HAI-O ENTERPRISE BHD

Company No: 22544-D

(Incorporated in Malaysia)

Unaudited Interim Financial Report

31 January 2019

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

Quarterly report on consolidated results for the financial period ended 31 January 2019
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE QUARTER ENDED 31 JANUARY 2019

	INDIVIDUAL PERIOD (3rd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/01/2019	PRECEDING YEAR CORRESPONDING QUARTER 31/01/2018	CURRENT YEAR TO DATE 31/01/2019	PRECEDING YEAR CORRESPONDING PERIOD 31/01/2018
	RM'000	RM'000	RM'000	RM'000
Revenue	86,156	103,067	258,412	351,132
Cost of sales	(53,539)	(63,652)	(157,948)	(227,913)
Gross Profit	32,617	39,415	100,464	123,219
Other income	1,862	3,436	3,979	8,862
Depreciation	(1,259)	(1,018)	(3,622)	(2,956)
Administrative expenses	(4,988)	(5,449)	(18,750)	(21,863)
Selling & distribution expenses	(11,452)	(13,598)	(32,551)	(33,512)
Other expenses	(130)	(200)	(701)	(897)
Operating Profit	**16,650**	**22,586**	**48,819**	**72,853**
Interest income	288	459	882	1,221
Finance costs	(32)	(35)	(109)	(110)
Share of profit/(loss) of equity-accounted investee, net of tax	18	26	32	27
Share of loss of associate company	-	-	-	-
Profit before tax	16,924	23,036	49,624	73,991
Tax expenses	(4,124)	(5,800)	(12,310)	(17,535)
Profit after tax	**12,800**	**17,236**	**37,314**	**56,456**
Profit attributable to:				
Owners of the parent	12,790	17,265	37,388	56,569
Non-controlling interest	10	(29)	(74)	(113)
	12,800	17,236	37,314	56,456
Earnings Per Share attributable to equity holders of the parent				
- Basic	4.40	5.95	12.86	19.50
- Diluted	4.39	n.a.	12.85	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 January 2019
The figures have not been audited.

CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 JANUARY 2019

	INDIVIDUAL PERIOD (3rd Quarter)		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER 31/01/2019	PRECEDING YEAR CORRESPONDING QUARTER 31/01/2018	CURRENT YEAR TO DATE 31/01/2019	PRECEDING YEAR CORRESPONDING PERIOD 31/01/2018
	RM'000	RM'000	RM'000	RM'000
Profit for the period	12,800	19,221	37,314	56,456
Other comprehensive income				
- Foreign currency translation differences for foreign operations	28	69	30	112
Total comprehensive Income for the period	12,828	19,290	37,344	56,568
Total comprehensive income attributable to:				
Owners of the parent	12,818	19,319	37,418	56,681
Non-controlling Interest	10	(29)	(74)	(113)
	12,828	19,290	37,344	56,568

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 JANUARY 2019

	AS AT CURRENT FINANCIAL QUARTER ENDED 31/01/2019 (RM'000)	AS AT PRECEDING FINANCIAL YEAR ENDED 30/04/2018 (RM'000) (Audited)
ASSETS		
Non-current assets		
Property, Plant and Equipment	83,734	83,344
Investment properties	58,614	55,950
Investment in jointly control entity	2,198	2,166
Investment in an associates	-	-
Other Investments	12	12
Goodwill arising from consolidation	85	85
Trade receivables - non current	1,565	1,623
Deferred tax assets	621	1,615
	146,829	144,795
Current Assets		
Inventories	99,355	91,184
Trade and other receivables	29,807	33,406
Other Investments		
Financial assets at fair value through profit or loss	36,106	57,941
Cash and Cash Equivalents	56,029	68,674
	221,297	251,205
TOTAL ASSETS	368,126	396,000
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the parent		
Share capital	157,257	157,092
Treasury Shares	(24,053)	(21,581)
Other reserves	1,202	1,278
Retained earnings	165,367	171,116
	299,773	307,905
Non-controlling interest	10,676	11,019
Total Equity	310,449	318,924
Non-current Liabilities		
Borrowings	-	-
Deferred tax	412	400
	412	400
Current Liabilities		
Trade & other payables	51,950	66,785
Short term borrowings	1,981	1,405
Short-term provisions	2,242	3,248
Current tax payables	1,092	5,238
	57,265	76,676
Total Liabilities	57,677	77,076
TOTAL EQUITY AND LIABILITIES	368,126	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.

