)%
Profit After Tax	23,560	954	24,514	39,220	(37.5)%
Profit Attributable to Ordinary Equity Holders of the Parent	23,644	954	24,598	39,304	(37.4)%

Statement of profit & loss and other comprehensive income

For the first half of the financial year, the Group recorded lower revenue of RM 172.3 million, a decrease of 30.6% as compared to the previous year corresponding quarter of RM 248.1 million, after factored in the impact of MFRS 9 and MFRS 15 which was effective on or after 1 January 2018. The external revenue increased by about 4.0% in the Wholesale division which was mainly contributed by higher sales of premium patented medicine and Chinese medicated tonic, however it was offset by lower revenue in the Multi-level marketing ("MLM") division, a decrease of 38.8%.

The Group's gross profit margin was 37.2% before factored in the impact of MFRS 9 and MFRS 15, as compared to previous year of 33.8%, it improved by about 3.4% as a result of higher margin in the MLM division and 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 32.7 million as compared to previous year corresponding period of RM 51.0 million, a decrease of 35.8%. The decrease in pre-tax profit was mainly attributable to lower revenue registered in the MLM and higher marketing and branding costs incurred. In addition, a one-off 6% rebate promotion on sales was carried out in May 2018 prior to the abolishment of GST on 1 June 2018 amounting to RM 0.9 million and the higher CSR cost of RM 1.3 million incurred during the period had further lowered the bottom line.

Statement of financial position

The equity attributable to equity holders of the parent stood at RM 299.3 million, a reduction of 2.7% as compared to previous financial year ended 30 April 2018 of RM 307.9 million, after taking into account the final dividend of RM 31.9 million. During the period under review, a total of 34,000 ESOS options ("Hai-O shares") were exercised and listed on the Main Market of Bursa Securities. With effect thereof, the issued share capital increased to RM 157.3 million accordingly.

The Group's total assets as at 31 October 2018 stood at RM 398.2 million (FYE 30.4.2018: RM 396.0 million). The increase in total assets by RM 2.2 million was mainly due to the increase in property, plant and equipment and investment properties by RM 4.2 million and increase in inventories of RM 9.4 million to cater for wider product range offered by the Group despite a reduction in cash and cash equivalents and trade and other receivables.

The Group's total liabilities was RM 88.4 million (FYE 30.4.2018: RM 77.1 million). This was mainly due to the increase in trade and other payables.

The net assets per share was RM 1.03 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 119.3 million.

The net cash flow from operating activities was RM 8.2 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 the investing activities included the purchase of property, plant and equipment and investment properties with a total outflow of RM 3.2 million. The net cash used in financing activities was an outflow of about RM 10.3 million after dividend payment of RM 8.7 million and purchase of treasury shares amounting to RM 1.8 million. As a result, the Group recorded a net decrease in cash and cash equivalent by RM 5.3 million to RM 63.3 million in the current period.

Segmental Analysis

Current quarter compared to the preceding year's corresponding quarter

For the 2nd quarter under review, the Group registered lower revenue and pre-tax profit of RM 92.2 million and RM 18.3 million as compared to RM 123.5 million and RM 27.9 million, of the preceding year's corresponding quarter, decreased by 25.4% and 34.5% respectively. Excluding the adjustment arising from MFRS, the revenue and pre-tax profit was RM 94.5 million and RM 17.1 million.

(i) *MLM division*

The revenue and pre-tax profit decreased by about 33.9% and 28.4% to RM 63.2 million and RM 14.3 million as compared to the preceding year's corresponding quarter of RM 95.5 million and RM 19.9 million, respectively. The drop in both sales and profit was because of higher based in the preceding year's corresponding quarter driven by the successful 25th year anniversary grand sales promotion, higher members' recruitment and recurring sales of consumer products.

(ii) *Wholesale division*

The external revenue increased by about 4.1%, from RM 16.5 million to RM 17.1 million mainly contributed by higher sales from the Chinese medicated tonic and premium patented medicine.

Despite higher margin contribution from the Chinese medicated tonic and premium patented medicine, the pre-tax profit declined by 62.3% to RM 2.4 million mainly due to lower contribution from inter-segment sales.

