Hai-O Enterprise Berhad
(22544-D)

Innovation for Sustainability

ANNUAL **REPORT** 2017

Corporate Profile

Established in 1975, Hai-O has since become an established household name offering a wide range of complementary medicines (TCM), medicated tonic as well as wellness, beauty and healthcare products and clinical services. Providing superior quality healthcare products at reasonable prices is always our business philosophy.

Hai-O was the first traditional healthcare company listed on Bursa Malaysia Securities Berhad since 1996. From a humble beginning with a small start-up capital, Hai-O has over the years been resilient to ride through the many business challenges to emerge stronger now with an equity base of more than RM280 million with market capitalisation of more than RM1.2 billion. Its success had been honoured by various prestigious awards including the Forbes Awards (2007-2010).

The principal business of the Group involves wholesale and retail, multi-level marketing, pharmaceutical manufacturing and Chinese medicinal clinics. For over four decades, Hai-O had honed its expertise in building extensive and efficient distribution network and thereby has successfully gained market leadership in Malaysia.

Peking Tongrentang (M) Sdn Bhd, a joint venture company between the world-renowned Beijing Tongrentang and Hai-O has started its business in Kuala Lumpur since 2002 and achieved remarkable performance in offering TCM consultation services and high quality herbal medicines to the public.

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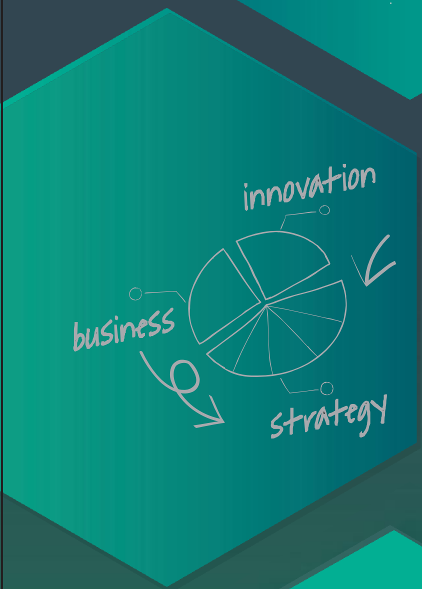


Mission
企 业 理 念

We are committed to promoting healthcare culture and improving human's well-being.

弘扬保健文化，创造幸福生活。

Vision
企 业 使 命

We aim to become the premier healthcare company in Malaysia and thereby bringing the greatest value and pride to our customers, business partners, employees and shareholders.

我们致力成为马来西亚最卓越的保健企业，为顾客，商业夥伴，员工及股东带来最高的价值与荣耀。

Corporate Values
企 业 价 值

- **S**ocial Responsibility
- **E**xcellent Service
- **A**ttitude
- **G**rowing
- **U**nity
- **L**oyalty
- **L**earning

CORPORATE INFORMATION
as at 30 August 2017

BOARD OF DIRECTORS

Tan Kai Hee
Group Executive Chairman, Non-Independent

Tan Keng Kang
Group Managing Director, Non-Independent

Hew Von Kin
Group Executive Director cum
Group Chief Financial Officer,
Non-Independent

Chow Kee Kan @ Chow Tuck Kwan
Senior Independent Non-Executive Director

Y. Bhg. Datin Sunita Mei-Lin Rajakumar
Independent Non-Executive Director

Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat
Non-Independent Non-Executive Director

Chia Kuo Wui
Non-Independent Non-Executive Director

Tan Kim Siong
Independent Non-Executive Director

Soon Eng Sing
Independent Non-Executive Director

AUDIT COMMITTEE

Y. Bhg. Datin Sunita Mei-Lin Rajakumar
Chairperson (Independent Non-Executive Director)

Chow Kee Kan @ Chow Tuck Kwan
Member (Senior Independent Non-Executive Director)

Tan Kim Siong
Member (Independent Non-Executive Director)

COMPANY SECRETARIES

Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)

AUDITORS

KPMG PLT (LLP0010081-LCA & AF 0758)
Chartered Accountants

REGISTERED OFFICE

Unit 621, 6th Floor, Block A, Kelana Centre Point,
No 3, Jalan SS7/19, Kelana Jaya,
47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: 03-7880 9699 Fax: 03-7880 8699
E-mail: info@corporatepartners.com.my

BUSINESS OFFICE

Wisma Hai-O, Lot 11995,
Batu 2, Jalan Kapar, 41400 Klang,
Selangor Darul Ehsan, Malaysia.
Tel : 03-3342 3322 Fax : 03-3342 8285
Website URL: www.hai-o.com.my
E-mail: info@hai-o.com.my

SHARE REGISTRAR

Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
Lot 6.05, Level 6, KPMG Tower,
8 First Avenue, Bandar Utama,
47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Tel: 03-7720 1188 Fax: 03-7720 1111
Email: boardroom-kl@boardroomlimited.com

PRINCIPAL BANKERS

OCBC Bank (Malaysia) Berhad (295400-W)
Bank of China (Malaysia) Berhad (511251-V)
Public Bank Berhad (6463-H)
CIMB Bank Berhad (13491-P)

ADVOCATES & SOLICITORS

Raja, Darryl & Loh
Chooi & Company
Tee Tai Tzian & Sim

STOCK EXCHANGE LISTING

Main Board of Bursa Malaysia Securities Berhad
Stock Name / Code: HAIO 7668
ISIN : MYL766800006

HAI-O ENTERPRISE BERHAD

(22544-D)

GROUP CORPORATE STRUCTURE

of Main Operating Companies as at 30 August 2017

WHOLESALE

MULTI LEVEL MARKETING ("MLM")

RETAIL

MANUFACTURING

OTHERS

WHOLESALE

Hai-O Medicine Sdn. Bhd.
Kinds Resource Sdn. Bhd.
Grand Brands (M) Sdn. Bhd.
Chop Aik Seng Sdn. Bhd.
Yan Ou Holdings (M) Sdn. Bhd.
- Yan Ou Marketing (Intl) Sdn. Bhd.

MULTI LEVEL MARKETING ("MLM")

Sahajidah Hai-O Marketing Sdn. Bhd.
- PT Hai-O Indonesia
- Sahajidah Hai-O Marketing Sdn. Bhd. (Brunei Branch)

RETAIL

Hai-O Raya Bhd.
Peking Tongrentang (M) Sdn. Bhd.

OTHERS

Sea Gull Advertising Sdn. Bhd.
Hai-O Credit & Leasing Sdn. Bhd.
- Sri Pangkor Credit & Leasing Sdn. Bhd.

Hai-O Properties Sdn. Bhd.

MANUFACTURING

SG Global Biotech Sdn. Bhd.
- QIS Research Laboratory Sdn. Bhd.

Subsidiary Company
Joint Venture Company

FINANCIAL HIGHLIGHTS

	Year ended 30 April				
	2013 (RM'000) @	2014 (RM'000)	2015 (RM'000)	2016 (RM'000)	2017 (RM'000)
Revenue	266,529	253,422	239,851	297,629	**404,240**
Gross profit	104,324	93,519	85,529	101,436	**132,528**
Gross margin (%)	39.1%	36.9%	35.7%	34.1%	**32.8%**
Profit before tax	63,930	53,149	42,673	49,072	**78,269**
Profit after tax	48,011	40,870	30,424	36,565	**59,415**
Profit attributable to Owners of the Company	47,153	40,271	29,760	36,344	**59,475**
Net margin (%)#	16.0%	16.1%	12.7%	12.3%	**14.7%**
Total Assets	304,967	308,792	305,861	321,382	**364,301**
Total Liabilities	54,310	43,243	40,030	52,401	**68,132**
Share capital	101,095	101,095	101,095	101,095	**149,327**
Shareholders' equity	239,566	254,069	253,865	257,374	**284,815**
Financial Indicators					
Return on Shareholders' Equity (%)	19.7%	15.9%	11.7%	14.1%	**20.9%**
Earnings per share (sen)^	15.90	13.64	10.15	12.47	**20.54**
Single Tier Dividend (sen)	14.0	14.0	15.0	15.0	**16.0**
Current ratio (times)	4.0	4.8	4.7	3.8	**3.5**
Net assets per share (sen)^^	81	86	87	89	**98**
Price earnings ratio (times)	14.40	18.33	23.16	20.37	**18.55**
Share Price as at the financial year end (RM)	2.29	2.50	2.35	2.54	**3.81**
Market Capitalisation as at the financial year end (RM'000)	463,016	505,476	475,147	513,563	**1,137,871**

Notes:

@ *Restated as a result of adopting the new and revised accounting standard.*

\# *Excluded the one-off gain from disposal of investment properties and compensation received from an OEM customer for computation of Net Margin (%) for FY2013.*

^ *Calculated based on weighted average number of shares in issue, net of treasury shares and after adjusting for the Bonus Issue in FY2017.*

^^ *Equity attributable to owners of the Company after adjusting for the Bonus Issue in FY2017.*

10 years Average Cash Dividend payout
61%

10 years Total Cash Dividend payout
> RM274mil

10-year CAGR Revenue
7.9%

10-year CAGR Net Profit
10.8%

Financial Charts

BOARD OF DIRECTORS

Seated second from right
TAN KAI HEE
Group Executive Chairman

Standing second from right
TAN KENG KANG
Group Managing Director

Seated from right
HEW VON KIN
Group Executive Director cum Group Chief Financial Officer

Seated from left
CHOW KEE KAN @ CHOW TUCK KWAN
Senior Independent Non-Executive Director

Standing third from right
Y. BHG. DATIN SUNITA MEI-LIN RAJAKUMAR
Independent
Non-Executive Director

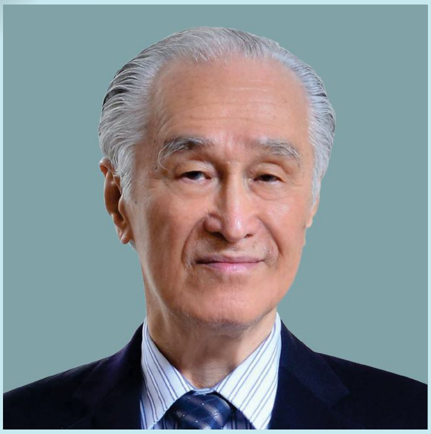
Standing second from left
Y. BHG. PROF. DATUK DR. CHOO YEANG KEAT
Non-Independent
Non-Executive Director

Standing third from left-
CHIA KUO WUI
Non-Independent
Non-Executive Director

Standing from left
TAN KIM SIONG
Independent
Non-Executive Director

Standing from right
SOON ENG SING
Independent
Non-Executive Director

PROFILE OF THE BOARD OF DIRECTORS



TAN KAI HEE

Aged 80 – Malaysian (M)

Group Executive Chairman,
Non-Independent

Mr. Tan Kai Hee is one of the founders, main policy and decision-makers of the Company. Mr. Tan, a well-known businessman has more than 40 years of commercial experience in the trading business.

Apart from managing the Company's business, he is also an active social worker involved in community work for the past 40 years. Mr. Tan is the founder of the Malaysia-China Friendship Association (PPMC: Secretary-General), Malaysia-China Medicine & Health Product Association (MCMHPA: President), Malaysia-China Chamber of Commerce (MCCC: Honorary President), Malaysia-China Culture & Arts Association (PKKMC: Advisor), and Vice President of China-Asean Business Association, Malaysia (CABA). Mr Tan is also a Director of the Malaysia China Business Council (MCBC) and an advisor for Federation of Chinese Physicians and Medicine Dealers Association of Malaysia (FCPMDAM).

In 2014, Mr. Tan has sponsored the formation of Yayasan Usman Awang (YUA), a non-profit organisation which honours the literary works of Malaysian National Laureate Dato' Usman Awang.

Mr. Tan was appointed to the Board on 30 August 1975 and was appointed as Group Executive Chairman on 1 February 2016. He is the Chairman of the Employees' Share Option Scheme (ESOS) Committee. He is a Director in Hai-O Raya Bhd and also holds directorship in several private limited companies.

Mr. Tan is the father of Mr. Tan Keng Kang, the Group Managing Director of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

TAN KENG KANG

Aged 41 – Malaysian (M)

Group Managing Director,
Non-Independent

Mr. Tan Keng Kang has attended the course in International Economics at Beijing University, China in 1997. He joined Hai-O as an Operations Executive on 1 August 1998, mainly to support the operational activities of Hai-O's marketing arm.

On 1 May 2000, he was then promoted as a Sales Manager and Director of Chop Aik Seng Sdn Bhd, a subsidiary of Hai-O dealing in tea and other beverages.

He was appointed to the Board on 1 April 2012 and is a member of the Risk Management Committee, Remuneration Committee and ESOS Committee. He sits on the Board of Trustees of Yayasan Usman Awang and is also a director in Hai-O Raya Bhd. Currently, he also holds directorship in several private limited companies.

Mr. Tan was appointed as the Group Managing Director on 1 February 2016. He is involved in the strategic planning at Group level and manages the Group operational activities and oversees the business development of Hai-O Group.

Mr. Tan Keng Kang is the son of Mr. Tan Kai Hee who is the Group Executive Chairman of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (cont'd)

HEW VON KIN

Aged 56 – Malaysian (M)

Group Executive Director cum Group Chief Financial Officer, Non-Independent

Mr. Hew Von Kin is the Group Chief Financial Officer of Hai-O Enterprise Berhad (Hai-O) and has been working with Hai-O for more than 25 years. He is one of the key senior staff who is involved in the strategic planning and financial management of the Group. He has helped to grow and build the business over the years.

Mr. Hew is proficient in Finance & Accounting, Financial Investments, Investors Relations and Strategic Planning & Management. He has responsibly and effectively led his team to take on various corporate exercises, investment and acquisition projects for the Group.

He is also one of the key persons who has helped Hai-O Board to develop and oversee the succession planning, human capital development and promoting CSR related works for the Group.

Mr. Hew was appointed to the Board as Group Executive Director on 1 February 2016. He is a member of the Risk Management Committee and ESOS Committee. He also sits on the Board of Trustees of Hai-O Foundation since 11 September 2014.

Mr. Hew is a member of the Chartered Institute of Management Accountants (CIMA).

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

CHOW KEE KAN @ CHOW TUCK KWAN

Aged 64 – Malaysian (M)

Senior Independent Non-Executive Director

Mr. Chow Kee Kan is an approved auditor and chartered accountant. He started his own practice in 1984 and has as at to date more than 35 years' practical experience in accounting, auditing, taxation and corporate management consultancy.

He is presently a Trustee of the Malaysia Accountancy Research and Education Foundation (MAREF).

He is currently also an Independent Non-Executive Director of Cocoaland Holdings Berhad.

He was appointed to the Board on 1 April 2011 and was appointed as the Senior Independent Non-Executive Director on 1 August 2016. Mr. Chow is the Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit Committee and ESOS Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (cont'd)

Y. BHG. DATIN SUNITA MEI-LIN RAJAKUMAR

Aged 49 – Malaysian (F)

Independent & Non-Executive Director

Datin Sunita graduated from the University of Bristol in 1990 with a degree in Law (LLB Hons) and qualified as a Member of the Institute of Chartered Accountants of England and Wales in February 1994.

Her working experience included 4 years in Ernst & Young, London, and 6 years at RHB Investment Bank, Kuala Lumpur, before she established her own firm, Artisan Encipta Ltd, to manage a government-owned foreign technology venture fund from 2002 to 2008. Since then, she has consulted on national competitiveness by improving national innovation ecosystems, as well as the competitiveness of business.

She was appointed to the Board on 5 January 2009. She is the Chairperson of the Audit Committee and Risk Management Committee. Datin Sunita also sits on the Board of Trustees of Hai-O Foundation.

Currently, her other board appointments include her position as Chairperson of Caring Pharmacy Group Berhad and its Audit Committee, where she is an Independent Non-Executive Director.

On 24 March 2016, she was appointed to the Board of MCIS Insurance Berhad, a member of the Sanlam Group, as an Independent Non Executive Director where she also chairs the Board Risk Management Committee. She sits on the Board of Trustees of Yayasan Usman Awang, Yayasan myNadi and Yayasan Seni Berdaftar which is registered with the Prime Minister's Department, and is the Festival Director of the Kuala Lumpur International Arts Festival held every September.

She has no family relationship with any other director or major shareholder of Hai-O.

She has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on her by any regulatory bodies during the financial year.

Y. BHG. PROF. DATUK DR. CHOO YEANG KEAT

Aged 69 – Malaysian (M)

Non-Independent Non-Executive Director

Prof. Datuk Dr. Choo Yeang Keat ("Datuk Jimmy Choo"), OBE graduated with a BA (Hons) in Footwear from Cordwainers College (University Arts of London) and an Honorary Fellowship from University Arts of London.

Datuk Jimmy Choo is a Malaysian fashion designer based in United Kingdom and has established his couture label in 1986. He is best known for co-founding Jimmy Choo Ltd that became known for its handmade women's shoes. In 2002, he was one of the first Malaysian to be awarded the "Order of the British Empire" OBE (Knighthood) by the Queen of England, Queen Elizabeth II.

Datuk Jimmy Choo has been appointed as the Malaysia's Tourism Ambassador to UK since 2009. He was then appointed to the Board of Visionaries of Innovation Malaysia by the Prime Minister of Malaysia in 2012.

Datuk Jimmy Choo is recognized far and wide across the globe for his contribution to the design community and his support for global fashion education and training with the most recent accolade "Lifetime Award" by our Prime Minister's wife Datin Seri Rosmah Mansor in conjunction with the Expo Milano 2015. Currently, Datuk Jimmy Choo is also a spokesperson for the British Council in their promotion of British Education to foreign students.

He was appointed to the Board on 15 October 2016 as a Non-Independent Non-Executive Director.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (cont'd)

CHIA KUO WUI

Aged 40 – Malaysian (M)

Non-Independent Non-Executive Director

Mr. Chia Kuo Wui graduated with a Bachelor of Commerce, Accounting from Curtin University Western Australia in 2001. He obtained a Charles Sturt University Master of Business Administration from Help University College Kuala Lumpur in 2006.

He joined Hai-O Corporate Planning and Investor Relations Department in 2006 and held key positions in several Hai-O Group of Companies. Prior to joining Hai-O, he has worked in 2 listed companies. He also holds directorship in several private limited companies.

He was appointed to the Board on 14 November 2008 and redesignated to Non-Independent Non-Executive Director on 2 January 2015. Mr. Chia is also a member of the Risk Management Committee and Nominating Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

TAN KIM SIONG

Aged 41 – Malaysian (M)

Independent Non-Executive Director

Mr. Tan Kim Siong graduated with BBA & MBA from University of New Brunswick of Canada.

He acquired working experience in planning and marketing Investment Portfolios to clients when he was attached to one of the leading financial institutions in Malaysia.

Prior to setting up his own logistic firm in 2006, he was involved in housing development in Negeri Sembilan and has also gained business experience in China in the tile manufacturing industry.

He has since grown his logistic firm into one of the leading haulage companies in the industry. Throughout the years, he has acquired several companies to expand his business as a fully-integrated logistics provider.

He was appointed to the Board on 8 January 2014 as an Independent Non-Executive Director and is a member of the Audit Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

PROFILE OF THE BOARD OF DIRECTORS (cont'd)

SOON ENG SING

Aged 41 – Malaysian (M)

Independent Non-Executive Director

Mr. Soon Eng Sing graduated with BSc. Business Administration (Magna Cum Laude) from Southern New Hampshire University, USA in 1998. He obtained his Master of Business Administration (MBA) from University of Chicago Booth School of Business, USA in 2008.

He spent 13 years working in international investment and commercial banks in Singapore, Hong Kong, China and Malaysia, before venturing into consulting. His domain expertise is the areas of strategic human capital management, organisation development and leadership. He has managed teams and projects that span across multiple countries in the Asia Pacific region. Prior to banking, he worked in a local pharmaceutical company in Malaysia. He started his career as a management trainee in a Printed Circuit Board manufacturer in the United States.

He was appointed to the Board on 1 December 2015 as an Independent Non-Executive Director and is a member of the Nominating Committee and Remuneration Committee.

He has no family relationship with any other director or major shareholder of Hai-O.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Notes:

1. *The details of the Directors' shareholdings in the Company and its subsidiaries are disclosed on page 157 and 158 of this Annual Report.*
2. *The details of the conflict of interest with the Company are disclosed on page 68 of this Annual Report.*
3. *M- Male F - Female*

PROFILE OF KEY SENIOR MANAGEMENT

TAN KEE HOCK
Aged 59, Malaysian (M)
General Manager Hai-O Enterprise Berhad

Mr. Tan completed his Pre-University studies. He has been with Hai-O since 1 April 1977 and is one of the pioneer staff. He was promoted as the General Manager of Hai-O on 1 July 2007. Prior to this, he was the Group Business Development Manager. Mr. Tan was assigned to oversee the Wholesale business operations for more than 15 years.