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE QUARTER ENDED 31 JANUARY 2019

	2019 9-month ended 31/01/2019 (RM '000)	2018 9-month ended 31/01/2018 (RM '000)
Profit before tax	49,624	73,991
Adjustment for :-		
Depreciation	3,622	2,956
Dividend income	(1,121)	(1,856)
Initial application of MFRSs adjustments	(390)	-
Equity settled share-based payment transaction	-	2,597
Fair value (gain)/loss on other investments	1	(26)
Finance costs	109	110
Finance income	(882)	(1,221)
Gain/(loss) on disposal of property, plant and equipment	(180)	(1,278)
Gain/(loss) on disposal of other investment	8	(134)
Property, plant and equipment written off	16	26
Share of profit of equity-accounted investee, net of tax	(32)	(28)
Provision for sales campaign	(1,006)	(1,215)
Reversal of impairment gain		(225)
Unrealised foreign exchange differences	96	67
Operating profit before changes in working capital	49,865	73,764
Changes in working capital		
Inventories	(8,171)	(20,360)
Receipts from customers	5,957	1,728
Net Change in other receivables	(1,718)	(3,652)
Payment to suppliers, contractors and employees	(7,363)	(5,068)
Net Change in other payables	(8,803)	3,645
Payment of income taxes	(16,843)	(15,554)
	(36,941)	(39,261)
Net cash flows from operating activities	**12,924**	**34,503**
Investing Activities		
Accretion of equity interests in subsidiaries	(15)	(62)
Acquisition of other investments	(29,792)	(63,666)
Purchase of property, plant and equipment & IP	(6,720)	(14,539)
Proceeds from disposal of other investment	52,460	47,366
Proceeds from disposal of property, plant and equipment	208	2,066
Dividend received	279	1,856
Interest received	882	1,221
Net cash from/(used in) investing activities	**17,302**	**(25,758)**
Financing Activities		
Purchase of Company's own share	(2,472)	(956)
Proceeds from issue of share	123	5,459
Proceeds from resale of treasury share		3,340
Dividend paid	(40,910)	(31,983)
Interest paid	(109)	(110)
Repayment / drawdown of trade facilities	577	(1,068)
Net cash from/ (used in) financing activities	**(42,791)**	**(25,318)**
Net Changes in Cash & Cash Equivalents	(12,565)	(16,573)
Effect of exchange rate & fluctuations on cash held	(80)	(178)
Cash & Cash Equivalents at begining of financial period	68,674	76,848
Cash & Cash Equivalents at end of the financial period	**56,029**	**60,097**

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 JANUARY 2019

	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)
9-month **ended 31 January 2019**								
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	-	-	-	-	37,388	37,388	(74)	37,314
Other comprehensive income for the period	-	-	(35)	-	-	(35)	-	(35)
Total comprehensive income for the period	-	-	(35)	-	37,388	37,353	(74)	37,279
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	-	-	-	-	36	36	(51)	(15)
Dividend	-	-	-	-	(43,579)	(43,579)	(218)	(43,797)
Purchase of Company's own shares	-	(2,472)	-	-	-	(2,472)	-	(2,472)
Balance at end of financial period	**157,257**	**(24,053)**	**(91)**	**1,293**	**165,367**	**299,773**	**10,676**	**310,449**
9-month **ended 31 January 2018**								
Balance as at 1 May 2017	149,327	(19,687)	(343)	657	154,860	284,814	11,355	296,169
Profit for the period	-	-	-	-	56,569	56,569	(113)	56,456
Other comprehensive income for the period		-	112	-	-	112		112
Total comprehensive income for the period	-	-	112	-	56,569	56,681	(113)	56,568
Employees' share option reserve	1,794	-	-	802	-	2,596	-	2,596
Share issued pursuant to ESOS	5,460	-	-	-	-	5,460	-	5,460
Acquisition on additional interest in a subsidiary from non-controlling interest	-	-	-	-	127	127	(189)	(62)
Dividend	-	-	-	-	(49,468)	(49,468)	(223)	(49,691)
Resale of Company's treasury shares	-	1,355	-	-	-	1,355	-	1,355
Purchase of Company's own shares	-	(956)	-	-	-	(956)	-	(956)
Balance at end of financial period	**156,581**	**(19,288)**	**(231)**	**1,459**	**162,088**	**300,609**	**10,830**	**311,439**

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 the 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 and fair value through profit or loss , and eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale financial assets.