(iii) *Retail division*

The revenue increased marginally by 4.3% to RM 10.8 million mainly derived from higher sales of its house-brand products. During the quarter under review, the division had launched 2 new house-brand products which had contributed additional revenue of about RM 0.3 million to the division. Accordingly, the pre-tax profit increased to RM 0.6 million due to higher profit margin as compared to RM 0.5 million of the preceding year's corresponding quarter.

Current financial period compared to the preceding year's corresponding period

For the first half of the current financial year, the Group registered lower revenue and pre-tax profit of RM 172.3 million and RM 32.7 million as compared to RM 248.1 million and RM 51.0 million, representing a decrease of 30.6% and 35.8% respectively for the corresponding quarter of the preceding year. Excluding the adjustment arising from MFRS, the revenue and pre-tax profit was RM 177.1 million and RM 31.7 million. Despite an increase in revenue in the Wholesale division by 4.0%, it was offset by lower revenue in the MLM division, a decrease of 38.8%:

(i) *MLM division*

The division was facing challenges during the first half of the financial year, the slow-down in members' recruitment and business activities of its members after the GE 14 had affected its financial performance. The division recorded lower revenue of RM 121.2 million as compared to the previous year's corresponding quarter of RM 197.9 million. Excluding the adjustment arising from MFRSs, the revenue was RM 125.7 million. This was attributable to higher based in the previous year's corresponding quarter due to the overwhelming response of the 25th anniversary grand sales promotion and successful overseas incentive trip campaign to Gold Coast, Australia. In addition, the newly launched products included "infinence" brand beauty and lifestyle related series and some food & beverage products had contributed RM 7.5 million to the revenue during the period under review.

The division registered lower pre-tax profit of RM 24.9 million compared to the previous year's corresponding quarter of RM 38.9 million, mainly attributable to lower revenue achieved and additional 6% rebate promotion given to members prior to the abolishment of GST amounting to approximately RM 0.9 million was absorbed by the division. The higher marketing and branding costs amounting to about RM 1.0 million incurred on newly launched fashion, beauty and lifestyle products has further lowered down the bottom line.

(ii) *Wholesale division*

The division recorded higher external revenue of RM 30.7 million as compared to the preceding year's corresponding quarter of RM 29.5 million, an increase of about 4.0%. The increase in revenue was mainly attributable to higher sales from Chinese medicated tonic and premium patented medicine. Furthermore, the aggressive sales activities carried out by salesperson had increased the productivity and further contributed to the increase in revenue.

Despite the increase in revenue, the pre-tax profit was lowered by 37.4% to RM 6.0 million mainly due to lower contribution from inter-segment sales and higher CSR costs amounting to RM 1.3 million incurred during the period.

(iii) *Retail division*

The revenue maintained at RM 18.5 million with bottom line remain at break-even level as compared to the preceding year's corresponding period. The consumer sentiment remain subdued in spite of an aggressive promotion campaign been carried during the period, the response from consumer was not encouraging as consumer are more cautious in their spending in view of the uncertainty on the outlook of the domestic economy.

(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.

With its total external revenue maintained at about RM 2.0 million as compared to the preceding year's corresponding quarter, the pre-tax profit of Others division was lowered by about 25.4%, from RM 2.4 million to RM 1.8 million mainly due to lower inter-segment sales in the manufacturing division. The manufacturing segment currently focused on the inter-segment's OEM sales to MLM and Retail divisions.

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 31/10/2018 (RM '000)	**Immediate Preceding Quarter 31/7/2018 (RM '000)**	**Changes**
Revenue	92,171	80,085	15.1%
Gross Profit	35,676	32,171	10.9%
Operating Profit	17,997	14,172	27.0%
Profit Before Tax	18,261	14,439	26.5%
Profit After Tax	13,854	10,660	30.0%
Profit Attributable to Ordinary Equity Holders of the Parent	13,601	10,997	23.7%

For the 2nd quarter under review, the Group recorded higher revenue and pre-tax profit of RM 92.2 million and RM 18.3 million, increased by 15.1% and 26.5% as compared with the immediate preceding quarter of RM 80.1 million and RM 14.4 million, respectively.