He has more than 30 years working experience involving business planning, sales and marketing and operations management. Mr. Tan has extensive knowledge in Malaysia-China business trade, particularly in traditional Chinese medicine and medicated tonic industry.

Mr. Tan is a Director in Hai-O Raya Bhd and holds directorship in several private limited companies.

He has no family relationship with any director or major shareholder of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

THAM YOKE LON
Aged 48, Malaysian (M)
General Manager Sahajidah Hai-O Marketing Sdn Bhd
(Principal Subsidiary of Hai-O)

Mr. Tham graduated with a Bachelor of Arts (Mass Communication) from Universiti Kebangsaan Malaysia in 1995.

He joined Multi-Level Marketing division of Hai-O as the Senior Marketing Manager on 1 February 2012. Prior to joining Hai-O, he was attached with several private limited companies involved in the retailing and direct selling business.

He was appointed as the Assistant General Manager of Sahajidah Hai-O Marketing Sdn Bhd on 1 June 2014 and thereafter was promoted as the General Manager on 1 January 2016. He is a member of the Direct Selling Association of Malaysia (DSAM).

He has no family relationship with any director or major shareholder of the Company and has no conflict of interest with the Company.

He has not been convicted for offences within the past five years. There was no public sanction or penalty imposed on him by any regulatory bodies during the financial year.

Note: M - Male

OUR GROUP

Hai-O is a household brand name which has been in existence for more than 40 years since 1975. We started of our corporate journey in the businesses of import trading, wholesaling and retailing of Chinese herbal products and medicated tonics. With the successful diversification into multi-level-marketing ("MLM") in 1992, the major operating segments of our Group are now anchored by MLM, Wholesale and Retail.

Our businesses are primarily located in Malaysia which accounted for almost 100% of the Group's revenue for the financial year ended ("FYE") 30 April 2017. Although we have ventured into countries such as Brunei, Singapore and Indonesia, the contribution by overseas operations was minimal for the FYE 2017.

More information on the operations and financial performance of the MLM, Wholesale and Retail segments can be found in the "Management Discussion and Analysis" by our Group Managing Director.

Hai-O At a Glance

Market Capitalisation

RM 1.20 billion as at 8 August 2017

Listed on Bursa Securities	RM304 million	1,590%
6 December 1996	cash dividend paid since listing	capital appreciation*

* *Assuming a shareholder invested 1,000 shares in Hai-O since listing, subscribed for all the rights shares in 2002 and held all the Hai-O shares obtained from bonus issue exercises, dividend-in-specie and share split exercises.*

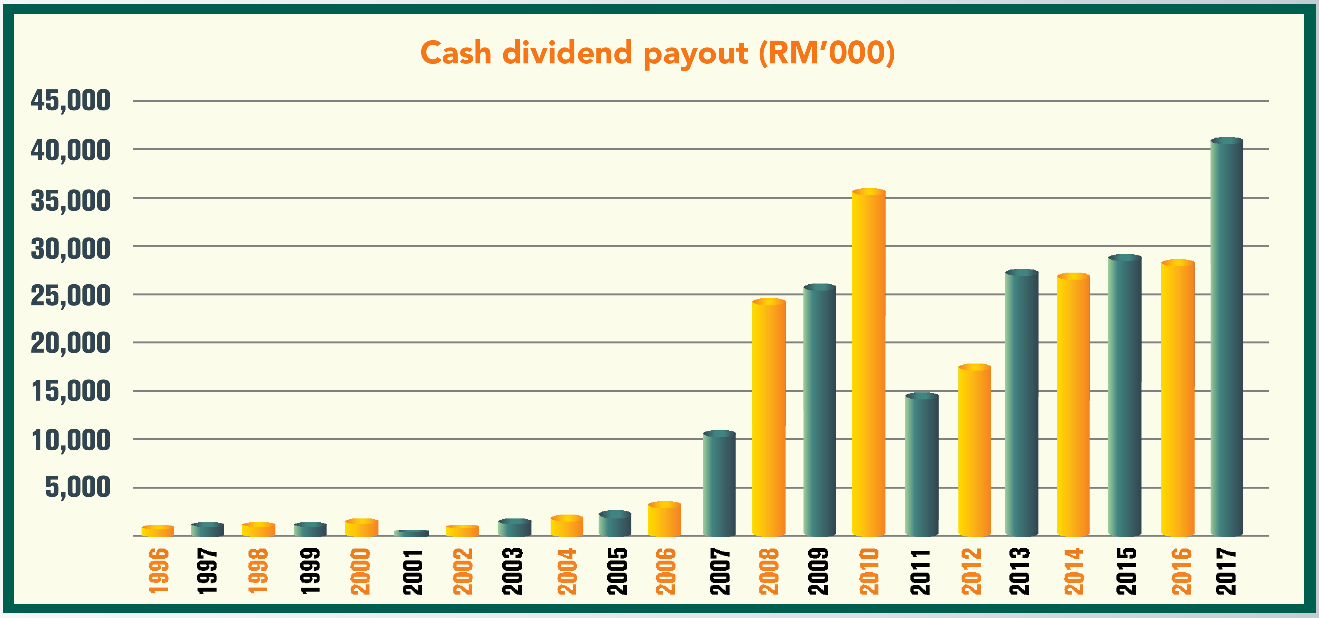
Long Term Value to Shareholders

Consistent Dividend Policy → Capital Appreciation → Long Term Value to Shareholders

Our commitment is to deliver a sustainable long-term value to our shareholders via a consistent dividend policy and capital appreciation.

Dividend Policy

Since our listing in December 1996, Hai-O has without interruption, declared dividends for each financial year, providing cash returns to shareholders consistently. Our dividend policy currently is to achieve a payout of at least 50% of our profit after taxation.



Capital Appreciation

Assuming a shareholder that bought 1,000 shares in Hai-O when it was listed in 1996, subscribed for all the rights shares in 2002 and held all the Hai-O shares obtained from the bonus issue exercises, dividend-in-specie and share split exercises, as at 8 August 2017 he/ she would hold a total 15,093 Hai-O shares. At the share price of RM4.03, his/ her total net worth would be RM60,825 that translates to an attractive capital appreciation of RM57,225 or equivalent to approximately 1,590% as set out below:

Date	Corporate events	Outlay (RM)	No. of shares obtained	Cumulative no. of shares held
6 Dec 96	Initial Public Offering	3,000	1,000	1,000
26 June 02	Rights Issue (3:5)	600	600	1,600
1 Aug 02	Bonus Issue (1:1)	-	1,600	3,200
30 Apr 06	Dividend-In-Specie (5%)	-	160	3,360
14 Sep 07	Bonus Issue (1:5)	-	672	4,032
11 Aug 08	Dividend-In-Specie (4%)	-	161	4,193
18 Mar 10	Bonus Issue (1:5)	-	838	5,031
18 Mar 10	Share Split	-	5,031	10,062
31 Mar 17	Bonus Issue (1:2)	-	5,031	15,093

No. of shares held as at 8 August 2017	(No.)	15,093
Share price as at 8 August 2017	(RM)	4.03
Net worth as at 8 August 2017	(RM)	60,825
Less: Total capital outlay	(RM)	(3,600)
Capital Appreciation	(RM)	57,225
	(%)	1,590%

Forging Ahead Despite Tough Economic Landscape

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I would like to present to you, the Group's Annual Report and financial statements for the financial year ended ("FYE") 30 April 2017.

2016/2017 was another period with disruptions in the overall economy. Slowdown in China economy, unexpected developments in the United Kingdom's European Union Referendum ("Brexit") and the outcome of the United States ("US") presidential election added pressures to the general business operating environment. Despite this, the Group ended the financial year with a remarkable set of results, with an increase of 35.8% in revenue and an increase of 59.5% in profit before tax ("PBT").

The unanticipated political developments in the advanced economies and fundamental shifts in social dynamics have shaken markets around the world. I believe the larger and longer-term impact of these shifts are yet to unfold. Although the Malaysian economy continues to be supported by domestic spending, it is not surprising that the Malaysian economy was affected by these external economic headwinds to a certain extent. The Malaysian economy registered a growth of 4.2% in 2016, a slight reduction from the growth registered in 2015 of 5%. The reported headline inflation remained unchanged at 2.1% (2015:2.1%). Nonetheless, businesses continued to struggle with spending adjustments by households due to higher cost of living and prolonged under performance of the Ringgit.

Financial Performance

Despite the challenging business environment, the Group recorded a revenue of RM404.24 million for the FYE 2017, representing an increase of 35.8% as compared to RM297.63 million for the last financial year. PBT for the financial year increased by 59.5% from RM49.07 million to RM78.27 million. Correspondingly, the EPS improved from 12.47 sen to 20.54 sen. The key driver for this performance is the sustainable growth in the MLM segment, which accounted for almost 80% of the Group's revenue and PBT. The Group's upward growth trajectory is also built on the strength of the management.

With the continued growth of the Group, we registered shareholders' fund of RM284.81 million as at 30 April 2017 (2016: RM257.37 million). As the Group is involved in highly cash-generative businesses, we maintained a considerable level of cash and cash equivalents and other short term investments of RM135.04 million (2016: RM107.52 million). The Group's gearing level is negligible which will enable the Group to explore new potential business opportunities as and when they are available.

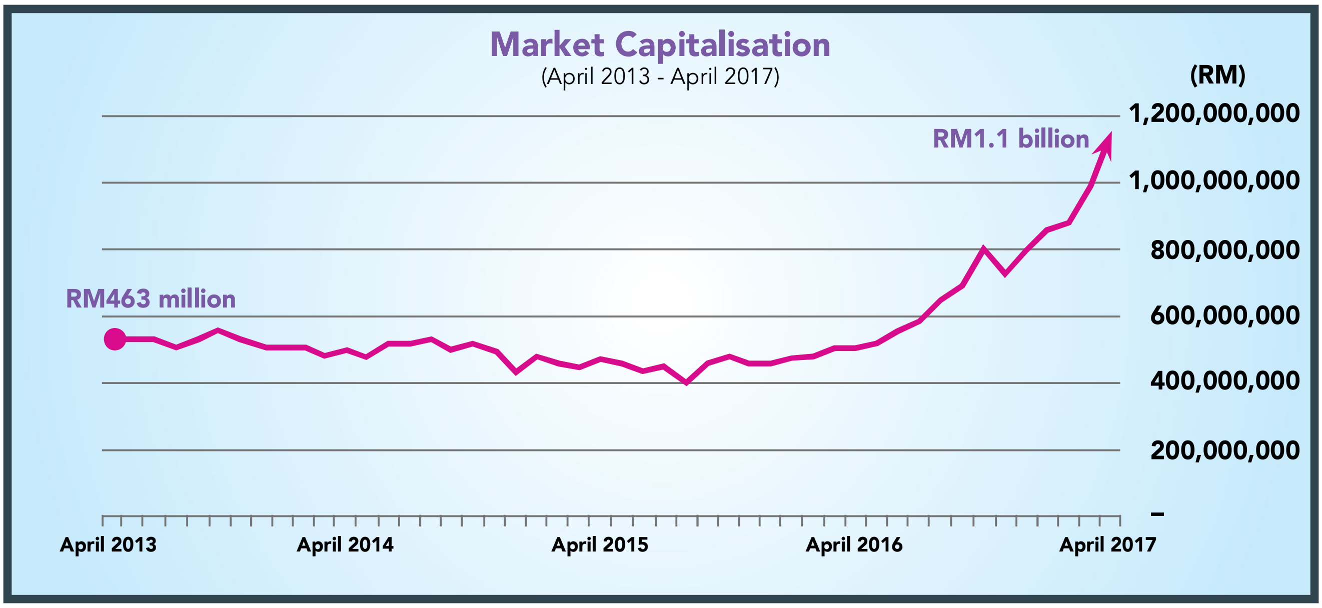
Financial Snapshot FYE 2017

Revenue	Earnings Per Share	Shareholders' Funds
404 (RM' million) 35.8%	20.5 (Sen) 64.7%	285 (RM' million) 10.7%
Profit Before Taxation	**Dividend**	**Net Assets Per Share**
78.3 (RM' million) 59.5%	16 (Sen) 6.7%	98 (Sen) 10.1%

Significant Corporate Developments

It is with great pleasure, I would like to congratulate the management in achieving a milestone in the corporate front by crossing a market capitalisation of RM1 billion during the financial year under review. As at 8 August 2017, being the latest practicable date prior to the printing of this Annual Report, the market capitalisation of the Company was RM1.20 billion. The achieved milestone was partly contributed by investors' confidence in our Company as well as the Bonus Issue exercise on a 1 : 2 basis implemented and completed on 31 March 2017. Coupled with the Group's financial performance for the FYE 2017, the market reacted positively to the Company's gesture in rewarding our shareholders through bonus shares. With the completion of the Bonus Issue exercise, an additional of 96.46 million Hai-O shares were listed which increased the shares in circulation to promote trading liquidity.

Simultaneous to the implementation of the Bonus Issue, the Company also established an Employees' Share Option Scheme ("ESOS") to recognise the contribution of our employees and directors towards the growth of the Group. The ESOS has no financial impact to the Group for the FYE 2017 as the ESOS only came into effect from 3 May 2017. As this is the 2nd time that the Group has implemented a share option scheme for the employees, we have the necessary experience, resources and procedures to ensure smooth implementation of the ESOS.



Bamboo salt range of products.

As in the previous years, based on the renewal of share buy-back mandate granted by the shareholders on 28 September 2016, the Company purchased 368,100 shares from the open market during the FYE 2017. As at 8 August 2017, being the latest practicable date prior to the printing of this Annual Report, the Company held in total 9,262,888 treasury shares which is approximately 3.1% of the total number of shares issued of the Company. The treasury shares will be dealt with in accordance to the mandate provided to the Company and the prevailing rules and regulations. This may include distributing the treasury shares as dividend to shareholders, resell the shares in the open market or transfer the shares for the purposes of ESOS or as purchase consideration for acquisition of businesses/ investments. In any event, the Board is committed to act in the best interest of the Company and shareholders. The share buy-back mandate shall lapse upon the conclusion of the forthcoming annual general meeting ("AGM"), unless otherwise renewed. The Company announced on 29 June 2017, its intention to seek renewal of the share buy-back, where shareholders' approval will be sought at the forthcoming AGM.

Dividend

For shareholders, apart from the bonus shares received from the Bonus Issue exercise on a 1 : 2 basis, on 9 March 2017, a total of RM9.65 million in cash was paid out as interim single tier dividend of 5 sen per share (2016: 4 sen).

Based on the Group's outstanding performance this year, the Board is pleased to recommend a final dividend of 11 sen for the FYE 2017 at the forthcoming AGM, bringing the total dividend for the year of 16 sen per share (2016: 15 sen), representing a payout of approximately 70% of the Group's profit after taxation ("PAT") (2016: 80%). Once again, this payout surpassed the Company's dividend policy to distribute at least 50% of the Group's PAT as dividend.

Aligned with the Company's commitment to deliver long term value to shareholders, we have rewarded our shareholders with cash dividends amounting to RM304.56 million since our listing in 1996.

Outlook and Prospects

The Malaysian economy is projected to register a growth of 4.3% - 4.8% in 2017 (2016:4.2%). Domestic demand continues to be the principal driver of growth supported by private sector activities. Nonetheless, households are expected to make further adjustments in spending in response to rising inflationary pressures, where headline inflation in 2017 is projected to increase between 3.0% and 4.0% (2016: 2.1%).

We foresee it to be another challenging year ahead for us in light of the persistence of the domestic economic headwinds and new prevailing external risks. But I am

confident that Hai-O Group will face these challenges from a position of strength. Our strengths are derived from the Group's healthy financial position, strong team of management and our unconventional ways to sustain growth.

In an era of evolving consumer expectations, we need to reinvent the way we work, redefine the way we manage business operations and how we interact with our customers. Technology will be a key part of our strategies going forward. We are optimistic that the Group will remain profitable in the next financial year. The Group has put in place reasonable measures to mitigate foreseeable business risks for the coming year and with our strong team, the Group will remain resilient even in a challenging environment.

Appreciation and Acknowledgement

The FYE 2017 sees changes in the Board composition. We are deeply saddened by the demise of Prof. Dr. Lee Kong Hung and would like to put on record our appreciation for the contribution by Prof. Dr. Lee Kong Hung during his tenure as a Board member.

During the financial year, Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat ("Datuk Jimmy Choo") was also appointed as the Non-Independent and Non-Executive Director. Nevertheless, Y. Bhg. Datuk Jimmy Choo has expressed his intention to retire as a Board member upon the conclusion of the 42nd AGM due to his other personal commitments and busy schedule. The Group has benefited in great length from his experience and acumen in the fashion industry. Despite his retirement as Board member, the Group will continue to work with Y. Bhg. Datuk Jimmy Choo in other form of business arrangement to explore potential fashion related products line-up in the MLM segment.

Finally, on behalf of the Board, I wish to thank and applaud the management team and all employees of the Group for their tremendous efforts, passion and hard work in delivering greater value for our shareholders. To our valued shareholders and stakeholders, thank you for your confidence in our Group. Our appreciation also extends to the relevant government agencies for their support and assistance during the financial year.

Thank you.

Tan Kai Hee
Group Executive Chairman

8 August 2017

MANAGEMENT DISCUSSION AND ANALYSIS ("MD&A")
BY GROUP MANAGING DIRECTOR

The financial year 2017 was filled with uncertainties in the overall operating environment but yet a rewarding year for the Group. The MD&A covered in this Annual Report was marked by challenges we faced during the financial year and milestone achievements. The Group's growth momentum continued despite macro volatility.

This MD&A covers an overview of the Group's business operations, financial review for the financial year ended ("FYE") 2017 and the management's expectations for the next financial year.

In this MD&A, we have included information that may constitute 'forward-looking statements'. These statements are not historical facts, but instead represent the management's beliefs regarding future events, many of which, by their nature, are inherently uncertain and outside our control. This information includes statements of current condition and may relate to our future plans and objectives.

Now, allow me to bring you through the MD&A. Firstly, an overview of the Group's operating structure will be shared, followed by a discussion on the overall financial performance of the Group for the FYE 2017. We then will move on to a detailed analysis of each operating segment. We concluded the MD&A with a brief business plan for the next financial year.

OPERATING STRUCTURE

The Group's operations are segregated into 3 reportable segments:

- which offer different products and services;
- which are managed separately; and
- which require different marketing systems and strategies.

These operating segments comprise of:

Multi-Level Marketing ("MLM")
Operating multi-level direct marketing of health food, beverage, healthcare, wellness and beauty products.

Wholesale
Wholesaling and trading in herbal medicines and healthcare products, herbs and tea.

Retail
Operating Traditional Complementary Medicines ("TCM") retail chain stores.

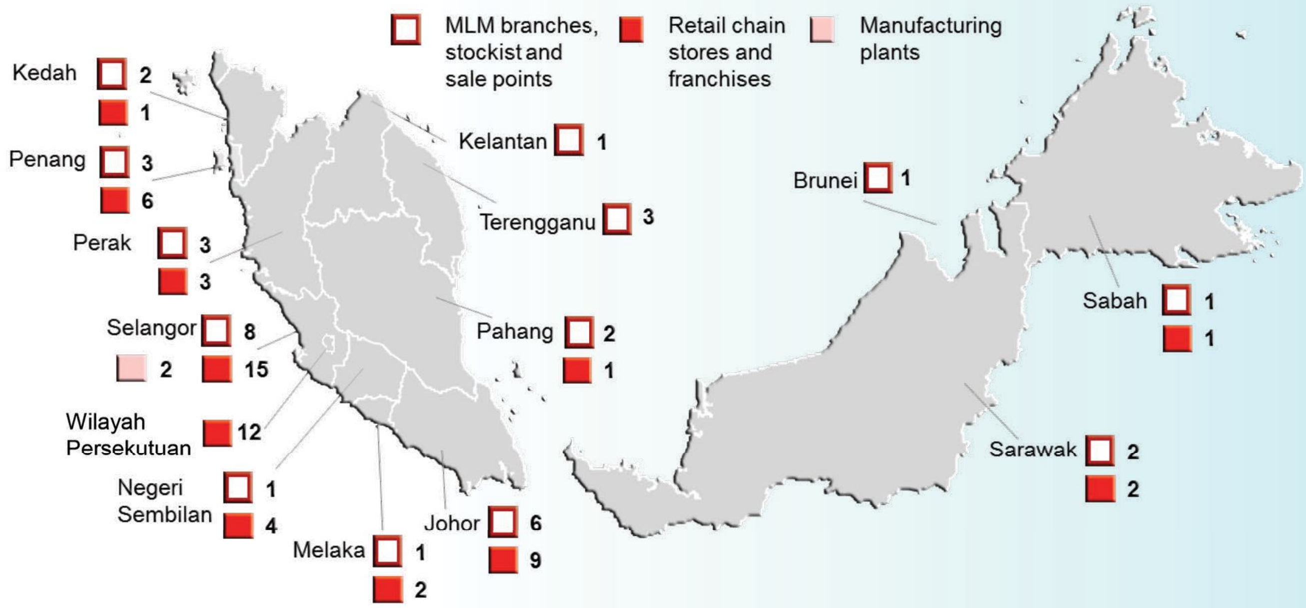
Others
Manufacturing, credit & leasing, insurance agent, advertising services, investment and property holding.