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 goods or services 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 expected to 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 January 2019 by RM 629,524.

Multi-level marketing Division

Variable consideration

Sales of goods and Right of return

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 expected to 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 January 2019.

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 January 2019 by RM 6.14 million.

New and renewed member fee

Previously, the Group classified 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 4.20 million for the period ended 31 January 2019.

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 redeemed as A&P expenses. The reclassification from A&P expenses to revenue did not have any impact on the retained earnings as a 1 May 2018 but it reduced the A&P expense and revenue by RM 1.51 million for the period ended 31 January 2019.

The Group has elected to adopt cumulative effect retrospective method, it will need to identify the opening and closing of contract liabilities. Based on the initial assessment, the Group adjusted the reduction of revenue of RM 1.22 million to reduce retained earnings as at 1 May 2018. The subsequent assessment of timing of revenue recognition increased the revenue by RM 0.39 million for the period ended 31 January 2019.

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 January 2019 by RM 4.01 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 RM	Retrospective adjustment of MFRS RM	After MFRS Adjustments 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	-	2,950,915	2,950,915
Trade and other payables	66,785,505	(4,168,544)	62,616,961
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 January 2019 were as follows:

	Number of Treasury shares	**Total Cost Consideration RM**
Balance as at 1 Nov 2018	9,720,888	23,403,701
Repurchased during the quarter	211,500	649,543
Balance as at 31 Jan 2019	**9,932,388**	**24,053,244**

The repurchase transactions were financed by internally generated funds.

Subsequent to the third quarter ended 31 January 2019, there was no additional purchase of treasury shares.

ii) The details of shares issued pursuant to ESOS for the period ended 31 January 2019 were as follows:

During the period under review, a total of 34,000 ESOS options were exercised at a subscription price of RM 3.63 per share and granted with listing and quotation on the Main Market of Bursa Securities. As at 31 January 2019, 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 third quarter ended 31 January 2019, there was no ESOS options exercised.

A6 Dividend paid

The first single tier interim dividend of 4 sen, amounting to RM 11,614,620 in respect of the current financial year ending 30 April 2019 was paid on 7 March 2019.

A7 Segment information

Details of segmental analysis for the period ended 31 January 2019 were 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	177,463	46,916	30,990	3,043	-	**258,412**
Inter-segment revenue	204	71,358	11	5,473	(77,046)	-
Total revenue	177,667	118,274	31,001	8,516	(77,046)	258,412
RESULT						
Segment profit/(loss)	36,268	8,859	431	3,231	30	**48,819**
Finance costs						(109)
Interest income						882
Share of loss of equity-accounted investee, net of tax						32
Profit before taxation						49,624
Income tax expenses						(12,310)
Net profit for the period						**37,314**

	Multi-Level Marketing	Wholesale	Retail	Others	Elimination	Consolidated
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Segment assets	131,889	169,925	35,299	31,013	-	**368,126**
Segment liabilities	22,956	31,747	2,019	955	-	**57,677**

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 January 2019.

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 2,000 ordinary shares of Hai-O Raya Bhd for a total cash consideration of RM 5,600 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 were as follows :-

Company	**As at 15/03/2019**	**As at 31/01/2019**	**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 15/03/2019**	**As at 31/01/2019**	**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	628	819

A12 Capital commitment

The capital commitment of the Group for the period ended 31 January 2019 was as follows:

	Approved, contracted but not provided for
	RM'000
Property, plant and equipment	292
Total	**292**

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 (3rd Quarter)				
	Before MFRS Adjustments	**Effects of MFRS**	**After MFRS Adjustments**	**Preceding Year Corresponding Quarter**	**Changes**
	31/01/2019 (RM '000)	**(RM '000)**	**31/01/2019 (RM '000)**	**31/01/2018 (RM '000)**	
Revenue	89,008	(2,852)	86,156	103,067	(16.4)%
Gross Profit	32,272	345	32,617	39,415	(17.2)%
Operating Profit	17,268	(618)	16,650	22,586	(26.3)%
Profit Before Tax	17,542	(618)	16,924	23,036	(26.5)%
Profit After Tax	13,418	(618)	12,800	17,236	(25.7)%
Profit Attributable to Ordinary Equity Holders of the Parent	13,408	(618)	12,790	17,265	(25.9)%