(i) *MLM division*

Higher sales from the newly launched "infinence" brand beauty and lifestyle related range of products and the overseas incentive trip sales campaign had helped to boost the revenue in the 2nd quarter which increased by about 8.8% to RM 63.2 million as compared with the immediate preceding quarter of RM 58.0 million. Correspondently, the pre-tax profit increased by 34.1% to RM 14.3 million mainly due to the higher contribution from the "small ticket" items with higher margin and lower marketing costs incurred in the 2nd quarter.

(ii) *Wholesale division*

The revenue increased by 26.4% to RM 17.1 million as compared with the immediate preceding quarter of RM 13.6 million mainly attributable to higher sales from Chinese medicated tonic. However, it was offset by lower contribution from inter-segment sales hence the pre-tax profit decreased by 36.0% to RM 2.4 million.

(iii) *Retail division*

The revenue increased by 42.1% to RM 10.8 million as compared with the immediate preceding quarter of RM 7.6 million mainly derived from its half yearly members' grand sales promotion campaign. In tandem with the higher revenue achieved, the division registered a pre-tax profit of about RM 0.6 million against the loss of RM 0.6 million in the immediate preceding quarter.

B3 Commentary on prospects for the next quarter

The slow-down of global economic growth, the uncertainty on the development of US-China trade disputes and the weakening of Ringgit Malaysia against USD currency will continue to have a negative impact to the remaining half of the financial year. The Group is mindful of the negative impact on domestic economic and consumers' sentiment and will take the necessary steps to ensure its competitiveness.

The MLM division will continue to focus on new product development to widen its product range and launch a promotion and incentive campaign in the second half of the financial year. Moreover, to sustain its distributors' base, it will intensify the new members' recruitment and retention programs. As Chinese New Year ("CNY") festive season is approaching, the Wholesale and Retail divisions will carry out an extensive CNY promotion campaign via social media platform to reach out to a younger and wider group of customers and is expected to bring in more revenue in the next quarter.

In view of the above, the Board of Directors remains cautiously optimistic of the Group's performance 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 October 2018 are as follow:

	RM '000
Not past due	18,047
Past due 1-30 days	939
Past due 31-60 days	241
Past due more than 60 days & not impaired	1,822
Past due more than 60 days & impaired	612
	21,661

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 quarter under review and 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 **31/10/2018** **(RM '000)**	**Current year to date** **31/10/2018** **(RM '000)**
Profit before taxation	18,261	32,700
Taxation at applicable tax rate – 24%	4,383	7,848
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	24	338
Total Income Tax Expenses	**4,407**	**8,186**

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 31/10/2018				
Group Borrowings	**Currency**	**Secured/ Unsecured**	**Type of borrowing**	**RM'000**
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,561
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				**1,561**

Preceding period ended 31/10/2017				
Group Borrowings	**Currency**	**Secured/ Unsecured**	**Type of borrowings**	**RM'000**
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,192
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				**1,192**

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 Payable

The Board of Directors is pleased to declare a single tier interim dividend of 4 sen per share in respect of the financial year ending 30 April 2019 (31/10/2017: 6 sen single tier interim dividend).

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
	31/10/2018	31/10/2017	**31/10/2018**	31/10/2017
Earnings				
Net profit for the period attributable to equity holders of the parent (RM'000)	13,601	21,438	24,598	39,304
Weighted average number of shares ('000)	290,619	289,511	290,619	289,511
Weighted average number of shares for diluted EPS ('000)	290,718	-	290,718	-
Basic earnings per share (sen)	4.68	7.40	8.47	13.58
Dilutive earnings per share (sen)	4.67	n.a.	8.46	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
	31/10/2018 RM' 000	31/10/2017 RM' 000	**31/10/2018 RM' 000**	31/10/2017 RM' 000
Profit before taxation is arrived at after (charging)/crediting:				
Interest income	279	442	594	762
Other income including investment Income	1,158	3,214	2,117	5,426
Interest expense	(25)	(15)	(77)	(75)
Depreciation and amortization	(1,226)	(980)	(2,363)	(1,938)
Provision for and write off of receivables	-	(176)	(71)	(176)
Provision for and write off of inventories	(477)	(55)	(528)	(238)
Loss on disposal of quoted or unquoted investment and/or PPE	62	539	62	1,097
Reversal of impairment of assets	-	225	-	225
Foreign exchange gain/(loss):				
- Realised	119	(209)	212	(72)
- Unrealised	(47)	(1)	(184)	(17)
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-