Operating Facilities and Branding

Our office headquarters is located along Jalan Kapar, Klang, Selangor, which houses the Sales Operations, Warehouse, Accounts & Finance, Information Technology ("IT"), Administration and Human Resources services. Apart from the head office in Klang, we also maintain a corporate office in the heart of Kuala Lumpur City at Jalan Bukit Bintang, to facilitate discussions and meetings which are more conveniently held in the city of Kuala Lumpur.

The Group has MLM branches, stockist and sale points, retail chain stores, franchises and manufacturing plants across Malaysia and Brunei as shown on the map on page 23.

The MLM division has 34 branches, stockist and sale points, out of which, 3 are distribution centre ("DC") which cater for e-commerce goods ordering distribution. We have 56 retail chain stores (including 7 franchises), out of which 3 are located in



East Malaysia. The 2 manufacturing plants are located at Jalan Kapar, Selangor. Currently, the manufacturing plants are principally servicing the products requirements of MLM and Retail segments. Our manufacturing plants are of international-standard and are certified by ISO, HACCP, GMP and US FDA. In addition, one of the plants has also obtained a HALAL certification from JAKIM. The manufacturing plants have the capabilities to undertake TCM contract manufacturing as well as manufacturing of health food and food supplements.

Our products cater mainly for the domestic Malaysian market, while some of our products are exported to countries such as Indonesia, Brunei and Singapore and are distributed through the Group's overseas sales offices.

"Hai-O" is a household brand name and is often associated with retail chain stores selling herbal medicines and healthcare products, which was how the Group started. Our MLM business which operates under "Sahajidah Hai-O Marketing", has notably built a number of established brand names in the MLM industry, including "Beautiful", "Min Kaffe", "Infinence", "Cozuma" and "Marine Essence".

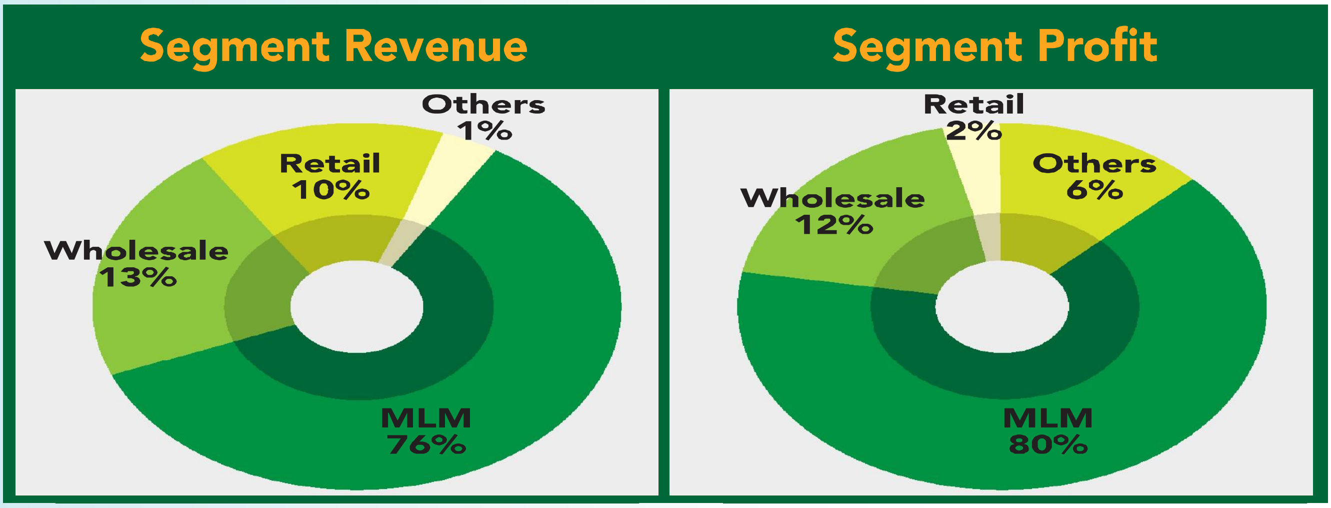
OVERVIEW OF GROUP'S FINANCIAL PERFORMANCE

More than a Commendable Set of Results

As we promised a year ago, the Group's strategies were crafted to foster growth while preserving fundamentals. Accordingly, we did not incur major capital expenditure during the year, where key initiatives undertaken on a Group wide basis were to improve operation excellence, including:

Supported by solid business fundamentals, we are happy to share that we continue to enjoy positive growth for the FYE 2017. The Group ended the financial year with a set of financial results which I would put it as "more than commendable" under an extremely competitive and challenging business landscape. The revenue of the Group increased by approximately RM106.61 million or 35.8% and the profit before tax ("PBT") increased by RM29.20 million or 59.5%. The Group's revenue and PBT for the FYE 2017 was RM404.24 million (2016: RM297.63 million) and RM78.27 million (2016: RM49.07 million) respectively.

MD&A (cont'd)



Revenue

The increase in the Group's revenue was solely contributed by the increase in revenue from the MLM segment which increased by RM110.67 million. Revenue achieved by the MLM segment was offset by the lower revenue registered by the Wholesale and Retail segments, and other operating activities. The revenue of the Wholesale segment was primarily affected by lower sales to the Chinese medical halls and duty free customers and ended the FYE 2017 with a total sales of RM52.65 million (2016: RM54.36 million). The Retail segment defended its full year revenue at approximately RM38.15 million mainly through the support from customers' loyalty program and an effective Chinese New Year advertising and promotion ("A&P") campaign during 3Q17. Revenue registered by other operating activities although decreased slightly due to non-renewal of tenancy by one of our key tenants, the PBT contributed by other operating activities was nonetheless higher as compared to the previous FYE due to higher contribution from manufacturing activities.

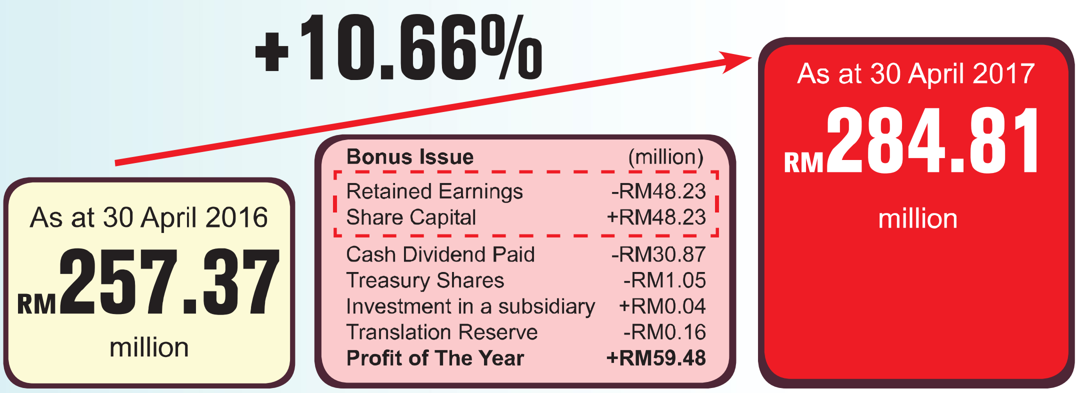
Profit

Corresponding to the revenue, the increase in the Group's PBT was mostly contributed by the increase in PBT in the MLM segment of RM26.07 million. The increase in revenue and PBT of the MLM segment is a result of the launch of new products, effective member retention programme and increased sales via the e-commerce platform. Although the revenue from the Wholesale segment decreased, it registered a higher PBT of RM9.49 million, increased by RM3.2 million as compared to the previous financial year, due to the focus on products sourcing for the MLM segment which yielded higher profit to the Group. Retail segment on the other hand, although managed to maintain a revenue level of RM38.15 million, the PBT decreased from RM1.81 million a year ago to RM1.40 million in the FYE 2017. Higher operating costs in the Retail segment resulted in the decrease in PBT. Lastly, the overall increase for the demand in manufacturing activities lifted the PBT of the Group. Other operating activities contributed RM4.81 million to the Group's PBT (2016: RM4.48 million).

Changes in Equity

The Group closed the previous financial year with a shareholders' fund attributable to the equity holders of the parent at RM257.37 million.

During the FYE 2017, the Company distributed part of the retained earnings (RM48.23 million) to the shareholders in the form of shares through a Bonus Issue exercise on a 1:2 basis, firstly to reward the shareholders and secondly to increase the numbers of shares in circulation to promote liquidity, both of which have benefited our shareholders. The Bonus Issue exercise has no impact on the overall shareholders' equity of the Group as the decrease in retained earnings was offset by the increase in share capital. Nonetheless, the payment of dividend in the form of cash, reduced the shareholders' fund by RM30.87 million during the year. An amount of RM1.05 million was also used by the Company to repurchase the Company's shares. After taking into account the profit attributable to owner of the company earned by the Group during the FYE 2017 of RM59.48 million and some minor movement in investment in a subsidiary and translation reserve, the Group shareholders' fund (after non-controlling interest) was RM284.81 million as at 30 April 2017 (2016: RM257.37 million) which represented an improvement of 10.66%.



Capital Resources and Cash Management

Generally, the Group strives to preserve sustainability to continue as a going concern and provide returns for shareholders and other stakeholders.

The capital of the Group comprised of shareholders' capital and reserves.

The shareholders' fund of the Group (after non-controlling interest) as at 30 April 2017 was RM284.81 million.

Currently, the short-term borrowings that the Group has comprised solely of a banking facility for working capital purposes. As at the close of the financial year, the outstanding amount was RM3.05 million. Apart from this working capital banking facility, the Group does not have other drawn down banking facility.

As the Group is involved in low capital intensive businesses and more than 80% of the Group's sales are transacted in cash, as at 30 April 2017, the Group's cash and cash equivalents and short term investments was RM135.04 million compared to RM107.52 million as at the end of last financial year end. This translated to 47 sen per share. Due to this capital flexibility, the Group has in the past and intends to continue to reward shareholders with attractive cash dividends.

The gearing level of the Group is negligible and the Group is operating at a net cash position.

REVIEW OF SEGMENT OPERATIONS

MLM SEGMENT

It was another record year for the MLM segment which took the Group to greater heights for the FYE 2017. The revenue of the MLM segment increased by RM110.67 million and the PBT increased by RM26.07 million, representing an increase of 55.82% and 71.44% respectively. The improvement in the overall profit margin of the MLM segment from 18.41% to 20.25% has also reflected the operating efficiency of this segment.

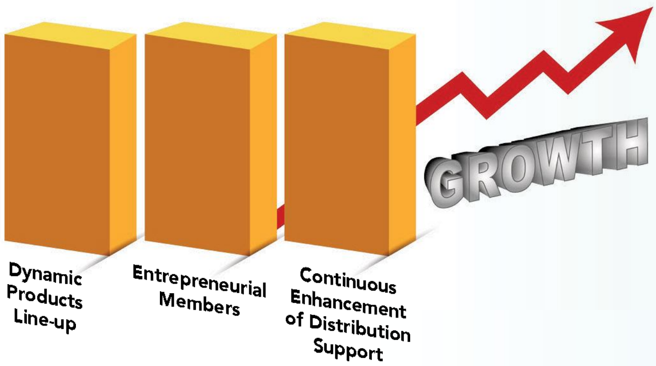
The grand launching of infinence X hijabs in Milan, Italy.

	2016	2017	Change	
	RM'000	RM'000	RM'000	%
Revenue	198,276	308,949	110,673	55.82%
PBT	36,495	62,567	26,072	71.44%
PBT margin	18.41%	20.25%	N/A	N/A

On the back of the outstanding results achieved by the MLM segment, we strived to sustain the growth of this segment, partly from the continuous implementation of the strategies already in place and partly forging ahead with new initiatives to stay close to the objective of bringing value to all stakeholders.

The strategies implemented by the MLM segment for the FYE 2017 revolves around 3 main growth drivers:

- **Products**
- **Members**
- **Distribution Platform**



Dynamic Products Line-up – New Fashion Range

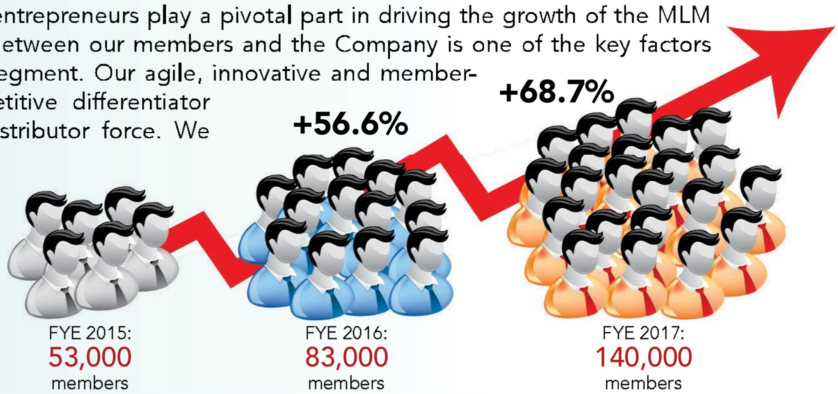
During the financial year under review, we continued our quest to delight our members and consumers with products which focus on health, wellness and lifestyle. Our range of products are selected to meet market demands and evolving customers trends. As at the close of the financial year, we have more than 200 SKU (stock keeping units) products comprising health food & supplements, skincare & beauty, personal care, households, fashion and other products.

A total of 7 new products were launched during FYE 2017. For health and wellness, we introduced ShakeMe Soy Protein drink and N'licious Enzyme drink, both of which are supplements that were developed with health benefits and lifestyle in mind. For our lifestyle range of products, apart from Cozuma Mattifying Lipsticks and infinence skincare series, we proudly introduced 3 types of hijabs and related accessories, i.e. infinence X RR Designer Hijab Essential, infinence X RR Designer Hijab Essential + and infinence X RR Designer Hijab Stellina to meet the market demand for a wide range of hijabs. The range of hijabs was developed in collaboration with renowned local designers Rizman Ruzaini to promote talents in the domestic fashion industry. The grand launching of infinence X hijabs scarf was held in Milan, the fashion capital of Italy, which marked the beginning of fashion product range in the MLM segment.

MD&A (cont'd)

Entrepreneurial Members – Building a winning culture

Members who predominantly turned entrepreneurs play a pivotal part in driving the growth of the MLM segment. Building a winning culture between our members and the Company is one of the key factors that sustain the growth of the MLM segment. Our agile, innovative and member-centric culture is the primary competitive differentiator which contributed to our growing distributor force. We have approximately 140,000 active members as at 30 April 2017 (2016: 83,000), representing a growth in membership of 68.7% year-on-year. On average, we experienced an addition of approximately 5,000 new members per month for the FYE 2017.



Our strategies to **"RECRUIT, RETAIN AND REWARD"** members contributed to the overall success of the growth in membership.

Objective	Strategy	Initiative
RECRUIT	Ease of entry	• Efficient use of social media such as Instagram and Facebook to promote members recruitment • Online registration made easy and accessible anywhere and anytime.
	Attainable entry requirements	• Affordable and scalable entry requirements to alleviate doubts and to captivate interest
RETAIN	Attractive renewal initiative	• Economical and incentivising renewal package
	Year-round sale campaigns and events	• Fun filled products launching events and activities throughout the years
	Recognition	• Leadership ranking progression nights to recognise all outstanding member entrepreneurs
REWARD	Incentive trips	• Memorable overseas holidays to reward members who worked hard for the year

Recruit

It is disheartening to learn the youth unemployment rate in Malaysia was estimated to have reached 10.7% in 2015, more than 3 times higher than the national unemployment rate of 3.1%. Cautious business sentiments and moderating economic performance have restrained businesses from expanding their workforce. The youths are the most vulnerable to these trends; they are likely to be the last to be hired and the first to be made redundant according to the annual report of Bank Negara Malaysia 2016. We see opportunity and feel obliged to curb youth unemployment rate. Accordingly, our "Recruitment" initiatives were focused on providing a clear and compelling sense of purpose to attract new members and guide expectations. We efficiently used social media to reach out to young members and make "starting your own business" easy through online registration anywhere, anytime. We encourage new members to start with an attainable capital which is scalable at members' own motivations over time.

Some featured products from MLM segment.

Retain

We have 140,000 members registered in our database as at 30 April 2017. The growth in membership was partly attributable to our renewal and/or retention program package which bundles attractive renewal fee with redemption coupons to foster membership renewal which was implemented since last financial year 2016. In addition, together with our top leaders, many activities were held throughout the years to promote the sense of togetherness and at the same time provide avenue for members to interact for knowledge transfer and information exchange.

We also held on a regular basis, smaller scale events to keep the momentum going and for members training. We shared the joy of Hari Raya with our members with "Jom Balik Kampung" to cultivate "balik Kampung" culture, celebrating the festive season with family members. The 25th anniversary theme for Sahajidah Hai-O Marketing - "My Dream My Story" campaign allowed the members to share their success stories for motivational purpose and promote the sense of togetherness. Not forgetting the family of members, we also introduced the "Excellent Academic Awards" to celebrate outstanding academic achievements of the members' children.

The Group's aspiration is not only limited to grow the number of members, we strive towards building a pool of high calibre distributors with ethics and deep products knowledge. Accordingly, numerous events held during the year had also included training sessions target to motivate members, enhance product knowledge, selling skill and strengthening code of ethics. Since the evolvement into a digital platform for doing business, e-training via digital platform was initiated to reach out to a wider group of members. We implemented e-training in the form of products introduction, products support and products review on video sharing website such as YouTube which is cost efficient yet effective.

For us to build a base of distributor force with a strong sense of loyalty culture, we know appropriate recognition to the long serving and contributing members is important. The glittering "Diamonds Night" was held to recognise 760 members who achieved "Diamond Sales Managers" leadership ranking progression. There were also 172 "Double Diamond Managers" and 89 "Crown Diamond Managers" promoted during the financial year 2017.

Below are some of the key events/campaigns held during the financial year under review:

Star Trek Beyond Red carpet movie premier in July 2016

Movie night was held in conjunction with "Min Kaffe" mineral coffee roadshow and rebranding campaign to increase publicity and facilitate penetration into a wider market

Shake & Shape 30-Days weight loss challenge September 2016~January 2017

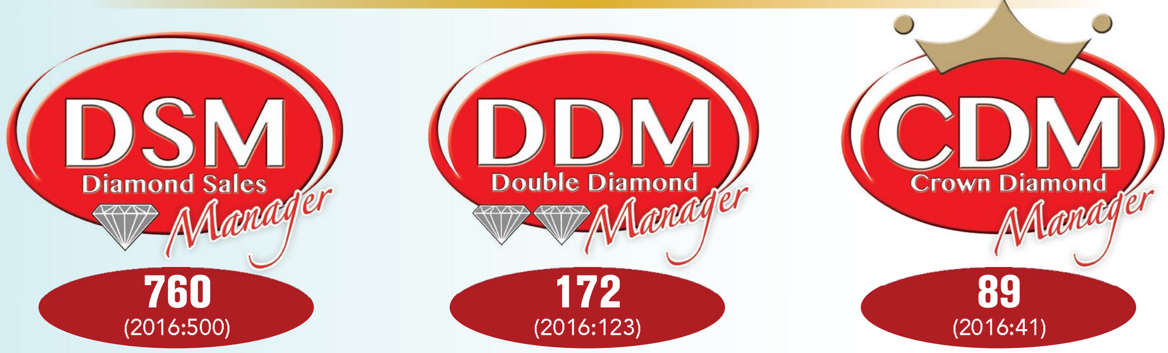
New product launching campaign for ShakeMe Soy Protein drink as a health supplement

Beyoutiful Night on January 2017

Celebrating the winners of Shake & Shape challengers gala event "Beyoutiful Night" at Sunway Resort Hotel

MD&A (cont'd)

No. of New Leaders promoted during the FYE 2017



Reward

We continue to reward target-driven members with overseas incentive trip campaigns. A total of 330 members achieved the sales target and were rewarded with a memorable trip to Italy in March 2017. In addition, 500 members also qualified for a trip to Gold Coast, Australia in August 2017 and in August 2016, 1,000 members landed their foots on to the capital city of Beijing, China. Based on our past experience, incentive trip campaign maintained its sense of appeal to the members and is an effective way to reward the members while lifting the overall sales during campaign periods.