	Year-to-date ended				
	Before MFRS Adjustments	**Effects of MFRS**	**After MFRS Adjustments**	**Preceding Year Corresponding Period**	**Changes**
	31/01/2019 (RM '000)	**(RM '000)**	**31/01/2019 (RM '000)**	**31/01/2018 (RM '000)**	
Revenue	266,122	(7,710)	258,412	351,132	(26.4)%
Gross Profit	98,199	2,265	100,464	123,219	(18.5) %
Operating Profit	48,483	336	48,819	72,853	(33.0)%
Profit Before Tax	49,288	336	49,624	73,991	(32.9)%
Profit After Tax	36,978	336	37,314	56,456	(33.9)%
Profit Attributable to Ordinary Equity Holders of the Parent	37,052	336	37,388	56,569	(33.9)%

Statement of profit & loss and other comprehensive income

For the nine month period ended 31 January 2019, the Group recorded lower revenue of RM 258.4 million, a decrease of 26.4% as compared to the previous year corresponding quarter of RM 351.1 million, after factored in the impact of MFRS 9 and MFRS 15 which was effective on or after 1 January 2018. The Multi-level marketing ("MLM") division posted lower revenue during the current period, a decrease of 35.1%.

The Group's gross profit margin was 36.9% before factored in the impact of MFRS 9 and MFRS 15, as compared to previous year of 35.0%, it improved by about 1.8% as a result of higher margin contribution from "small-ticket" items in MLM division and higher sales contribution from Wholesale division which command higher margin. However, the Group recorded lower pre-tax profit of RM 49.6 million as compared to previous year corresponding period of RM 74.0 million, a decrease of 32.9%. The decrease in pre-tax profit was mainly attributable to lower revenue registered in MLM division and higher marketing and branding costs amounting to approximately RM 1.2 million incurred during the period. In addition, a one-off 6% rebate on sales carried out in May 2018 prior to the abolishment of GST on 1 June 2018 amounting to RM 0.9 million and higher CSR cost of RM 1.4 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 299.8 million, a reduction of 2.6% as compared to previous financial year ended 30 April 2018 of RM 307.9 million, after taking into account the final dividend in respect of previous financial year 2018 of RM 31.9 million and an interim dividend of RM 11.6 million which was declared in December 2018. 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 January 2019 stood at RM 368.1 million (FYE 30.4.2018: RM 396.0 million). The reduction in total assets by RM 27.9 million was mainly due to the decrease in cash and cash equivalents and short term investment after net of dividend paid out amounting to RM 40.9 million during the period ended 31 January 2019.

The Group's total liabilities was RM 57.7 million (FYE 30.4.2018: RM 77.1 million). This was mainly due to the decrease 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 was RM 56.0 million.

The net cash flow from operating activities was RM 12.9 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, payment to suppliers, contractors and employees, other payables and income tax payment. The net cash from investing activities was an inflow of RM 17.3 million after net of proceeds from disposal of other investment amounting to RM 52.5 million. The net cash used in financing activities was an outflow of about RM 42.8 million after dividend payment of RM 40.9 million and purchase of treasury shares of RM 2.5 million. As a result, the Group recorded a net decrease in cash and cash equivalent by RM 12.6 million to RM 56.0 million in the current period.

Segmental Analysis

Current quarter compared to the preceding year's corresponding quarter

For the 3rd quarter under review, the Group registered lower revenue and pre-tax profit of RM 86.2 million and RM 16.9 million as compared to RM 103.1 million and RM 23.0 million recorded in the preceding year's corresponding quarter, representing a decrease by 16.4% and 26.5% respectively. Excluding the adjustment arising from MFRS, the revenue and pre-tax profit were RM 89.0 million and RM 17.5 million respectively.

(i) *MLM division*

The revenue and pre-tax profit decreased by about 25.5% and 16.5% to RM 56.3 million and RM 12.1 million as compared to the preceding year's corresponding quarter of RM 75.5 million and RM 14.5 million, respectively. Lower number of new members' recruitment and sales of consumer products had affected the financial performance of the division in the quarter under review. Despite the moderate growth in domestic economy, the overall consumer sentiment remains weak which has affected the spending power of the members. Hence, distributors are facing challenges in sustaining the sales.

(ii) *Wholesale division*

The external revenue maintained at about RM 17.0 million as compared to the preceding year's corresponding quarter. Despite additional sales generated from patented medicine and CNY hamper's sales, it was offset by the drop in sales of other products. The lower pre-tax profit of RM 3.0 million recorded in Q3 FY 2019 was mainly attributable to lower contribution from inter-segment sales.