Over 1,000 members qualified for overseas incentive trips in FYE 2017.

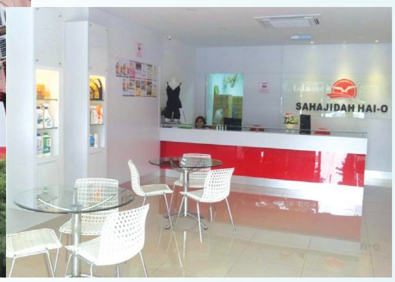
Continuous Enhancement of Distribution Support – Conventional Complemented by Digital

The Group's strategy in strengthening distribution platform through technology adoption has yielded very encouraging results. With the progress in digital, our digital platform enables members/customers to do more and always get connected interactively. We followed through during the year a series of digital initiatives which commenced since the last financial year with wider utility functions and added contents. A live system which is called Solucis System that elevates the overall buying experience of the members was rolled out. The key functions of the system are that it:

- enables easy access to product information;
- eases online purchase;
- makes tracking of members' and downlines' performance easy; and
- provides back-end support.

With the improvement in our digital distribution platform, it makes it simple for members to track performance against sale targets. The efforts made in digitising the distribution platforms resulted in a substantial increase of e-commerce transactions from 6,300 transactions in FYE 2016 to 44,000 transactions in FYE 2017, an increase of almost 7 times. The revenue from online sale congruently, also increased from RM3.33 million a year ago to RM14.69 million for the FYE 2017. Notably, the increase in online sales for FYE 2017 was contributed by the increase in sales transacted in East Malaysia which may be due to the limitations in transportation system in East Malaysia. We see more room to grow in the e-commerce in East Malaysia, and the existing branch in Kota Kinabalu, Sabah was upgraded to a full fledged DC during the year to cater for the growing demand of online orders and to handle logistics requirements. The Company has also acquired a new shoplot in Penampang, Sabah which is in the pipeline of being set up as another branch in Sabah to cope with the increase in sales transactions. In respect of the progress in upgrading and revamping our MLM branches, we are pleased to inform that we completed the renovation for the newly acquired shoplot in Johor which is now being used as DC for all stockist in the Southern region. Not overlooking the Northern region, a new branch was also set up in Penang in February 2017 and commenced operations in March 2017.

A new branch in Penang commenced its operations since March 2017.



WHOLESALE SEGMENT

As the centralised purchasing support for the MLM and Retail segments, the Wholesale segment recorded a slight decrease of 3.15% in revenue but registered higher PBT of more than 51% of RM9.49 million as compared to RM6.28 million in FYE 2016. As a result, PBT margin, improved from 11.56% to 18.03% for the FYE 2017.

	2016	2017	Change	
	RM'000	RM'000	RM'000	%
Revenue	54,359	52,647	-1,712	-3.15%
PBT	6,284	9,494	3,210	51.08%
PBT margin	11.56%	18.03%	N/A	N/A

The Wholesale segment's revenue was affected by lower sales to the Chinese medical halls and the duty-free shops during the FYE 2017. The sales to Chinese medical halls was adversely affected by the following:

- Low level of stock holding by Chinese medical halls in response to weaker sales due to cautious consumers' spending pattern; and
- Higher custom duty on certain key products such as Chinese liquors with adjusted selling price, resulted in temporary spending adjustments by consumers.

On the other hand, more stringent rules imposed by authorities in respect of duty-free trades have also impacted the sales in the Wholesale segment negatively.

Despite experiencing a lower sales record for the FYE 2017, the Wholesale segment's PBT increased by a favourable margin due to the focus on premium products during the year and higher profit provided by goods supplied to MLM and Retail segments.

The performance recorded by the Wholesale segment was achieved with the various initiatives introduced to counter weak consumer sentiments which had a direct impact on the performance of the Wholesale segment. We noted that young consumers have been playing an increasing part in family buying decision as their buying power has been increasing more rapidly than that of other age groups. Hence, many young consumers actively participate in shopping for their own and families' needs. Keeping up with this changing trend, many initiatives for the Wholesale segment were undertaken to penetrate the young consumer market, including expanding product range which focuses on, easy consumption and provides clear sense of nutrition benefits.

MD&A (cont'd)

Some products in Wholesale segment.

These products are convenient to consume and target the fast and on-the-go lifestyle of young consumers.

To reinforce the Hai-O branding and further entrench into the young consumer market, Hai-O is proud to be the main sponsor for the script writing contest for micro movie in collaboration with Sin Chew Daily. One of the rules of the contest was to include Hai-O's products/branding in the content of a micro movie for branding promotion purpose. The contest received an overwhelming 1,100 submissions. The filming of the winning script is currently on-going and we look forward to see the public response when the micro movie is released.

During the year, we participated in a number of health exhibitions and events, including the 11th ASEAN Traditional Chinese Medicine Academic Congress (11届亚细安中医药学系大会) and the 4th Malaysia Klang International Merchandise Expo (第4届巴生国际商品展).

Apart from initiatives to expand the young consumer market, we continued to invest in initiatives to grow and expand our popular range of products under Chinese medicated tonics including training cum incentive trip campaign for wholesale customers to a distillery in China and addition of SKU such as "Shaoxing Rice Wine Tower TianXiang HuaTiao" ("国色天香花雕"), "8-Years old Shaoxing rice wine Hua Tiao"("8年陈花雕王") and 12-Years old Shaoxing rice wine Hua Tiao ("12年陈花雕").

Some healthcare and TCM products in Retail segment.

RETAIL SEGMENT

	2016 RM'000	2017 RM'000	Change RM'000	Change %
Revenue	38,307	38,147	-160	-0.42%
PBT	1,812	1,400	-412	-22.74%
PBT margin	4.73%	3.67%	N/A	N/A

The Retail segment continue to face multi-faceted challenges operating under a demanding business environment. While consumers continued to adjust spending pattern in response to high cost of living, fierce competition was also seen from the shift in conventional shopping to online purchase. Furthermore, increasing operating costs also had a negative impact on the Retail segment's performance. Retail segment maintained the top-line revenue number and registered sales of RM38.15 million but suffered an approximately RM0.4 million reduction in PBT representing a 22.74% decline in PBT.

Generally, we experienced a declining performance trend in the Retail segment post implementation of Goods and Services Tax. This is in-line with the overall trend in the Malaysia retail industry. The general observation was consumers are cautious in spending and spent only during promotion periods such as Chinese New Year promotion campaign. In addition, profit margin from the Retail segment persistently was put under pressure owing to relatively high operating costs as compared to other segments. Major operating costs in the Retail segment included rental expenses and salaries for retail employees. During FYE 2017, we also suffered a cut in A&P subsidies from brand owners' due to the slow down in the overall retail market.

As digital adoption continues to affect our daily lives, we are not spared from investing in IT infrastructure to sustain our retail business. For FYE 2017, we upgraded the customer relations management ("CRM") system which will allow us to perform data mining on consumers' spending pattern and preference. With this IT investment, we hope we will be able to improve the planning for our merchandising and promotional activities. We also interact regularly with our retail customers through social media platforms such as WeChat and Facebook. Health and wellness information and promotional activities are uploaded and disseminated via social media interfaces.

In view of the gaining popularity of online shopping trend in Malaysia, we held back expansion of branches and closed down 2 non-performing retail outlets during the financial year under review. Currently, the Group has 56 retail outlets (including 7 franchises). To differentiate the products and services, a Chinese physician is stationed at selected retail outlets to provide value added services to our customers in the form of general medical consultation and products knowledge. Currently, 12 retail outlets provide consultation service by Chinese physicians and we plan to increase to other outlet stores over time. To complement these strategies, we organised the traditional chinese medicine course in collaboration with the Oriental Academy of Chinese Medicine. 31 employees participated in the course and were accredited with certification by the Oriental Academy of Chinese Medicine.

OTHER OPERATING ACTIVITIES

In relation to the other operating activities of the Group, revenue is mostly derived from rental income from the investment properties, manufacturing activities of pharmaceutical TCM products, advertising and credit & leasing activities.

The total PBT contribution by other operating activities was RM4.81 million for the FYE 2017 as compared to RM4.48 million in FYE 2016. Manufacturing and property investment activities are primarily the other operating activities which were contributing to the Group's revenue and PBT. Since the commissioning of manufacturing activities in our relatively new manufacturing plants in Jalan Kapar in May 2014, our manufacturing activities have slowly gained traction with the overall operations of the Group. Apart from receiving manufacturing orders from 3rd parties, our manufacturing plants also supported the MLM and Retail segments in the manufacturing of TCM healthcare products, supplements and herbal products. For the FYE 2017, manufacturing activities contributed approximately RM2.08 million to the Group's PBT, while PBT contribution from rental of property investment was approximately RM2.5 million which was lower than the rental collected in the previous financial year of RM4.3 million. The reduction in rental received was due to non-renewal of tenancy agreement by one of the key tenants.

MD&A (cont'd)

OUTLOOK AND PROSPECTS

The next financial year is expected to be another tough year for the industry which the Group is operating in. On the macro level, there is an increase in uncertainty due to the policy adjustments in China and the long term impact from Brexit. This uncertainty is projected to take a toll on consumer confidence and market sentiment. In 2017, the Malaysian economy is projected to grow by 4.3% - 4.8%, but the achievability of this projection will be dependent on external developments and global economic growth to a large extent. Adding on to the already challenging outlook, inflation is projected to increase in 2017 averaging between 3.0% - 4.0% (2016: 2.1%), primarily due to pass-through impact of the increase in global oil prices on domestic retail fuel prices according to annual report of Bank Negara Malaysia 2016. Rising inflation rate not only will result in consumers cutting spending but at the same time will also increase the operating costs inevitably.

As we mark an end to another successful year, it is the beginning for new expectations. Looking ahead, we have to proactively address potential vulnerabilities and tap on new growth areas to maintain the momentum of growth. With the Group's solid fundamentals, we are well-positioned to weather challenges ahead. For the MLM segment, we will focus our efforts to add SKU to the fashion range of products after market testing of hijabs that were rolled out in March 2017, which received positive response from our members. Accordingly, product development for the MLM segment will be focusing on trendy lifestyle theme, with leather goods taking the lead and supported by skincare products and expansion of the hijabs range and related accessories. Initiatives for the Wholesale segment is expected to carry out strategies to retain household consumers by increasing household and personal care products focusing on young consumers market. In respect of Retail segment, as the operating costs are relatively higher than other operating segments, we hope to leverage on the new CRM system implemented to streamline and centralise merchandising and A&P activities to achieve cost efficiency.

For our employees/members, we aim to foster a culture to nurture talents to assist in unlocking and fulfilling their potentials. A number of training courses for our retail outlets employees are planned to increase their knowledge in TCM and herbal products, an effort towards differentiating services offer in our retail outlets. For MLM members, we are looking to conduct more innovative A&P events to increase products exposure, to further enhance the spirit of togetherness and at the same time to increase products knowledge of the members. Trainings which emphasize on code of ethics will also be held throughout the year to reinforce sense of integrity among members.

On-going efforts to upgrade digital platforms in all operating segments will continue to optimise business operations and to achieve cost efficiency. While the management is positive on the Group's outlook for the next financial year, we remain vigilant in FYE 2018 in light of the constantly changing external environment.

APPRECIATION

On behalf of the Board, I would like to thank the management team, our MLM entrepreneur network and employees for their unwavering commitment and invaluable contributions in delivering greater value for our shareholders under such a demanding and challenging environment during the FYE 2017. My sincere thanks and appreciation also go to all our shareholders, customers, distributors, investors, business partners and stakeholders for their confidence and continued belief in Hai-O Group of Companies.

Tan Keng Kang
Group Managing Director

8 August 2017

Hijab Essential +

Black 16201

Maroon 16205

Navy Blue 16203

Grey 16202

Red 16206

Turquoise 16204

CORPORATE SOCIAL RESPONSIBILITY

HAI-O'S SUSTAINABILITY BELIEF

At Hai-O, we believe in the importance of sustainable development in a holistic manner. We are convinced that despite whatever efforts made, they must be done in good faith, creating shared value for business and society while building a continuous engagement with the community.

Community

Hai-O demonstrates its commitment to the community by practicing corporate social responsibility so as to make positive, valuable and long-term impact. The yearly charitable efforts made for the community include:

Hai-O Foundation's Virtuous Collaboration - Long cooperation and a perfect match between Sin Chew Daily and Hai-O Foundation have once again proved their effective partnership when "Ai Hua Jiao Fund-Raising Campaign" raised a total of RM11.2 million in 2016 alone, a remarkable and by far the highest collection yet. A total of 7 Chinese-medium schools had been identified as beneficiaries of these funds. The collaboration raises a total funds amounting to RM64 million through "Ai Hua Jiao Campaigns" over the last 7 years which had benefited 46 Chinese-Medium schools since 2010. Hai-O was recognized for its initiative and received Asia Responsible Entrepreneurship Awards (AREA) in the category of 'Social

Ai Hua Jiao Fund-Raising Campaign.

Empowerment' in June 2016 particularly on the success of Ai Hua Jiao Charity Concert in achieving its goals and objectives which reflect our endeavour to empower the future generations by providing high quality educational infrastructure and facilities.

Hai-O and Young Malaysians Movement (YMM) - YMM, a well-known Chinese NGO in Malaysia that is actively involved in charitable programs had once again invited Hai-O to be the supporting partner for the national blood donation campaign themed "Sebarkan Kasih Sayang". The nationwide blood donation drive was planned to be conducted biennially from 2016 to 2021 with the first campaign launched last year. The campaign kicked off at the YMM Headquarters in Kuala Lumpur on October 29, 2016, followed by 50 road shows held throughout Malaysia while promoting organ donation awareness. The recent road-shows held from February to June 2017 attracted 358 blood donors and 53 registered organ donors.

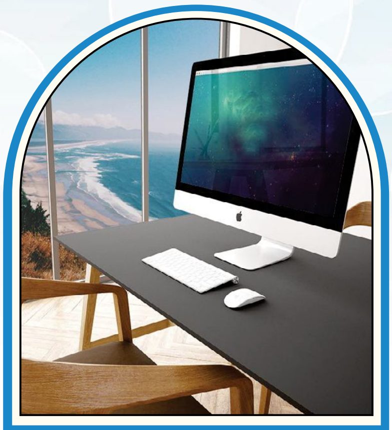
The spirit of love and compassion for the less fortunate during the celebration of the Year of the Rooster had lifted the spirits of the residents of Pertubuhan Rumah Anak Yatim Berkat Kasih (House of Love) with the friendly visit by representatives of Kelab Muhibbah Hai-O. The welfare home which is situated in Klang shelters orphans, abused women, single mothers, the poor and drug addicts undergoing rehabilitation treatment.

The second Academic Excellence Awards organized by Hai-O was to celebrate the outstanding academic achievements of children of our distributors. Entrepreneurs and members of Sahajidah Hai-O Marketing (SHOM), our MLM arm are not only admired for their entrepreneurial prowess and dedication, but also for being great parents who played significant roles in the academic excellence of their children. A total of 60 SHOM entrepreneurs together with their children were the recipients of the Academic Excellence Awards 2017. Meanwhile, children of 6 Hai-O employees were debut recipients of the Academic Excellence Awards 2017.

Hai-O Young Writers Awards – Another joint social contribution with the Malaysian Chinese Writers Association to help young writers to unleash and develop their talents in a diverse genre of literature writing. This award is specially dedicated to all promising writers aged below 35 years. The 6th competition witnessed an overwhelming response from 267 participants, making it the highest number of entries received since it was first held in 2009. The grand award ceremony was held in October 2016 at the Arts Auditorium of University Malaya College. In addition to cash prizes, winners received the exclusive Hai-O Trophy.

Blood Donation and organ donation campaigns.

The recipients of the Academic Excellence Awards 2017.



WORKPLACE

Our employees are our greatest asset. That's the reason we care about what makes working at Hai-O a rewarding and wonderful experience for our employees and strive to build an even better workplace for our people, and in turn, the success of our organization. Our values that sustain our culture are central to how we behave as individuals and collectively as an organization: "Sense of Belonging, Teamwork and Equal Opportunity". We aspire to embody these values in everything we do, particularly to instill a strong sense of corporate social responsibility within every employee so as to create a positive and productive environment where employees can thrive.

The Group is also committed to fostering a culture of diversity in its workforce. Hai-O workforce comprises 504 full-time employees as at 30 April 2017 who are of different race and age group from teens to the employees in their 60s. Female employees account for 62.5% of total Hai-O Workforce.

Workplace

Workforce Diversity

Ethnicity Composition

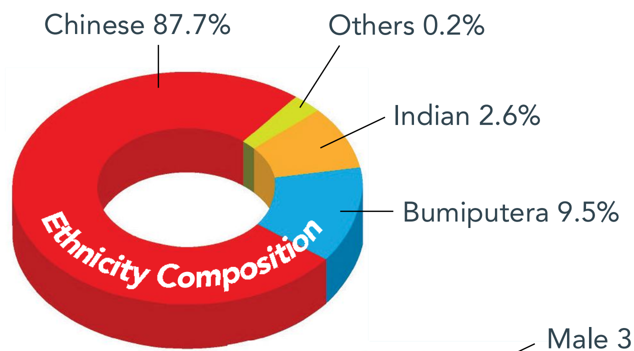
Ethnicity	Executive	Non-Executive	Total Number	Percentage %
Bumiputera	6	42	48	9.5%
Chinese	140	302	442	87.7%
Indian	-	13	13	2.6%
Others	-	1	1	0.2%
Total	**146**	**358**	**504**	**100%**

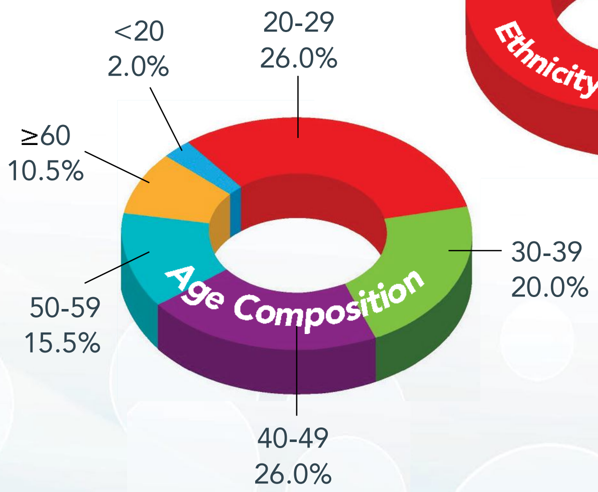
Age Composition

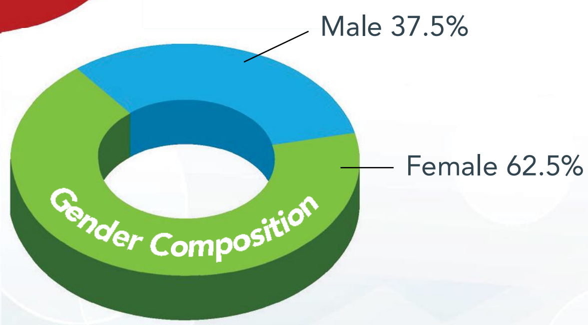
Age Group	Executive	Non-Executive	Total Number	Percentage %
<20	-	10	10	2.0%
20-29	25	106	131	26.0%
30-39	39	62	101	20.0%
40-49	47	84	131	26.0%
50-59	20	58	78	15.5%
≥60	15	38	53	10.5%
Total	**146**	**358**	**504**	**100%**

Gender Composition

Gender	Executive	Non-Executive	Total Number	Percentage %
Male	61	128	189	37.5%
Female	85	230	315	62.5%
Total	**146**	**358**	**504**	**100%**







Care for Staff

The Remuneration Working Committee is tasked to review the Human Resource (HR) policies and staff benefits on a regular basis. The insurance coverage including the Personal Accident, Hospitalization & Surgical Insurance for staff; uniform & shoe subsidy and unloading container allowance for warehouse employees; medical reimbursement; overtime claim; outstation allowance for all levels of staff are among the employee benefits that are within the scope of the annual review.

Recognizing Loyalty & Outstanding Performance

Hai-O recognizes long serving employees for their significant contribution and loyalty. Long- serving employees who have served for 10 years, 20 years, 25 years, 30 years, 35 years and 40 years received a token of appreciation and cash. In 2017 alone, a total of 23 employees received the long service award at the 42nd commemorative dinner. Meanwhile, the Best Employee Award given biennially is to reward employees for their outstanding performance.

A token of appreciation to our staff during the "Jalinan Mesra Aidilfitri" gathering.

Best Employee Awards are divided into three categories namely Managerial Level, Non-Managerial Level and Outlets / Branches.

Hai-O Higher Educational Aid

The "Hai-O Higher Educational Aid", launched in 2014, was introduced to give financial assistance to employee's children pursuing degree or postgraduate programmes at higher learning institutions. Eligible recipients are entitled to a maximum of RM5,000 per academic year.

The main objectives of Hai-O Higher Educational Aid are to:

- Provide financial assistance to Hai-O employees' children pursuing higher education so as to encourage lifelong learning;
- Serve as a token of appreciation to loyal employees and their children; and
- Encourage further studies for professional enhancement.

During the financial year 2017, a total of 20 children of employees received RM5,000 each which served as an encouragement for them to excel in their studies at tertiary level.

Chinese Herbal Medicine Mastery Training at Hai-O outlets– enhancing the expertise and service quality

The 'on the job' training was organized in collaboration with the Oriental Academy of Chinese Medicine as a continuous mastery enhancement programme for Hai-O headquarters and outlet staff. The hands-on training was conducted in 6 sessions over a period of 4 months commencing from August 2016 under the guidance of two physicians from the Academy. A total of 31 participants passed the training assessment and was awarded the Certificate of Completion which in turn would further increase the number of competent staff at Hai-O outlets.

Training & Development

As of 2017, we remain committed by enacting a policy that every executive is required to attend training or development programme either internally or externally for a minimum of 8 hours in each financial year. During the financial year

The recipients of the Long Service awards.

Employees awarded a Certificate of Completion after a training program.

CORPORATE SOCIAL RESPONSIBILITY (cont'd)

Fire Safety Awareness & Demonstration on Fire Fighting Equipment.

alone, we clocked a total of 5,616 training hours with 384 staff attending a diverse series of training programmes. In addition, over 7,308 training hours have been arranged for the front liners in the retail division to equip them with relevant skills and knowledge for career advancement over time. We also provide induction programmes such as orientation and related briefings for continuous education and learning to our staff.

The in-house developed e-training system has since been used as a management tool for planning, budgeting, evaluation and administering of all training programmes for staff.

Health & Safety

As a healthcare company, we stand true to our values and business philosophy with an emphasis on health and well-being of our employees. On 17 August 2016, we arranged a talk for our staff on "Fire Safety Awareness & Demonstration on Fire Fighting Equipment" by the Jabatan Bomba dan Penyelamat Malaysia.

Meanwhile, on 14 September 2016, we arranged an Emergency Response Awareness Program at Wisma Hai-O with CERC Centre Malaysia. This talk provided us with the necessary skills, knowledge and attitude towards understanding the importance of prevention, preparation and preservation in all aspects of safety in our daily lives.

On the same day, we conducted a talk on CPR (Cardiopulmonary resuscitation), a lifesaving technique that could be helpful in many emergency cases including heart attack or when someone was experiencing cardiac emergency.

Market Place

Empowering Women Entrepreneurs – Appreciating Women's Versality

Women entrepreneurs make up over 75% of our total MLM entrepreneurs. Ever since a long time, we have been charmed by the persistence and perseverance of our versatile women entrepreneurs.

This year, "Celebrating Women" was the theme for the first award ceremony for the year 2017 to commemorate International Women's Day which falls on March 8 annually. Hai-O Group also declared a special holiday to its employees for the sacrifices and contributions of women to the welfare of families, communities and countries.

Notably, SHOM received recognition in Prime Minister CSR Award 2009 under the category of "Women Development" from the Ministry of Women, Family and Community Development. Significantly, Prime Minister, Dato' Seri Najib Tun Razak presented the award.

In Collaboration with the University of Henan in Herbal Research & Development– brightening the future of alternative medicine

Hai-O Group and the University of Henan School of Traditional Chinese Medicine had opened a new chapter in bilateral relations between China and Malaysia. Both parties entered into an agreement in April 2017 to promote research and development (R&D) of local Chinese herbal medicines while Hai-O is committed to providing internship to students of the University of Henan and local Linton University College at Hai-O outlets nationwide. In addition to expanding the opportunities for Chinese Herbal

Signing ceremony on the Collaboration with the University of Henan.

Medicine as an alternative medicine, this program would enhance the quality of Hai-O's customer service.

"Micro Film Star Script Writing Contest" – inspiring young people to produce great works

Hai-O understands that business and entertainment are worlds apart yet complementary. Therefore, the engagement of young generation is crucial in sustaining these fields. Since young people are fond of and more inclined to the field of entertainment, Hai-O had opened up to young talents to produce a good masterpiece so that the field of entertainment would become an effective medium of learning for most young people.

In this regard, Hai-O had shown its support for the contest organized by Sin Chew Daily and proud to be the sponsor of the first 'Micro Film Star Script Writing Contest" as an encouragement for young talents to pursue their dreams and produce exceptional works.

The largest delegation ever to Beijing – strengthening bilateral relations

In August 2016, some 1,000 distributors of SHOM were rewarded with an incentive trip to Beijing. The delegation was led by Hon. Dato' Abdul Majit Ahmad Khan, Chairman, Malaysia-China Friendship Association (PPMC), who was the Malaysian Ambassador to China from 1998 – 2005, and the founder of Hai-O Group, Mr. Tan Kai Hee, who is the Secretary-General of PPMC.

The visit to China also led the PPMC mission to promote bilateral relations between the two countries in five key areas i.e. culture, education, tourism, youth and sports.

The largest delegation ever to visit China was given a preferential treatment from the representatives of the government of China while witnessing for themselves the rapid development and high-technology of China in Beijing.

Online Shopping – Keeping Up with The Trend

Online shopping or e-commerce is now a worldwide trend as it saves time and energy. As for company revenue, the contribution of e-commerce has been increasing significantly. For financial year 2017, the revenue from e-commerce of the MLM division has increased more than 4 times as compared to last financial year 2016. In view of this, we continuously strive so as to improve the support services while improving the quality of customer service. The transition to the web-based marketing solution software system with effect from June 2016 was among key measures to support e-commerce.

Customer Service

Hai-O has always committed to preserving a customer-focused approach and uphold service excellence in all of the dealings and interactions with customers and distributors. This principle has been embedded in one of Hai-O Corporate Value i.e. "Excellent Service".

Online registrations for Company events and new memberships, as well as membership card printing at Stockists, are among the enhancements to the services rendered to distributors.

Official launching of the "Micro Film Star Script Writing Contest".

ENVIRONMENT

Environment

E-Newsletter and E-Sales Kit for our MLM Distributors

SHOM stays current in disseminating news to its distributors. In line with the support for the National Green Technology Policy, starting in June 2017, distributors of SHOM can have the best way to access to the Company latest update and exciting news at their fingertips. Moreover, lots of exciting promotions are offered to distributors who subscribe to e-Newsletter as being a subscriber has its rewards.

In addition, SHOM will also introduce e-Sales Kit so as to gradually replace the existing Conventional Sales Kit. New distributors have two options either to opt for e-Sales Kit or the Conventional Sales Kit which comes at a higher price.

Energy Efficiency through LED Lights

Energy efficiency and renewable energy are said to be the twin pillars of sustainable energy policy and are high priorities in the sustainable energy hierarchy. Reducing energy is also seen as a solution to the problem of reducing greenhouse gas emission.

To address the issue of global warming which eventually led to increased energy demand, we support the use of energy-saving products as the answer to this problem. During the financial year until the publication of this report, we have installed LED lights on most part of our premises, namely at Sun Kompleks, Wisma Hai-O (headquarters), Wawasan Hai-O (MLM office) and SG Global's factory - Lot 1388, Jalan Kapar (Manufacturing plant). The installation of LED lights helps to save an average of more than 30% of the monthly electricity bills.

Eco-Friendly Manufacturing Plant

We are upgrading the building specifications of our Manufacturing plant so as to be more environmentally friendly. The operation of the oven and de-duster that comes with ducting and chimney within the plant is for the purpose of gas emission during the production process. The upgrading on both the de-duster and chimney is to improve the efficiency of the air pollution control system while enabling gas emission monitoring to be conducted by our laboratory team.

Environmentally Friendly Products

When introducing a new product, we would leave behind our comfortable ways of thinking which may be challenging as our products are intended to serve the customers as well as protecting the environment.

Among our best-selling yet eco-friendly products are Eziclean Concentrated Laundry Compound, Eziclean Toilet & Floor Cleaner, Eziclean Concentrated Dishwash, BioCleanz Multipurpose Cleaner and biodegradable fertilizer EziGrow. In addition, the packaging of Bio Evolve Water Purification System is Styrofoam-free that is in support of the "Safe the Earth" Campaign

Being eco-friendly has been part of our way to help uphold a sustainable lifestyle. All of us at Hai-O are expected to live up to Hai-O's commitment to sustainability in our daily business activities and to benchmark our achievements against the industry and best practice of 3R (Reduce, Reuse & Recycle) at the workplace.

Audit Committee Report

The Audit Committee ("The Committee"/ "AC"), assists our Board in fulfilling its responsibilities with respect to its oversight responsibilities. The AC is committed to its role in ensuring the integrity of the Group's financial reporting process and monitoring the management of risk and system of internal control, external and internal audit processes, and such other matters that may be specifically delegated to the AC by our Board.

COMPOSITION

The AC, appointed by the Board of Directors ("the Board") from amongst its members, presently comprises three (3) Directors, all of whom are Independent Non-Executive Directors and satisfy the test of independence under the Main Market Listing Requirements (MMLR) of Bursa Securities. A majority of the AC members possesses the requisite qualifications as stipulated under paragraph 15.09(1)(c) of the MMLR of Bursa Securities.

The Chairperson of AC is elected from among the members and is an independent director. In this respect, the Company complies with Paragraph 15.10 of the MMLR.

Should there be a vacancy in the AC resulting in the non-compliance of Paragraphs 15.09(1) and 15.10 of the MMLR, the Company must fill up the vacancy within three (3) months thereof.

Name	Designation	Directorship
Y.Bhg. Datin Sunita Mei-Lin Rajakumar	Chairperson	Independent Non-Executive Director
Chow Kee Kan @ Chow Tuck Kwan	Member	Senior Independent Non-Executive Director
Tan Kim Siong	Member	Independent Non-Executive Director

TERMS OF REFERENCE

In view of the amendments of the MMLR, the Terms of Reference ("TOR") of the AC has been reviewed and revised by the AC and recommended the same to the Board for approval, for adoption. The revised TOR of the AC was approved by the Board on 28 June 2016.

The updated TOR of the AC is available on the Company's website at www.hai-o.com.my.

MEETINGS AND ATTENDANCE

During the financial year ended 30 April 2017, the Committee held five (5) meetings. The details of attendance of the Committee members are as follows:-

Name	Number of Meetings Attended
Y.Bhg. Datin Sunita Mei-Lin Rajakumar	5/5
Chow Kee Kan @ Chow Tuck Kwan	5/5
Tan Kim Siong	5/5

Audit Committee Report (cont'd)

MEETINGS AND ATTENDANCE (CONT'D)

The quorum for a meeting shall be made up of a majority of the members present, who shall be Independent Directors. The Company Secretary is the secretary of the AC.

The Group Managing Director, Group Executive Director who is also the Group Chief Financial Officer, representatives from Accounts, Finance and Operation Management, Head of Group Internal Audit, and the representative of the co-sourced Internal Auditors and External Auditors have been invited to attend the meetings during the financial year. Minutes of each AC Meeting were circulated to the members and tabled for confirmation at the following AC meeting and subsequently presented to the Board for notation.

During the financial year 2017, the AC Chairperson presented to the Board the AC's recommendations to approve the annual financial statements and quarterly financial reports. The Chairperson also briefed the Board on the summary of the matters raised by the External Auditors and/or Internal Auditors on the significant matters highlighted during the course of audit, financial reporting issues, significant judgements and estimates made by Management and how these matters were addressed.

For each of the significant matters, the Committee had considered the rationale and judgements provided by Management and discussed the same with the External Auditors to ensure that the correct accounting policies had been used and is in line with the requirement of the prevailing accounting standards.

The Head of Internal Audit and co-sourced Internal Auditors attended the AC meetings to present the internal audit review reports on the risk assessment and system of internal control together with their recommendations thereon. The head of the respective Business Units were invited to attend the AC meetings to facilitate deliberations as well as to provide clarification and explanation on audit issues to the AC particularly on specific control lapses and issues arising from the relevant audit reports.

REPORTING OF BREACHES TO THE BURSA MALAYSIA SECURITIES BERHAD

If any matter reported by the AC to the Board of the Company has not been satisfactorily resolved resulting in a breach of the MMLR, it shall promptly report such matter to the Bursa Securities.

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2017

The AC carried out its duties in accordance with its Terms of Reference.

During the financial year ended 30 April 2017 and up to the date of this Report, the work carried out by the AC in discharging its duties and responsibilities included: -

1. Reviewed and discussed with Management on changes in accounting policies, going concern assumptions and significant matters highlighted including financial reporting issues, significant judgements made by Management and steps taken to address the matters during the review of:

    i) the unaudited quarterly financial results before recommending to the Board for approval; and

    ii) the audited financial statements for financial year ended 30 April 2017 before recommending to the Board for approval.

2. Reviewed and discussed with the External Auditors, KPMG PLT, on the scope of their audit work, the results of their examination, the auditors' report, management letters in relation to the audit and accounting issues arising from the audit and compliance with new developments on accounting standards and regulatory requirements as well as the assistance given by employees of the Company to the External Auditors;

Audit Committee Report (cont'd)

SUMMARY OF WORK DURING THE FINANCIAL YEAR 2017 (CONT'D)

3. Reviewed and approved the annual audit plan of the Company and the Group proposed by the External Auditors, KPMG PLT for the financial year ended 30 April 2017;

4. Reviewed and assessed the audit fees and the nature of non-audit services and the related fee level compared to the external audit fees of the Company and Group;

5. Reviewed and assessed the performance and independence of the External Auditors, KPMG PLT taking into account the quality and timeliness of the report furnished, the level of understanding demonstrated of the Group's business and communication about new and applicable accounting practices and auditing standards and its impact on the Company's financial statements. The AC was satisfied with the outcome of the performance assessment and independence of the External Auditors for FY2017 and recommended to the Board for the re-appointment of KPMG PLT as External Auditors for the financial year ending 30 April 2018 and the fees proposed;

6. Deliberated and approved the Internal Audit Plan for the financial year to ensure adequate scope and comprehensive coverage of audit as well as to ensure the audit resources are sufficient to enable the Internal Audit to discharge its functions effectively;

7. Reviewed the quarterly internal audit finding status reports and deliberated on the rectification actions and the timeline taken by Management to ensure that the control deficiencies are addressed and resolved promptly;

8. Reviewed, appraised and assessed the performance of the Head of Internal Audit and the co-sourced Internal Auditors. The self-assessment forms completed by the Head of Internal Audit and the co-sourced Internal Auditors were circulated to the members of AC for their evaluation;

9. Deliberated and reviewed the risk management and internal control systems, processes, procedures or activities undertaken by the External Auditors, the Internal Auditors and Management and the outcome therefrom to ensure that all high and critical risk areas are being addressed;

10. Reviewed the related party transactions (RPT) and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or code of conduct that may raise concern or question on Management's integrity. The Group has put in place a set of policies and procedures to be adhered to which may give rise to RPT and conflict of interest situation. The AC has reviewed the RPT and potential conflict of interest matters twice during the financial year 2017; and

11. One of the members of AC had performed routine visits to the Internal Audit Department to discuss and review the on-going audit matters, audit recommendations made by the Internal Auditors and reviewed the status of action plans taken by Management to address the areas of concern.

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2017

1. Financial Reporting

The AC reviewed with Management and deliberated on the quarterly consolidated financial statements and the annual financial statements of the Company and the Group prior to the approval by the Board, focusing primarily on:

- changes or implementation of major accounting policies;
- significant matters highlighted by Management, including financial reporting issues, significant judgements made by Management, significant and unusual events or transactions, and how these matters were addressed;
- compliance with accounting standards and other legal or regulatory requirements to ensure that the financial statements give a true and fair view of the state of affairs;
- results and cash flows of the Group and of the Company; and
- compliance with the Malaysian Financial Reporting Standards and the provisions of the Companies Act, 2016 as well as the MMLR.

Audit Committee Report (cont'd)

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2017 (CONT'D)

1. Financial Reporting (cont'd)

New financial reporting standards and amendments that are effective for the financial year were discussed with the External Auditors during the AC meetings. The adoption of these new standards and amendments did not have any significant impact on the current or prior year and are not likely to materially affect future periods.

The AC also reviewed and where applicable, commented on the representation letters by Management to the External Auditors in relation to the audited financial statements.

In accordance with International Standards on Auditing, key audit matters which in the opinion of the External Auditors were of most significant in their audit of the annual financial statements were brought to the attention of the AC and highlighted and addressed by the External Auditors in their audit report.

2. External Auditors

The AC also reviewed and discussed with the External Auditors' annual audit plan setting out the proposed scope of work before their commencement of the audit of the financial statements of the Group.

The proposed audit fees for the External Auditors in respect of their audit of the financial statements of the Company and its unlisted subsidiaries were analysed and reviewed by the AC for recommendation to the Board for approval. Non-audit fees and non-audit related costs payable to the External Auditors for non-audit services rendered by the External Auditors during the financial year were also reviewed and considered in ascertaining the suitability and independence of the External Auditors.

The AC conducted its annual assessment based on among others, the External Auditors' independence, level of understanding demonstrated of the Group's business and performance before recommending the reappointment of the External Auditors to the shareholders for approval.

The AC met four (4) times with the External Auditors during the financial year ended 30 April 2017 at the AC meetings held on 28 June 2016, 21 July 2016, 20 September 2016 and 28 March 2017. The AC had two (2) private meetings with the External Auditors without the presence of the Management and Internal Auditors at the AC meetings held on 21 July 2016 and 28 March 2017 respectively.

3. Internal Audit

The AC reviewed and approved the Annual Internal Audit Plan for financial year 2017 for the Company and the Group presented by the In-House Internal Auditor, co-sourced independent internal audit firm, **CGRM INFOCOMM SDN. BHD. ("CGRM")** and authorised the deployment of necessary resources to address risk areas identified.

The AC reviewed and deliberated on the internal audit reports issued in respect of the Group's entities and/or operations each quarter. The audits covered various operations, systems, processes and functions across the Company and the Group. Some weaknesses in internal control were identified for the year under review but these are not deemed significant and have not materially impacted the business or operations of the Group.

The internal audit reports also included follow up on corrective measures to ensure that Management had addressed the weaknesses identified in a satisfactory manner and the AC is updated on the progress accordingly.

During the financial year ended 30 April 2017, the AC met five (5) times with the Internal Auditors at the AC meetings held on 28 June 2016, 21 July 2016, 20 September 2016, 20 December 2016 and 28 March 2017. A total of nine audit reports were furnished to the AC for review and deliberation, of which six reports were presented by the Group In-house Internal Auditor and three reports were presented by CGRM. The internal auditors had reviewed and conducted audits and assessed the adequacy of the system internal control in accordance to the audit plan as approved by the AC. The results of the audit conducted, as well as key control issues and recommendations were highlighted to the AC upon completion of each audit session.

Audit Committee Report (cont'd)

HOW THE AUDIT COMMITTEE DISCHARGED AND MET ITS RESPONSIBILITIES DURING THE FINANCIAL YEAR 2017 (CONT'D)

Related Party Transactions ("RPTs")

Related party transactions of the Company and the Group which exceeded the pre-determined thresholds as set out in the Group's Internal Policy were reviewed by the AC to ensure that these transactions were fair, reasonable, on normal commercial terms, not detrimental to the interests of the minority shareholders and in the best interest of the Company before recommending to the Board for approval.