(iii) *Retail division*

The aggressive Chinese New Year ("CNY") advertising & promotion campaign carried out during the period had raised up the revenue by 34.7% to RM 12.6 million as compared to the preceding year's corresponding quarter as the CNY sales promotion was reflected in the 4th quarter of last financial year 2018. In tandem with the higher revenue achieved, the pre-tax profit increased to RM 0.5 million.

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

For the nine month period ended 31 January 2019, the Group posted lower revenue and pre-tax profit of RM 258.4 million and RM 49.6 million as compared to RM 351.1 million and RM 74.0 million, representing a decrease of 26.4% and 32.9% respectively for the corresponding quarter of the preceding year. Excluding the adjustment arising from MFRS, the revenue and pre-tax profit were RM 266.0 million and RM 49.3 million respectively. The decrease in the Group's revenue was mainly attributable to lower sales from MLM division.

(i) *MLM division*

The division is continuously facing challenges during the period, the slow-down in new members' recruitment and business activities had affected the financial performance of the division. It recorded lower revenue of RM 177.5 million as compared to the previous year's corresponding quarter of RM 273.4 million, a decrease of 35.1%. Excluding the adjustment arising from MFRSs, the revenue was RM 184.5 million. A higher base was recorded in the previous year's corresponding quarter due to the overwhelming response from the 25th anniversary grand sales promotion and successful overseas incentive trip campaign to Gold Coast, Australia.

MLM division recorded lower pre-tax profit of RM 37.0 million as compared to the previous year's corresponding quarter of RM 53.5 million, mainly attributable to lower revenue achieved. The sales promotion with an additional 6% rebate given to members prior to the abolishment of GST amounting to approximately RM 0.9 million was absorbed by the division. Furthermore, higher branding expenditures incurred for the newly established "Infinence" brand amounting to approximately RM 1.2 million had further lowered the pre-tax profit.

(ii) *Wholesale division*

Despite additional sales generated from CNY hampers sales via modern trade channels and higher sales from premium patented medicine, it was offset by the drop in sales of vintage tea and other products. Hence, the external revenue maintained at about RM 47.0 million as compared to the preceding year's corresponding quarter.

The pre-tax profit was lower by 45.8% to RM 9.0 million mainly due to lower contribution from inter-segment sales and higher CSR costs amounting to RM 1.4 million incurred during the period.

(iii) *Retail division*

In view of the CNY sale recorded in the 3rd quarter of this current financial year as opposed to 4th quarter of last financial year, the revenue increased by 11.4% to RM 31.0 million as compared to lower base in the preceding year's corresponding period of RM 27.8 million.

Despite higher A&P costs incurred during the CNY period, the division recorded higher pre-tax profit of RM 0.5 million as compared to preceding year's corresponding period of RM 0.2 million due to higher revenue generated from CNY sales campaign.

(iv) *Others division*

Revenue 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 3.1 million as compared to the preceding year's corresponding quarter, the pre-tax profit of Others division was lower by about 17.7%, to RM 3.2 million mainly due to lower inter-segment sales in the manufacturing division. The manufacturing segment is 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 31/01/2019 (RM '000)	**Immediate Preceding Quarter 31/10/2018 (RM '000)**	**Changes**
Revenue	86,156	92,171	(6.5)%
Gross Profit	32,617	35,676	(8.6)%
Operating Profit	16,650	17,997	(7.5)%
Profit Before Tax	16,924	18,261	(7.3)%
Profit After Tax	12,800	13,854	(7.6)%
Profit Attributable to Ordinary Equity Holders of the Parent	12,790	13,601	(6.0)%

For the 3rd quarter under review, the Group recorded lower revenue and pre-tax profit of RM 86.2 million and RM 16.9 million, decreased by 6.5% and 7.3% as compared with the immediate preceding quarter of RM 92.2 million and RM 18.3 million, respectively.

(i) *MLM division*

Higher base in the immediate preceding quarter mainly driven by the pre-26th anniversary sales and overseas incentive trip sales campaign. Hence, the revenue and pre-tax profit were lower by 10.9% and 15.0% to RM 56.3 million and RM 12.1 million respectively as compared with the immediate preceding quarter. Furthermore, lower number of new members' recruitment and long year-end holiday had further affected the business activities during the quarter under review.