The AC reviewed the recurrent RPTs of a revenue or trading nature which are necessary for the day-to-day operations of the Company and the Group to ensure that the transactions were in the ordinary course of business and on terms not more favourable to the related parties than those generally available to the public or non-related third party(ies), whether there are any compelling business reasons for the Company to enter into the RPTs or recurrent RPTs and the nature of alternative transactions and whether the RPTs or recurrent RPTs would impair the independence of the related party, if he / she is an independent director.

There were no RPTs or recurrent RPTs that triggered the disclosure threshold under the MMLR and approval by shareholders at general meeting and these transactions or any one-off transaction entered into between Hai-O Group and the related parties were carried out in the normal course of business. The transactions that may trigger the conflict of interest were properly disclosed and the transactions were conducted in accordance with the Group's purchasing policy and were within arm's length perimeter pursuant to the Company's Code of Ethics.

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The primary role of the internal audit function is to undertake regular and systematic review of the systems of internal control so as to provide sufficient assurance that the Group has in place a sound risk management, internal control, and governance system. The Internal Audit ("IA") maintains its impartiality, proficiency and due professional care by having its plans and reports directly under the purview of the AC.

The Company has established an in-house internal audit team as well co-sourced the internal audit to an independent professional services firm, CGRM, to carry out the internal audit function for the Group. The engagement of co-sourced service provider is to complement the in-house internal audit department and to enhance the internal audit function of the Group. CGRM has the required specialized skill set with a high degree of professionalism and are trained in many areas and this would help to enhance the quality of internal audit practices to the Group.

The Group's risk-based internal audit plan was drawn up taking into consideration the potential high risk areas identified through the risk register maintained by Management which was prepared based on the high level risk and control assessment review conducted by CGRM, discussions with management and in consultation with the AC.

The summary of the internal audit works includes:

- Reviewed and updated the annual audit plan for deliberation and approval by the AC;
- Performed operational audits on business units of the Group according to the annual audit plan to ascertain a proper system of risk management and adequacy of the internal control systems. Key control issues and recommendations for improvement were highlighted to enable the AC to execute its oversight function;
- Results of the internal audit reviews were reported to the AC on a quarterly basis;
- Performed follow-up reviews to ensure that audit recommendations and action plans were implemented by Management; and
- Reviewed the related party transactions (RPT) and conflict of interest situation that may arise within the Company or the Group.

Audit Committee Report (cont'd)

SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION (CONT'D)

During the financial year 2017, in-house IA reviewed and conducted six audits assignments and assessed the adequacy of the internal control systems on business operations including the management on sales and debtors, inventory and warehouse, purchasing and creditors, retail outlets operations, retail outlets ordering & data processing, franchising, machinery repair & maintenance and raw material planning for the Wholesale, Retail and Manufacturing Division. The In-house IA also performed RPT review exercise twice a year. The independent internal audit firm, CGRM conducted three high level risk and control assessment review on the Management of Product Development in Hai-O Enterprise Berhad, Product Sourcing and Merchandising in Hai-O Raya Bhd. and Product Sourcing and Development in Sahajidah Hai-O Marketing Sdn. Bhd..

In addition, audit reviews were also made at the request of the AC and senior management on specific areas of concern as a follow-up in relation to high-risk areas identified during the course of business.

The Internal Audit Department while maintaining its role to carry out audit programmes at the various business units and ISO audit assessment for its main subsidiaries, had also followed-up to review the status of Management actions carried out based on the audit recommendations made by the Internal Audit Department as well as CGRM.

The operation cost incurred for the internal audit function of the Group in respect of the financial year ended 30 April 2017 amounted to RM 266,863.

Statement on Corporate Governance

The Board of Hai-O Enterprise Berhad recognises the importance of the Malaysian Code on Corporate Governance 2012 ("the Code" or "MCCG 2012"), which sets out the broad principles and specific recommendations on structures and processes which Hai-O Enterprise Berhad should adopt in making good corporate governance an integral part of its business dealings and culture.

The application of the Code and the extent of compliance with the Principles set out in the Code are reported hereunder. Where the Company has not followed any Recommendation or has taken steps to follow such Recommendation, or has established an alternative approach, together with the reasons, where applicable, is disclosed in this Statement.

STATEMENT ON APPLICATION OF THE CODE

The Board is satisfied that the Company has, in all material aspects applied the principles and recommendations of the MCCG 2012 during the financial year ended 30 April 2017.

Principle 1 – Establish clear roles and responsibilities of the Board and Management

Clear functions of the Board and Management

The Board recognises the key role it plays in charting the strategic direction of the Group and has assumed the responsibilities in discharging its fiduciary and leadership functions. Matters that require the prior review and approval by the Board are set out in the list of agenda of the annual meeting calendar. Pursuant to Articles 126 and 138 of Company's Articles of Association, decisions of the Board at a physically convened Board Meeting shall be decided by a majority of votes or alternatively, circular resolutions must be signed by majority of the Directors. The Company Secretary keeps the minutes of the Board Meetings, a draft of which is circulated to Management and Directors for their comments prior to approval by the Chairman.

To ensure the effective discharge of its function and responsibilities, the Board delegated powers of the Board to the Board Committees, namely Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and ESOS Committee to oversee the Group's affairs in accordance with their respective Terms of Reference. All proceedings, matters arising, deliberations, in terms of the issues discussed, and recommendations made by the Board Committees' meetings are recorded in the minutes by the Company Secretaries, confirmed by the Board Committees, signed by the Chairman of the said Committees, and reported to the Board. Upon invitation, Management representatives were present at the Board Committees' meeting to provide additional insight to matters to be discussed during the said Committee meetings, if so required.

The Board, assisted by the respective Board Committees, is responsible for amongst others, the following:

- Reviewing and adopting a strategic plan for the Group;
- Overseeing and evaluating the conduct of the Group's businesses, review of business plans and approval of annual budget;
- Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- Establishing a succession plan for senior management;
- Overseeing the development and implementation of Investor Relations policy for the Company;
- Reviewing the adequacy and the integrity of the management information and internal controls system of the Group;
- Formulating corporate policies and strategies;
- Approving key matters such as quarterly financial results, audited financial statements as well as major investments and divestments, major acquisitions and disposals and major capital expenditures;
- Assessing on an annual basis the effectiveness of the Board, Board Committees and individual Directors, including Senior Management; and
- Reviewing the term of office and performance of the Board Committees and each of its members in accordance to their respective term of office.

Statement on Corporate Governance
(cont'd)

Principle 1 - Establish clear roles and responsibilities of the Board and Management (cont'd)

Clear functions of the Board and Management (cont'd)

The Board plays an active role in the establishment of the Company's strategic plan. The Executive Directors together with the Head of Business Units undergo a rigorous and thorough process of setting the annual business plan and the annual budget against the market trends and industry benchmark. At the beginning of the financial year, the Board reviewed with Management the annual business plan as well as the annual budget for the year and to ensure that there are resources in place for the Group to meet its objectives.

Further details of Group business strategies by segment are outlined in the Statement on Management Discussion and Analysis of this Annual Report.

Management's role is to implement and execute the expressed policies and strategies adopted by the Board and has delegated authority to manage the business on a day to day basis. The limits of Management's authority are encapsulated in the Group's Policy document which outlines the decision making authority of the executive management team, generally covering approvals for operational and capital expenditure, execution of contracts, procurement and human resource matters. Any commitments which are not within the ordinary course of business, material in nature and are subject to the disclosure requirements pursuant to the Main Market Listing Requirements ("MMLR") of Bursa Securities will require the prior approval of the Board.

The Board was briefed on the operational performance and the quarterly report on the financial performance of the Group. As and when necessary, additional meetings would be convened to discuss on matters which are not in the ordinary course of business such as new business proposals/opportunities and major capital commitments.

Clear roles and responsibilities

The functions of the Executive and Non-Executive Directors are separated and clearly defined. Generally, the Executive Directors manage the Group's daily operations and implement the operational and corporate decisions. The Non-Executive Directors provide the Company with unbiased, independent views and decisions, after taking into consideration the interest of the shareholders, employees and business associates. The expertise of the Independent Non-Executive Directors complements the knowledge and experience of the Executive Directors in the formulation of the Company's strategies and policies for business operations as well as to promote sustainability. The Independent Non-Executive Directors also play a role to ensure a clear separation between the policy-making process and day-to-day management of the Group's businesses. For any conflict of interest, potential or otherwise, it is a mandatory practice for the Director concerned to declare his or her interest and to abstain from voting and deliberations on that affected subject matter.

The Group Executive Chairman is responsible for ensuring the smooth and effective functioning of the Board. His duties include providing leadership to the Board, ensuring that the Board carries out its responsibilities in the best interest of the Company and that all the key issues are discussed in a timely manner. The Chairman is also tasked with facilitating active discussion and participation by all Directors and ensuring that sufficient time is allocated to discuss all relevant issues at Board meetings.

The Group Managing Director, is responsible to formulate appropriate corporate strategies and develop the business. In the normal course of events, day-to-day management of the Company will be in the hands of Management and under the stewardship of the Group Managing Director.

Succession Planning

The Board recognises that succession planning is an ongoing process designed to ensure that the Group identifies and develops a talent pool of personnel through mentoring, training and job rotation for high level management positions that become vacant due to retirement, resignation, death or disability and/new business opportunities.

Statement on Corporate Governance (cont'd)

Principle 1 – Establish clear roles and responsibilities of the Board and Management (cont'd)

Sustainability of Business

The Board is mindful of the importance of business sustainability and in developing the corporate strategy of the Group, its impact on the environment, social and governance aspects is taken into consideration. The Company's activities on corporate social responsibilities for the year under review are disclosed on pages 34 to 40 of this Annual Report.

Code of Ethics and Whistleblower Policy

The Board is committed to maintain a corporate culture which engenders ethical conduct. The Directors observe the Company Directors' Code of Ethics established by the Companies Commission of Malaysia ("CCM") which can be viewed from CCM's website at www.ssm.com.my and Company's website at www.hai-o.com.my. The Code of Ethics provides guidance to the Directors of the Company in performing their duties as it aims to establish a standard of ethical behaviour based on trustworthiness and values as well as uphold the spirit of responsibility and social responsibility in line with the legislation, regulations and guidelines for administration of a company. The Group has also established an internal policy which was formalised through the Company's Code of Ethics and Business Conduct ("Business Code"). The employees of the Group are required to adhere to the principles and practices outlined in the Business Code in performing their duties and responsibilities. A copy of the Internal Business Code is available on our internal portal which is accessible to all directors and employees.

The Company has adopted a Whistleblower Policy which is disseminated to employees on the Company's internal portal. The Whistleblower Policy which states the appropriate communication and feedback channels to facilitate whistleblowing can also be accessed at Company's website www.hai-o.com.my.

Access to Information and advice

The Board is given the meetings schedule a year ahead at the start of each calendar year so that the Directors could plan ahead and note down in their diaries to allocate time for their attendance of such meetings.

The Board meets at least once in every three (3) months. During the financial year ended 30 April 2017, the Board met eight (8) times with an average attendance record of 98%. Senior Management staff has been invited to attend the Board meetings to provide the Board with operational, management and financial details. The details of Directors' attendances during the financial year 2017 are set out on page 67 of this Annual Report.

Notice of meetings setting out the agenda and accompanied by the relevant Board papers are given to the Directors within sufficient time to enable the Directors to review, seek additional information and / or clarification on the matters to be deliberated at Board meetings.

The Chairmen of the respective Board Committees, namely, Audit Committee, Nominating Committee, Remuneration Committee, Risk Management Committee and ESOS Committee were given time under a separate Agenda at each Board Meeting following their respective meetings to brief the Board of the salient matters deliberated at such Committee meetings and if necessary, recommend to the Board, actions to be taken.

The Board has unrestricted access to all staff for any information pertaining to the Group's affairs. In addition, the Board has access to the advice and services of the Company Secretaries who are responsible in ensuring that the Board meeting procedures are followed and that applicable rules and regulations are being complied with. The Board may also seek independent professional advice at the expense of the Company as they deem necessary in furtherance of their duties. Any Director who wishes to seek independent professional advice in the course of discharging his / her duties may raise the request during the Board meeting or convey the request through the key senior management or Company Secretary for consideration of the Board at a Board meeting to be held.

In addition, the Board was also briefed and updated with the latest relevant regulatory requirements from time to time at the respective Board Meetings by the Company Secretary.

Statement on Corporate Governance
(cont'd)

Principle 1 - Establish clear roles and responsibilities of the Board and Management (cont'd)

Company Secretary

The Company Secretaries are members of Malaysian Association of Institute of Chartered Secretaries and Administrators (MAICSA). They are competent in carrying out their work and play supporting and advisory roles to the Board. They ensure adherence and compliance to the procedures and regulatory requirements from time to time. They also ensure that meetings are properly convened and deliberations at meetings are accurately captured and minuted.

Board Charter

To enhance accountability, the Board Charter which clearly sets out the roles, functions, composition, operation and processes of the Board was developed and replaced the Directors Handbook which was established in 2010. The Board Charter clearly sets out the roles and responsibilities of the Board and Board Committees, function of the Board and those delegated to Management, the processes and procedures for convening their meetings and the requirements of Directors in carrying out their stewardship role and in discharging their duties towards the Company. The Board Charter will be periodically reviewed and updated to take into consideration the needs of the Company as well as any development in relevant rules, regulations and laws that may impact on the discharge of the Board's duties and responsibilities. The last review was made in June 2016 whereby the terms of references of the Audit Committee and Nominating Committee were updated incorporating the amendments to the MMLR which took effect from 1 July 2016. The summary of the Board Charter, Terms of Reference of Audit Committee and Nominating Committee are available on the Company's website at www.hai-o.com.my under the Investor Relations section.

Principle 2 - Strengthen Composition of the Board

Composition of the Board

Our Board currently consists of nine (9) members, three (3) of whom are Executive Directors and six (6) Non-Executive Directors of whom four (4) are Independent Directors. Thus, this complies with Paragraph 15.02 of the MMLR of Bursa Securities that at least one-third (1/3) of the Board are Independent Directors.

The positions of the Group Executive Chairman and Group Managing Director are held by different individuals. All the Independent Directors are independent of management and are free from any business or other relationship that could materially interfere with the exercise of their independent judgement.

Recommendation 3.5 of the Code states that the Board must comprise a majority of Independent Directors where the Chairman of the Board is not an Independent Director. Mr. Tan Kai Hee is the Group Executive Chairman. Although the Company does not have a majority of Independent Directors on its Board, there are six (6) Non-Executive Directors, four (4) of whom are Independent and as such, the Board collectively would be able to function independently of management and there is no disproportionate imbalance of power and authority on the Board between the Non-Independent and Independent Directors. Mr. Tan has extensive experience in the Group's businesses and provides leadership for the Board and setting the overall strategies and objectives of the Company. Although our Chairman is an executive member of the Board, the Board has the presence of Independent Directors with distinguished records and credentials to ensure that there is independence of judgement. The Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their judgement. They, particularly the Independent Non-Executive Directors, are actively involved in various Board Committees. They provide guidance, unbiased, fully balanced and independent and objective views, advice and judgment to various areas such as performance monitoring, enhancement of corporate governance and controls so as to safeguard the interest of shareholders and stakeholders.

Based on the above, the Board was satisfied that notwithstanding the executive position, the Chairman has continued to discharge his duties effectively and has shown tremendous commitment and has played an integral role in the stewardship of the Group. In addition, in consideration of the substantial shareholding interest of the Chairman in the Company and accordingly, the Board is of the view that he is well placed to act on behalf of shareholders and in their best interest.

Statement on Corporate Governance
(cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Nominating Committee

The Board has delegated to the Nominating Committee the responsibility to establish, maintain and review the criteria to be used in the recruitment process and annual assessment of Directors inclusive of the assessment on effectiveness of the Board as a whole, and the performance of each individual director. With effect from financial year 2016, the Nominating Committee has also been tasked to review the term of office and performance of Audit Committee and its members on an annual basis. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions are properly documented.

The Board has on 18 December 2001 set up a Nominating Committee. The Nominating Committee currently comprises exclusively of Non-Executive Directors, a majority of whom are independent. The members are as follows:-

Name	Directorship
Chairman:	
Chow Kee Kan @ Chow Tuck Kwan	Senior Independent Non-Executive Director
Members:	
Soon Eng Sing	Independent Non-Executive Director
Chia Kuo Wui	Non-Independent Non-Executive Director

In accordance with the Articles of Association of the Company, one third (1/3) of the Directors shall retire from office by rotation at each Annual General Meeting ("AGM") and may offer themselves for re-election. Directors who are appointed by the Board during the financial year are subject to election by the shareholders at the AGM held following their appointment(s). Following the implementation of the Companies Act, 2016 on 31 January 2017, there is no age limit for Directors.

The Nominating Committee has also developed criteria for the assessment of the Independent Directors annually; the training needs of Directors for continuous education purpose and expected time commitment of the Directors as well as protocols for the Board to accept new directorships.

The Nominating Committee is responsible to recommend candidate to the Board to fill vacancy arising from resignation, retirement or other reasons or if there is a need to appoint additional director with the required skill or profession to the Board in order to close the competency gap in the Board identified by the Nominating Committee. Upon receipt of the proposal, the Nominating Committee is responsible to conduct an assessment and evaluation on the proposed candidate. Upon completion of the assessment and evaluation of the proposed candidate, the Nominating Committee would make its recommendation to the Board. Based on the recommendation of the Nominating Committee, the Board would evaluate and decide on the appointment of the proposed candidate.

The appointment of new directors shall take into consideration the mix of knowledge, skill and expertise relevant to the activities of the Group, independence and boardroom diversity (gender, ethnicity and age diversity). The Board is aware of the gender diversity policy and its target as set out in Recommendation 2.2 of the Code. To date, the Board is still looking for suitable women candidate for appointment to the Board to reach the 30% female representation on the Board. The Group practices non-discrimination in any form, whether based on age, gender, ethnicity or religion, throughout the organisation. This includes the selection of Board members. In addition, the Group believes it is of utmost importance that the Board is comprised of the best-qualified individuals who possess the requisite knowledge, experience, independence, foresight and good judgement to ensure that the Board functions effectively and is able to discharge its duties in the best interests of the Company and shareholders.

Statement on Corporate Governance
(cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Nominating Committee (cont'd)

Members of the Nominating Committee would meet with potential candidates for the position of director to assess their suitability based on a prescribed set of criteria as set out in the Terms of Reference of the Nominating Committee. Potential candidates are required to declare and confirm in writing, amongst others, his/her time commitment, current directorships, that he/she is not an undischarged bankrupt, or is involved in any court proceedings in connection with the promotion, formation or management of a corporation or involving fraud or dishonesty punishable on conviction with imprisonment or is subject to any investigation by any regulatory authorities under any legislation. Further, candidates being considered for the position of independent directors are required to declare and confirm their independence based on the criteria set out in the MMLR.

Management would assist new Directors to familiarise themselves with the Group's structure and businesses by providing the Directors with relevant information about the Group. New Directors are also encouraged to undertake site visits and to meet with key senior executives.

The process of assessing the Directors is an on-going responsibility of the entire Board. The Board has put in place a formal evaluation process to annually assess the effectiveness of the Board as a whole and the Board Committees, as well as the contribution and performance of each individual Director, including the Independent Non-Executive Directors.

The criteria used, amongst others, for the annual assessment of an individual Director include an assessment of their roles, duties, responsibilities, competency, expertise and contribution whereas for the Board and Board Committees, the criteria used include composition, structure, accountability, responsibilities, adequacy of information and processes. In general, the assessment covers:-

- Individual board member's understanding of the Company's mission and strategic plan;
- Board members' understanding and knowledge of the Group's business and performance and application of good governance principles to create sustainable shareholder's value;
- Board function independently in the process of decision making;
- In the case of independent non-executive directors, the members' ability to discharge such responsibilities / functions as expected from independent non-executive directors and whether the member has any conflict of interest with the Company.

The Nominating Committee meets at least once a year with additional meetings to be convened, if necessary. During the financial year under review, the Nominating Committee had met two (2) times to carry out the following key activities:

a) reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board;

b) evaluated the performance and effectiveness of the Board and of each individual director;

c) evaluated the performance and effectiveness of the Audit Committee and each of its members;

d) identified the training needs of Directors for continuous education;

e) assessed and evaluated the suitability of the proposed candidate, namely Y.Bhg. Prof Datuk Dr. Choo Yeang Keat as Director of the Company based on the criteria as set out in the Terms of Reference of the Nominating Committee and upon obtaining the declaration and confirmation in writing on amongst others, his time commitment and other requisite requirements and recommended to the Board of Directors the appointment of Y.Bhg. Prof Datuk Dr. Choo Yeang Keat as a director;

Statement on Corporate Governance
(cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Nominating Committee (cont'd)

f) assessed and recommended to the Board the re-election of the Directors who are due for retirement pursuant to Article 102(1) of the Company's Articles of Association, to be tabled to the shareholders at the forthcoming AGM; and

g) assessed and recommended to the Board the re-appointment of the Director who is over the age of seventy (70) years, Mr Tan Kai Hee, whose term of office will end at the conclusion of the 42nd AGM, to be tabled to the shareholders at the forthcoming AGM. Following the implementation of the Companies Act, 2016 on 31 January 2017, there is no age limit for Directors.

In addition to the annual assessment of Independence, both Nominating Committee and the Board have carried out a separate assessment on the independence of Y.Bhg. Datin Sunita Mei-Lin Rajakumar. Her tenure of office as an Independent Non-Executive Director of the Company will be nine (9) years cumulatively by 5 January 2018. In applying the recommendation under the MCCG 2012, the Board has assessed and with the recommendation of the Nominating Committee would strongly recommend to the members of the Company to vote in favour of the resolution for Y.Bhg. Datin Sunita Mei-Lin Rajakumar to continue to act as an Independent Non-Executive Director. This is because she has demonstrated throughout the term of her office to be independent not only by the mere fulfillment of the criterion under the definition of an Independent Director in the MMLR of Bursa Securities but subjectively too by exercising independent judgment when a matter is put before her for a decision. She also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and to participate actively and contribute positively during deliberations or discussions at Board meetings. Y.Bhg. Datin Sunita also possesses strong knowledge in the practice of good corporate governance.

In respect of the assessment for the financial year ended 30 April 2017, the Board was satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director, is satisfactory. The Board was also satisfied that the Board's composition in terms of size, the balance between Executive, Non-Executive and Independent Directors and mix of skills was adequate.

Remuneration Committee

The Remuneration Committee is principally responsible for setting the policy framework and for making recommendations to the Board on remuneration packages and benefits extended to the Executive Directors and key Senior Management.

The remuneration packages of the Executive Directors and key Senior Management have been structured to attract and retain Directors and key Senior Management of right calibre to manage the Group effectively. The recommendation of remuneration for the Executive Directors and key Senior Management is measured by amongst others, the Directors' contribution, commitment, responsibilities and expertise. The rewards are linked to corporate and individual performance which comprised of both quantitative and qualitative targets. The Executive Directors excuse themselves from deliberation on their own remuneration at Board meetings.

In the case of Non-Executive Directors, the remuneration philosophy is to establish a remuneration structure that commensurates with the leadership, contribution, experience and level of responsibilities taken by a particular Non-Executive Director.

Statement on Corporate Governance
(cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Remuneration Committee (cont'd)

The Remuneration Committee comprises the following members, a majority of whom are Non-Executive Directors:-

Name	Directorship
Chairman: Chow Kee Kan @ Chow Tuck Kwan	Senior Independent Non-Executive Director
Members: Tan Keng Kang	Group Managing Director
Soon Eng Sing	Independent Non-Executive Director

During the financial year ended 30 April 2017, the Remuneration Committee held three (3) meetings. The Remuneration Committee has reviewed the remuneration package of the Executive Directors and key Senior Management staff based on Key Performance Indicators and performance appraised by the Group Managing Director before making its recommendation to the Board for its consideration and approval.

The respective Director shall abstain from deliberating and voting on his/her own remuneration at the Board and Remuneration Committee meetings.

The Directors' fees, both Executive and Non-Executive would be tabled to the shareholders for approval at the forthcoming AGM.

Directors' Remuneration

The details of the remuneration of Directors for the year ended 30 April 2017 are as follows:

Company

Directors	Directors' Fees (RM)	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)	Percentage (%)
Executive Directors	60,000	1,657,935	51,726	1,769,661	69.69
Non-Executive Directors*	110,833	658,677	-	769,510	30.31
Grand Total	170,833	2,316,612	51,726	2,539,171	100.00

** include the remuneration of a Non-Executive Director who passed away during the financial year*

Group

Directors	Directors' Fees (RM)	Emoluments (RM)	Benefit-In-Kinds (RM)	Total (RM)	Percentage (%)
Executive Directors	110,000	3,446,184	51,726	3,607,910	82.35
Non-Executive Directors*	114,833	658,677	-	773,510	17.65
Grand Total	224,833	4,104,861	51,726	4,381,420	100.00

** include the remuneration of a Non-Executive Director who passed away during the financial year*

Statement on Corporate Governance (cont'd)

Principle 2 - Strengthen Composition of the Board (cont'd)

Directors' Remuneration (cont'd)

The aggregate remuneration of Directors of the Company and on a Group basis which fall within the following bands are as follows: -

Range of Remuneration	Executive Directors		Non-Executive Directors*	
	Company	Group	Company	Group
Less than RM 50,000	-	-	1	1
RM 50,001 – RM 100,000	-	-	3	3
RM 100,001 – RM 150,000	-	-	2	2
RM 200,001 – RM 250,000	-	-	1	1
RM 300,001 – RM 350,000	1	-	-	-
RM 650,001 – RM 700,000	1	-	-	-
RM 750,001 – RM 800,000	1	-	-	-
RM 800,001 – RM 850,000	-	1	-	-
RM 900,001 – RM 950,000	-	1	-	-
RM 1,850,001 – RM 1,900,000	-	1	-	-

** include the remuneration of a Non-Executive Director who passed away during the financial year*

Saved as disclosed above, there were no other remuneration paid for services rendered by any director to the Company and the Group for financial year ended 30 April 2017.

Employees' Share Option Scheme

The shareholders of the Company had at its Extraordinary General Meeting held on 15 March 2017 approved the establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of shares issued in Hai-O (excluding treasury shares) at any one time during the duration of the ESOS for eligible employees and directors of Hai-O and its subsidiaries (excluding subsidiaries which are dormant) ("Scheme").

The ESOS was effective since 3 May 2017. The ESOS Committee comprises of four (4) Directors, three (3) of whom are Executive Directors and one (1) Independent Non-Executive Director.

Name	Directorship
Chairman:	
Tan Kai Hee	Group Executive Chairman
Members:	
Chow Kee Kan @ Chow Tuck Kwan	Senior Independent Non-Executive Director
Tan Keng Kang	Group Managing Director
Hew Von Kin	Group Executive Director cum Chief Financial Officer

The head of Group Human Resource department and Group Corporate & Finance Management were authorised and appointed to assist in the implementation and to administer the Scheme in accordance with the By-Laws. The Company has upon the recommendation by the ESOS committee, offered a total of 2,200,000 ESOS options to the eligible directors and employees of Hai-O and its subsidiaries on 3 July 2017 in accordance with the terms of the ESOS By-Laws.

The ESOS allocation shall take into consideration, amongst others, the factors such as, the eligible Person's designation, length of service, employment grade, work performance and/or such other factors as the ESOS Committee may in its absolute discretion deem fit, and subject to terms and conditions as set forth in the ESOS By-Laws.

Statement on Corporate Governance
(cont'd)

Principle 2 – Strengthen Composition of the Board (cont'd)

Employees' Share Option Scheme (cont'd)

The ESOS Committee shall ensure that the allocation of the new Shares pursuant to the Scheme would be verified by the Audit Committee at the end of each financial year.

Principle 3 – Reinforce Independence

There is also a clear distinction of responsibilities between the Group Executive Chairman and the Group Managing Director to maintain a balance of authority and accountability. The Group Executive Chairman provides overall leadership to the Board and is primarily responsible for orderly conduct and function of the Board to ensure that contributions by Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The Group Managing Director is principally responsible to implement and execute corporate strategies, policies and decision adopted by the Board as well as oversees the overall business operations.

The Board recognises the importance of independence and objectivity in the decision making process. The Independent Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing with any companies within the Group. They play a significant role in providing unbiased and independent views, advice and judgement taking into account the interest of relevant stakeholders including minority shareholders of the Company.

The Board is aware of the recommended tenure of an Independent Director should not exceed a cumulative term of nine (9) years as recommended by MCCG2012 and that an Independent Director may continue to serve the Board if the Independent Director is re-designated as a Non-Independent Non-Executive Director upon completion of nine (9) years tenure. Furthermore, the Board with the recommendation of the Nominating Committee must justify the decision and seek shareholders' approval at general meeting if the Board intends to retain the Director as Independent after the respective Independent Director has served a cumulative term of nine (9) years.

The Board is of the view that the ability of long serving Independent Directors to remain independent and to discharge their duties with integrity and competency should not be measured solely by tenure of service or any pre-determined age. Their long service should not affect their independence as they are independent minded and they continue to provide the necessary check and balance in the best interest of the Company. The Independent Directors have each provided an undertaking to Bursa Securities upon their appointment confirming and declaring that they are "independent directors" as defined under paragraph 1.01 of the MMLR. The Board agreed that ultimately the Independent Directors themselves are the best persons to determine whether they can continue to bring independent and objective judgement to Board deliberations.

For the financial year ended 30 April 2017, each of the Independent Non-Executive Directors had provided their annual confirmations of independence to the Board based on the Company's criteria of assessing independence in line with the definition of "independent directors" prescribed by the MMLR. The Board had assessed and concluded that the four (4) Independent Non-Executive Directors of the Company, Chow Kee Kan @ Chow Tuck Kwan, Y. Bhg. Datin Sunita Mei-Lin Rajakumar, Tan Kim Siong and Soon Eng Sing continue to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them is independent of the Company's management and free from any business or other relationship which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Company.

The Board's composition represents a mix of knowledge, skill and expertise relevant to the activities of the Group. A brief profile of each Director is presented on pages 10 to page 14.

Principle 4 – Foster Commitment of Directors

Time Commitment and Protocols for Accepting New Directorship

The Board meets at least quarterly with additional meetings convened as and when as necessary. Board meetings for each financial year are scheduled in advance to enable the Directors to allocate time for such meetings.

Statement on Corporate Governance
(cont'd)

Principle 4 – Foster Commitment of Directors (cont'd)

Time Commitment and Protocols for Accepting New Directorship (cont'd)

The Board obtains this commitment from Directors at the time of appointment and this is assessed by Nominating Committee annually. In fostering the commitment of the Board that the Directors devote sufficient time to carry out their responsibilities, the Directors are required to notify the Chairman before accepting any new directorships and such notifications shall include an indication of time that will be spent on the new appointments. The Chairman shall also notify the Board if he has any new directorship or significant commitments outside the Company. All Directors hold not more than five (5) directorships each in public listed companies.

Directors' Training

The Board acknowledges that continuous education is essential for its members to gain insight into the state of economy, technological advances, regulatory updates and management strategies. All Directors have completed the Mandatory Accreditation Programme (MAP) in accordance with the MMLR.

All Directors have attended various training programmes, seminars, workshop and/or briefings during the financial year. The following are the training programmes, seminars, workshops and briefings attended by Directors during the financial year 2017:-

No.	Training Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES	Datuk CYK
1.	Mandatory Accreditation Program (MAP)		√	√						√
2.	Breakfast Series with Directors "The Strategy, The Leadership, the Stakeholders and the Board" by Bursa Malaysia					√				
3.	Using Coaching Moments to achieve Greater Results		√	√						
4.	Paving The Way Ahead by Boardroom Corporate Services					√				
5.	Corporate Tax Management Principle & Practices			√						
6.	Distinguished Board Leadership Series – "Effective Board Evaluation" by Ms Beverly Behan of FIDE Forum					√				
7.	Breakfast Series for Directors "Future of Auditor Reporting – The Game Changer for Boardroom" by Bursa Malaysia					√				
8.	Understanding the New Company Bill & E-Commerce by Direct Selling Association of Malaysia			√						
9.	Advocacy Sessions on Management – Discussion and Analysis for CEO & CFO by Bursa Malaysia			√						

Statement on Corporate Governance
(cont'd)

Principle 4 – Foster Commitment of Directors (cont'd)

Directors' Training (cont'd)

No.	Training Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES	Datuk CYK
10.	Board Chairman Series, Leadership Excellence From The Chair by Bursa Malaysia					√				
11.	Global Innovators' Roundtable with Professor Michael J Lenox, Darden School of Business, University of Virginia								√	
12.	Companies Act 2016 & Corporate Governance by Boadroom Corporate Services	√	√	√	√	√	√	√		
13.	Khazanah Global Lectures – Caring for the Earth: Reasons for Hope by Dr Jane Goodall of Khazanah					√				
14.	Empowering Women Series for Women Leaders in Senior Management by Bursa Malaysia					√				
15.	DiG (Discovery Innovation Growth) Business Simulation Certification, Professor Jean-Claude Larreche								√	
16.	Joining the Dots – the new Future of CFOs (panellist) by MIA & CIMA					√				
17.	CG Breakfast Series with Directors – Anti-corruption & Integrity – Foundation of Corporate Sustainability by Bursa Malaysia						√			
18.	The velocity of Global change and sustainability – The New Business Model for Directors & CEO by Bursa Malaysia					√				
19.	ACCA Malaysia Sustainability Reporting						√			
20.	Bursa Malaysia's Sustainability Forum 2017						√			
21.	How to handle tricky media questions and turn press conferences & interviews to your advantage by Meridian Communications			√						
22.	ETP – Growing the Economy and Sustainability by Nomura					√				
23.	Invest ASEAN 2017 by Malayan Banking Berhad					√				
24.	Sustainable Development in Malaysia by ISIS Malaysia					√				

Statement on Corporate Governance
(cont'd)

Principle 4 - Foster Commitment of Directors (cont'd)

Directors' Training (cont'd)

No.	Training Topics	TKH	TKK	HVK	KK Chow	Datin Sunita	CKW	TKS	SES	Datuk CYK
25.	Breakfast Talk with ACGA: CG Watch 2016 – Ecosystems Matter by ASEAN Corporate Governance Association (ACGA), The Iclif Leadership and Governance Centre (Iclif) and Malaysian Directors Academy (MINDA)					√				
26.	Leadership Development in a Digital World, Harvard Business Publishing								√	

Note: TKH (Tan Kai Hee), TKK (Tan Keng Kang), HVK (Hew Von Kin), KK Chow (Chow Kee Kan @ Chow Tuck Kwan), Datin Sunita (Datin Sunita Mei-Lin Rajakumar), CKW (Chia Kuo Wui), TKS (Tan Kim Siong), SES (Soon Eng Sing) and Datuk CYK (Y. Bhg. Prof. Datuk Dr. Choo Yeang Keat).

The Directors are encouraged to participate in other relevant training programmes to further enhance their knowledge and skills in discharging their responsibilities more effectively.

Principle 5 - Uphold integrity in financial reporting by the Company

Compliance with applicable financial reporting standards

The Board aims to provide and present a clear, balanced and comprehensive assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements, as well as through quarterly announcement of its results to shareholders. These financial statements are drawn-up in accordance with the Companies Act, 2016, the MMLR, the International Financial Reporting Standards and the Malaysian Financial Reporting Standards, and are reviewed by the Audit Committee prior to approval by the Board. The annual financial statements are subjected to audit by an independent external auditor.

The Board, with the assistance of the Audit Committee, takes due care and reasonable steps to ensure that its quarterly and annual financial statements are presented in an accurate manner. The Audit Committee when reviewing the financial statements, also require among others, to focus on significant matters highlighted in the financial statements and significant judgments, estimates or assumptions made by the Management.

The Board is responsible to ensure that financial statements of the Company gives a true and fair view of the state of the Company and of the Group as the end of the reporting period and their results and cash flows for the period then ended. Accordingly, the Board has prepared the responsibility statements pursuant to the MMLR as outlined on page 62 of this Annual Report.

The Audit Committee, comprised wholly of Non-Executive Directors, all of whom are Independent. The composition of the Audit Committee, including its roles and responsibilities are set out on pages 41 to 46 of this Annual Report

Assessment on suitability and independence of External Auditors

Through the Audit Committee, the Board has established a transparent and professional relationship with the Company's internal and external auditors.

Statement on Corporate Governance
(cont'd)

Principle 5 – Uphold integrity in financial reporting by the Company (cont'd)

Assessment on suitability and independence of External Auditors (cont'd)

The Company's independent external auditors fill an essential role for the shareholders by enhancing the reliability of the Company's financial statements and giving assurance of that reliability to users of these financial statements. In the course of audit of the Group's financial statements, the external auditors would highlight to the Audit Committee and the Board, matters that require the Board's attention. Audit Committee meetings are attended by the external auditors for purposes of presenting their audit plan and report and for presenting their comments on the audited financial statements. At least twice a year, these meetings are held without the presence of the Management of the Company to ensure that the external auditors can freely discuss and express their opinions on any matter to the Audit Committee, and the Audit Committee can be sufficiently assured that Management has fully provided all relevant information and responded to all queries from the external auditors.

In addition, the external auditors are invited to attend the AGM of the Company and are required to be available to answer shareholders' questions on the conduct of the statutory audit and contents of their audit report.

The Audit Committee shall carry out annual assessment on the performance of the external auditors, on the suitability and independence of the external auditors on the following areas:

(a) Service quality;
(b) Sufficiency of resources;
(c) Communication with the Management; and
(d) Independence, Objectivity and Professionalism.

The Audit Committee has also taken note of the non-audit services and the fees charged thereto by the external auditors. The policy on audit and non-audit services is guided by the following principles: -

(a) the auditors may provide audit and non-audit related services that, while outside the scope of the statutory audit, are consistent with the role of auditors;
(b) the external auditors should not provide services that are perceived to be materially in conflict with the role of auditors. However, the external auditors may be permitted to provide non-audit services that are not perceived to be materially in conflict with the role of auditors; and
(c) exceptions may be made to the policy where the variation is in the interest of Hai-O and arrangements are put in place to preserve the integrity of the external audit process. The Board must specifically approve any such exception.

Before appointing the external auditors to undertake a non-audit service, considerations should be given to whether this would create a threat to the external auditors' independence or objectivity. The external auditors should not be appointed unless appropriate safeguards are present to eliminate or reduce the threat to an acceptable level. The external auditors shall observe and comply with the By-Laws of the Malaysian Institute of Accountants in relation to the provision of non-audit services.

The Audit Committee has assessed the independence of KPMG PLT as the External Auditors of the Company as well as reviewed the level of non-audit services rendered by them and considering the quantum of the fee which was not material as compared with the total audit fee paid to the external auditors, has recommended to the Board and concluded that the provision of such services did not compromise the external auditors' independence and objectivity.

The External Auditors, KPMG PLT have declared to the Audit Committee their independence in carrying out the audit for the Group and comply with relevant ethical requirements at the Audit Committee meeting. Having satisfied with the performance, technical competency and audit independence, the Audit Committee recommended their fees and suitability for re-appointment to the Board.

The Audit Committee met with the External Auditors, four (4) times at the Audit Committee meetings held on 28 June 2016, 21 July 2016, 20 September 2016 and 28 March 2017 during the financial year ended 30 April 2017, out of which, the Audit Committee has allocated two sessions without the presence of the Executive Directors and Management at the Audit Committee meetings held on 21 July 2016 and 28 March 2017 respectively.

Statement on Corporate Governance
(cont'd)

Principle 6 – Recognise and Manage Risks

Risk Management and Internal Control

Recognising the importance of risk management, the Risk Management Committee was established on 21 December 2011. The Board has formalised a structured risk management framework to determine the Company's level of risk tolerance, identify, evaluate, control, monitor and report the principal business risks faced by the Group on an ongoing basis.

The members of the Risk Management Committee are as follows:

Name	Directorship
Chairperson:	
Y.Bhg. Datin Sunita Mei-Lin Rajakumar	Independent Non-Executive Director
Members:	
Tan Keng Kang	Group Managing Director
Hew Von Kin	Group Executive Director cum Chief Financial Officer
Chia Kuo Wui	Non-Independent Non-Executive Director

The key features of the risk management framework are set out in the Statement on Risk Management and Internal Control.

The system of internal control practised by the Hai-O Group spans over financial, operational and compliance aspects, particularly to safeguard the Hai-O Group's assets and hence shareholders' investments. The system of internal control, by its nature, can only provide reasonable but not absolute assurance against misstatement or loss.