(ii) *Wholesale division*

The external revenue maintained at RM 17.0 million as compared with the immediate preceding quarter. The additional sales generated from CNY hamper's sales was offset by the drop in sales of Chinese medicate tonic and patented medicine in the current 3rd quarter under review. However, the pre-tax profit increased by 25.9% to RM 3.0 million mainly due to higher contribution from inter-segment sales.

(iii) *Retail division*

The revenue increased by 15.9 % to RM 12.6 million mainly attributable to higher sales generated from CNY sales as compared with the immediate preceding quarter of RM 10.8 million. However, the pre-tax profit maintained at about RM 0.5 million mainly due to higher A&P expenses incurred during CNY promotion campaign.

B3 Commentary on prospects for the next quarter

The gloomy outlook of the global economy with the unresolved US-China Trade War and Brexit issues has spilt over to the domestic economy. Noting that the challenging business environment will continue to persist, the Group will re-assess its business strategies and will implement various measures to mitigate the negative impact to the business.

In view thereof, the MLM division will keep on to develop more "small- ticket" items with affordable prices to cater for the wider market needs. Furthermore, to sustain its member base, the division will re-strategise its members' recruitment and retention program to ensure it stays market relevant. The Wholesale division will continue to solicit more premium Chinese medicated products and other food products to widen its product base. Besides, it will carry on to expand its customer base including neighbourhood medical halls and modern trade channel network. As for the Retail division, it would further strengthen the business collaboration with various strategic partners and Chinese physicians to complement its retail business and to attract more crowd. The Retail division will continue to develop more house brand products to widen its product portfolio. It is the Group's business policy to always offer quality products at affordable prices.

The Board of Directors expects the Group will continue to be profitable amidst the challenging environment 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 January 2019 were as follow:

	RM '000
Not past due	17,019
Past due 1-30 days	1,066
Past due 31-60 days	498
Past due more than 60 days & not impaired	1,411
Past due more than 60 days & impaired	612
	20,606

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 **31/01/2019** **(RM '000)**	**Current year to date** **31/01/2019** **(RM '000)**
Profit before taxation	16,924	49,624
Taxation at applicable tax rate – 24%	4,062	11,910
Adjustment mainly due to certain non-allowable expenses and deferred tax recognized in the profit or loss	62	400
Total Income Tax Expenses	**4,124**	**12,310**

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 were as follows :

Current period ended 31/01/2019				
Group Borrowings	**Currency**	**Secured/ Unsecured**	**Type of borrowing**	**RM'000**
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,981
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				**1,981**

Preceding period ended 31/01/2018				
Group Borrowings	**Currency**	**Secured/ Unsecured**	**Type of borrowings**	**RM'000**
Short Term Borrowings	Ringgit Malaysia	Unsecured	Trade facilities	1,978
Short Term Borrowings	Ringgit Malaysia	Secured	-	-
Total				**1,978**

The short-term borrowings were 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 (31/1/2018: a second single tier interim dividend of 3 sen per ordinary share).

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
	31/01/2019	31/01/2018	**31/01/2019**	31/01/2018
Earnings				
Net profit for the period attributable to equity holders of the parent (RM'000)	12,790	17,265	37,388	56,569
Weighted average number of shares ('000)	290,876	290,127	290,876	290,127
Weighted average number of shares for diluted EPS ('000)	290,918	-	290,918	-
Basic earnings per share (sen)	4.40	5.95	12.86	19.50
Dilutive earnings per share (sen)	4.39	n.a.	12.85	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
	31/01/2019 RM' 000	31/01/2018 RM' 000	**31/01/2019 RM' 000**	31/01/2018 RM' 000
Profit before taxation is arrived at after (charging)/crediting:				
Interest income	288	459	882	1,221
Other income including investment Income	1,862	3,436	3,979	8,862
Interest expense	(32)	(35)	(109)	(110)
Depreciation and amortization	(1,259)	(1,018)	(3,622)	(2,956)
Provision for and write off of receivables	-	-	(71)	(176)
Provision for and write off of inventories	(573)	(52)	(1,101)	(290)
Gain/(Loss) on disposal of quoted or unquoted investment and/or PPE	110	90	172	1,281
Reversal of impairment of assets	-	-	-	225
Foreign exchange gain/(loss):				
- Realised	86	(19)	298	98
- Unrealised	88	17	(96)	67
Gain or loss on derivatives	-	-	-	-
Exceptional items	-	-	-	-