The Board has also established an independent internal audit function that reports directly to the Audit Committee. The Group has outsourced certain aspects of the internal audit function to an external professional internal audit service provider, namely CGRM INFOCOMM SDN. BHD. The scope of work covered by the internal audit function during the financial year under review is provided in the Statement on Risk Management and Internal Control of this Annual Report.

Principle 7 – Ensure timely and high quality disclosure

Corporate Disclosure Policy & Procedure

The Group recognises the importance of transparency and accountability in the disclosure of the Group's business activities to its shareholders and investors. The Board has adopted a Corporate Disclosure Policy and Procedure for the Group which sets out, among others, the scope and extent of disclosure by the various parties within the organisation, timeliness of disclosure as well as assessment of materiality and if it is reasonably expected to have a material effect on the price, value or market activity of any of the Company's securities; or the decision of a member of the Company or an investor in determining his choice of action.

The shareholders and other stakeholders are kept informed of all major developments and performance of the Group through timely quarterly results announcements and various disclosure and announcements made to Bursa Securities via Bursa Link, press releases, Company's annual report and circular to shareholders, if applicable.

Leverage on Information Technology for effective dissemination of Information

Hai-O Group has also leveraged on information technology for broader and effective dissemination of information by established on Hai-O Corporate website under Investor Relations Section to provide all relevant information on corporate governance including all announcements, annual reports, financial highlights, corporate information, corporate calendar, dividends history, notice of general meetings, minutes of annual general meeting and others.

Statement on Corporate Governance
(cont'd)

Principle 8 – Strengthen relationship between the Company and shareholders

Encourage shareholder participation at general meetings and poll voting

The Board recognises the importance of keeping the shareholders, stakeholders and the general public informed of the Group's business, performance and corporate development.

Additionally, the AGM and Extraordinary General Meeting, if applicable, of the Company provide shareholders with the opportunity to engage in candid dialogue and to seek and clarify any issues and to have a better understanding of the Group's business and performance. Voting for all resolutions as set out in notice of general meetings will be carried out by poll. Pursuant to paragraph 8.29A(2) of the MMLR, a scrutineer will be appointed to validate the votes at the general meeting. The person who is appointed as a scrutineer must be independent of the person undertaking the polling process and is not the employee or officer of the Group. In the case of the appointed scrutineer is interested in a resolution to be passed at the general meeting, the scrutineer must refrain from acting as scrutineer for that resolution and hence the Company will appoint any other person to be the scrutineer for that resolution. The Board also encourages shareholders' active participation at such meetings and members of the Board and the external auditors have been present and will be present at the AGM to address any query raised thereat.

Investor Relations

An Investor Relations Policy enables the Company to communicate effectively with its shareholders, prospective investors, stakeholders, fund managers, investment analysts and public generally with the intention of giving them clear picture of the Group's performance and operations. The Company has also maintained a dedicated electronic mail, ir@hai-o.com.my to which stakeholders can direct their queries.

However, any information that may be regarded as undisclosed material information about the Group will not be given to any shareholder or group of shareholders.

RESPONSIBILITY STATEMENT BY THE BOARD

The Directors are responsible in ensuring that the annual financial statements of the Group are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the provisions of Companies Act, 2016 and the MMLR.

They are to ensure that the annual financial statements of the Group gives a true and fair view of the state of affairs of the Group at the end of the financial year and the results and cash flows for the year then ended.

In preparing the financial statements, the Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments, estimates and assumptions that are prudent and reasonable;
- ensured that applicable approved accounting standards are complied with;
- put in-place an internal control system to ensure the financial statements are free from material misstatements, whether due to fraud or error; and
- prepared the financial statements on a going concern basis.

The Directors are also taking reasonable steps to safeguard the assets of the Group as well as to prevent and detect other irregularities.

This Statement on Corporate Governance is made in accordance with the resolution of the Board dated 8 August 2017.

Statement on Risk Management and Internal Control For The Financial Year Ended 30 April 2017

Introduction

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board of Directors ("The Board") is committed to maintaining a sound internal control and risk management system for reviewing the adequacy and effectiveness of the system. The Board is pleased to provide the following statement on the state of internal control of Hai-O Enterprise Berhad ("Company") and its subsidiaries ("Group") for the financial year ended 30 April 2017, which has been prepared in accordance with the "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers" issued by the Institute of Internal Auditors Malaysia and adopted by Bursa Securities.

Board Responsibility

The Board is committed to maintaining a sound system of risk management and internal control and proper management of risk throughout the operations of the Group in order to safeguard shareholders' investments and assets of the Group. The Board is responsible for determining the overall Group's level of risk tolerance and continuously review, assess and monitor the effectiveness and adequacy of the internal control system which has been embedded in all aspects of the Group's activities.

The risk management and internal control systems are designed to continuously identify principal risks, access and manage these risks which may hinder the achievement of the Group's strategic goals and business objectives and to manage these risks efficiently, effectively and economically rather than to eliminate these risks.

The Board takes cognizance of the system's inherent limitations. Accordingly, the system is designed to manage and provide reasonable, rather than absolute assurance against the risk of failure, material misstatement or loss.

Risk Management Framework

The Board has, through its Risk Management Committee ("RMC"), implemented an Enterprise Risk Management ("ERM") Framework throughout the Group, to provide an integrated risk management infrastructure to identify, respond to and monitor the strategic key enterprise risks in a systematic and on-going approach.

Roles and Responsibilities under the Risk Management Framework

Board of Directors	• Approve and Oversee the ERM Framework and internal control system, (incorporating Policies and Scope), including changes or additions. • Responsible for determining the overall Group's level of risk tolerance and continuously review, assess and monitor the effectiveness and adequacy of the risk management and internal control system.
Audit Committee and Risk Management Committee	• Develop & Implement the ERM Framework and internal control system. • Review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.
Executive Risk Committee ("ERC")	• Assist the RMC in overseeing the risk management through its ERM framework. • Ensure that Management and Risk Owners maintain an effective process to identify, evaluate and manage risk. • Provide guidance and advice in respect of risk management and monitoring risk across the key risk areas.
Management and Risk Owners of Operating Business Units	• Identify and prioritise risks and participate in the Company's risk identification and assessment process. • Ensure risks are identified, managed and regularly assessed and provide regular updates on risks as well as key indicators measuring the extent of the risks. • Document the controls and processes to manage the risks of their respective functional areas.

Roles and Responsibilities under the Risk Management Framework (cont'd)

The Audit Committee and RMC assist the Board to review the appropriate risk management measures implemented within the Group to ensure the adequacy and effectiveness of the Group's risk management and internal control system.

The major business units are required to document the controls and processes to manage the risks of their functional areas and to assess the effectiveness of the system beyond what is planned, and be sensitive and responsive to any change as fast as possible to prevent and/or mitigate or minimise any damage to such functional areas.

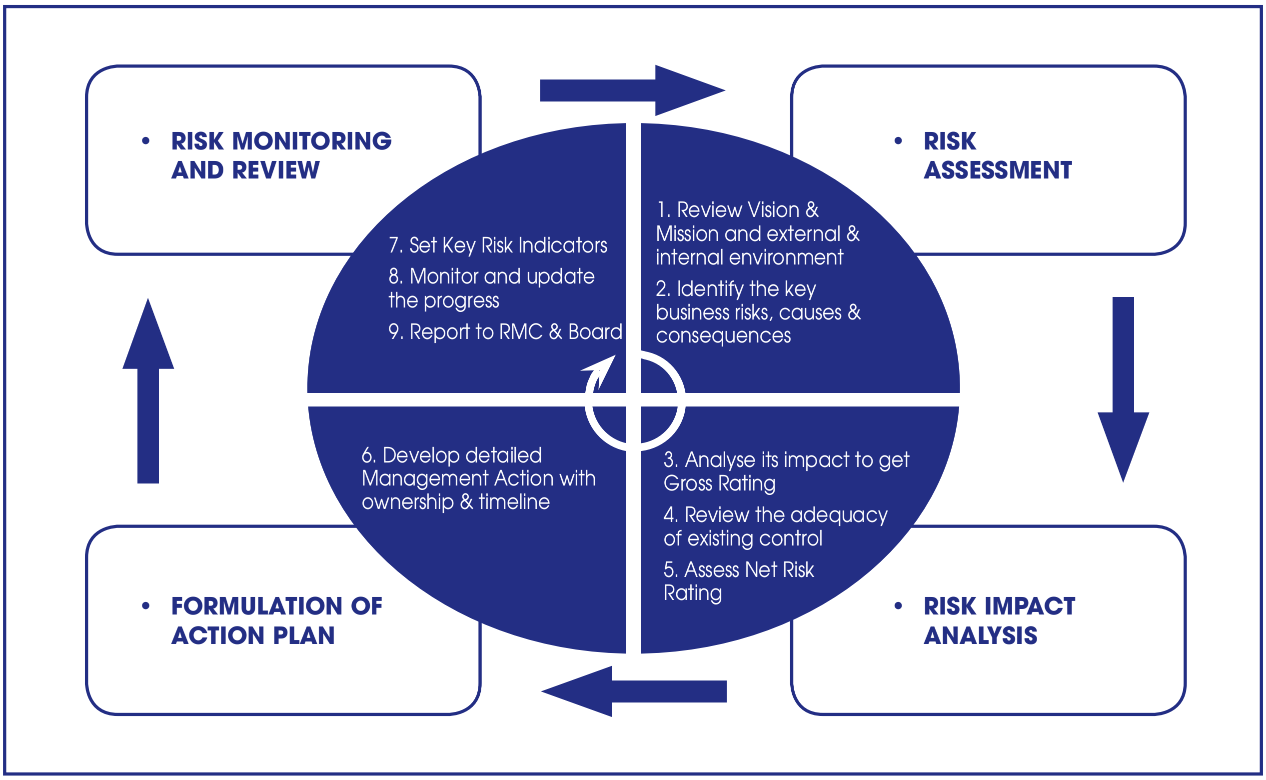
The RMC is chaired by an Independent Director and its members consist of the Group Managing Director, one (1) Group Executive Director and one (1) Non-Executive Director.

The ERC led by the Group Managing Director and its members comprised of divisional or departmental heads as well as the Group Executive Director who is also the Group Chief Financial Officer. The ERC assists the RMC in overseeing the risk management through its ERM framework.

The RMC Chairman may invite ERC members or any key risk owners to attend the RMC meeting(s), if required. The RMC has reviewed the risk registers, its status update; deliberated the key and new risks identified and management actions or measures taken or proposed to be taken are carried out within the stipulated timeline during RMC meeting held on December 2016. The Chairman of RMC shall report and briefed the Board under a separate agenda of each Board Meeting following their respective meetings of the salient matters deliberated, the adequacy of the internal control system in managing the risks, the monitoring process carried out by the Management and the RMC. The Company Secretary is the secretary of the RMC.

The Board has put in place an ERM process for Hai-O Enterprise Berhad and on its principal subsidiaries, namely, Sahajidah Hai-O Marketing Sdn. Bhd. and SG Global Biotech Sdn. Bhd..

The Group's Enterprise Risk Management Process



The Group's ERM Process comprises four main phases, namely Risk Assessment, Risk Impact Analysis, Formulation of Action Plan and Risk Monitoring and Review.

Statement on Risk Management and Internal Control For The Financial Year Ended 30 April 2017 (cont'd)

Risk Assessment

Risk assessments are conducted on each key business function, activities and processes to ensure that they are aligned with the Group's objectives and goals. The identification and management of risk is a continuous process linked to the achievement of the objectives. Any risks arising from these assessments will be identified, analysed and reported to the appropriate functional unit level.

Risk Impact Analysis

Each risk identified is evaluated and given a gross risk rating based on their impact and probability of their occurrence and are evaluated as low, medium and high. The level of residual risk is determined after indentifying and evaluating the effectiveness of existing controls and mitigating measures taken. All risks identified are evaluated based on appropriate qualitative and quantitative criteria through discussion with the Management and Risk Owners of the Operating Business Units.

Formulation of Action Plan

The risk register is compiled to facilitate the identification, assessment and on-going monitoring of risks. Action plans and mitigating controls are determined for all the risks identified, evaluated and captured in the risk registers. The risk profiles, control procedures and status of action plans are reviewed on a regular basis by the ERC together with the Operating Business Unit Head.

Risk Monitoring and Review

For each of the risks identified, the risk owner is assigned to ensure that the appropriate risk response actions are carried out in a timely manner. The respective risk owners are required to put in place the management actions and control measures, coordinate and communicate with the Risk Coordinator and the In-house Internal Auditors to update the Risk Scorecard from time to time. The Internal Auditors have performed an independent review on the risk and internal control areas and report to the AC on a quarterly basis.

Key Elements of Internal Control

The Group's system of internal control comprises the following key elements:-

1) An on-going process and framework for identifying, evaluating and managing significant risks faced by the Group which is in place for the year under review and up to the date of approval of this statement for inclusion in the annual report and reviewed by the Directors.

2) Clearly documented risk management principles, standard operating procedures and policies are regularly reviewed to meet operational needs and such documentation is communicated to employees.

3) The Board conducts quarterly reviews of the Group's performance and financial position at its meetings to ensure that the Group's overall objectives are achieved. At business units and divisional level, the Management Team holds meetings on a regular basis to discuss, review, evaluate and resolve operational, financial and key management issues.

4) Management of each business unit is required to prepare annual budgets to be tabled to the Board for approval. Scheduled operational and management meetings are held to discuss and review business plans, budgets, financial and operational performances of the business units.

5) The Code of Ethics and Business Conduct ("Code of Conduct") is implemented within the Group and each employee is contractually bound to abide by the Code of Conduct. This Code serves to guide all the employees to conduct themselves in the utmost professional manner in dealing with company matters.

6) A clearly defined delegation of responsibilities is set for Committees of the Board, the Management Team and business operating units, including assigning appropriate authority levels to the various divisions of the business.

7) Insurance coverage and physical safeguards over major assets (property, plant and equipments, investment properties and inventories) are in place to ensure that the assets of the Group are adequately covered against any mishap that may result in material losses to the Group.

Statement on Risk Management and Internal Control For The Financial Year Ended 30 April 2017 (cont'd)

Internal Audit Function

The Group has an in-house Internal Audit Department ("IAD"), but also engages the services of an outsourced internal auditor, CGRM INFOCOMM SDN. BHD. ("CGRM") to complement the work of the IAD. The Group's IAD and CGRM work alongside to continuously provide independent assessment on the adequacy, effectiveness and reliability of the Group's risk management processes and system of internal controls. The internal audit function reviews compliance with policies and procedures and advises executive and operational management on areas for improvement and subsequently reviews the extent to which its recommendations have been implemented. The IAD also conducts a follow up review on the implementation status of action plans previously agreed by Management.

The internal audit plan for in-house internal audit and CGRM are approved by the AC on an annual basis. The results of the audits and recommendations for improvement co-developed with Management were tabled at the AC meetings for discussion and assessment. Key and significant risk issues were reported to the Board by the Chairperson of the AC for further deliberation. These included the risks on business sustainability, MLM membership growth and its productivity, rules and regulatory compliances and cyber security threats.

During the year under review, together with the external professional internal audit and risk management service provider, CGRM, the ERC has also completed a high-level risk and control assessment review and risk impact analysis on the Wholesale, Multi-Level Marketing and Retail divisions of the Group, namely Hai-O Enterprise Berhad, Sahajidah Hai-O Marketing Sdn. Bhd. and Hai-O Raya Bhd.. CGRM has assessed the system of internal controls, where applicable, based on the principles of COSO Internal Controls – Integrated Framework ("COSO Framework"). The Committee of Sponsoring Organizations of the Treadway Commission based in USA (COSO) is a joint initiative of the five private sector organizations and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. The COSO principles outline five essential components of an effective internal control system, namely (i) Control Environment; (ii) Risk Assessment; (iii) Control Activities; (iv) Information and Communication; and (v) Monitoring. The areas of concerns or emphasis that require Management's immediate or specific attention and monitoring are tabulated in the Key Risk Listing for internal audit focus. Some weaknesses in internal control were identified for the year under review but these are not deemed significant and have not materially impacted the business or operations of the Group.

Adequacy and Effectiveness of the Group's Risk Management and Internal Control System

The Board reviewed the adequacy and effectiveness of the systems of internal control and risk management that provide reasonable assurance to the Group in achieving its business objectives. The Board has received assurance from the Group Managing Director and Group Chief Financial Officer that the Group's risk management and internal control systems have been operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this statement. As the development of a sound system of internal control is an on-going process, the Board and the Management maintain an on-going commitment, ensure necessary actions have been taken to remedy significant weaknesses identified from the reviews and continue to take appropriate measures to strengthen the risk management and internal control environment of the Group.

Review of the Statement by External Auditors

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 30 April 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

This Statement was approved by the Board on 8 August 2017.

Additional Corporate Disclosure

UTILISATION OF PROCEEDS

During the financial year, there were no proceeds raised by the Company from any corporate proposals.

AUDIT AND NON-AUDIT FEES

The fees payable to the external auditors, KPMG PLT in relation to the audit and non-audit services rendered to the Company and its subsidiaries for the financial year ended 30 April 2017 are as follows:

	The Company RM	The Group RM
Audit fees	88,000	299,500
Non audit fees	67,000	67,000

MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS' INTEREST

There were no material contracts of the Company and its subsidiaries, involving Directors', Chief Executive and major shareholders' interests, still subsisting at the end of the financial year.

The Group Managing Director is the Chief Executive who oversees and is primarily responsible for the overall group business operations.

RECURRENT RELATED PARTY TRANSACTIONS

Details of transactions with related parties undertaken by the Group during the financial year are disclosed in Note 30 to the Financial Statements.

EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Company has not implemented any ESOS during the financial year.

DETAILS OF ATTENDANCE OF DIRECTORS AT BOARD MEETING

There was eight (8) Board of Directors' Meetings held during the financial year ended 30 April 2017. The details of attendance of the Directors are as follows:-

Name of Directors	Number of Board Meetings attended by Directors
Tan Kai Hee	8/8 meetings
Tan Keng Kang	8/8 meetings
Hew Von Kin	8/8 meetings
Chow Kee Kan @ Chow Tuck Kwan	7/8 meetings
Y.Bhg. Datin Sunita Mei-Lin Rajakumar	8/8 meetings
Chia Kuo Wui	8/8 meetings
Tan Kim Siong	8/8 meetings
Soon Eng Sing	8/8 meetings
Y.Bhg. Professor Datuk Dr. Choo Yeang Keat (appointed on 15 October 2016)	5/5 meetings
Professor Dr. Lee Kong Hung (demised on 3 September 2016)	2/2 meetings

Additional Corporate Disclosure (cont'd)

FAMILY RELATIONSHIP OF DIRECTORS AND /OR MAJOR SHAREHOLDERS

There is no family relationship among the Directors and / or major shareholders except that:-

- Mr. Tan Kai Hee and the late Madam Tan Siow Eng are husband and wife;
- Mr. Tan Keng Kang and Madam Tan Keng Song are the son and daughter of Mr. Tan Kai Hee and the late Madam Tan Siow Eng; and
- Madam Phan Van Denh is the wife of Mr. Tan Keng Kang.

CONFLICT OF INTEREST WITH THE COMPANY

None of the Directors and Key Senior Management have any conflict of interest with the Company.

Financial Statements

Directors' Report

For The Year Ended 30 April 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 30 April 2017.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the wholesaling and retailing of herbal medicines and healthcare products, investment holding activities and property holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

RESULTS

	Group RM	Company RM
Profit for the year attributable to:		
Owners of the Company	59,475,449	38,326,052
Non-controlling interests	(60,341)	-
	59,415,108	38,326,052

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

i) In respect of the financial year ended 30 April 2016 as reported in the Directors' Report of that year:
   - a final ordinary dividend of 11 sen per ordinary share totalling RM21,225,753 declared on 15 November 2016 and paid on 23 November 2016.

ii) In respect of the financial year ended 30 April 2017:
   - an interim ordinary dividend of 5 sen per ordinary share totalling RM9,646,370 declared on 26 January 2017 and paid on 9 March 2017.

The final ordinary dividend recommended by the Directors in respect of the financial year ended 30 April 2017 is 11 sen per ordinary share.

Directors' Report

For The Year Ended 30 April 2017 (cont'd)

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Kai Hee
Tan Keng Kang
Hew Von Kin
Datin Sunita Mei-Lin Rajakumar
Chow Kee Kan @ Chow Tuck Kwan
Tan Kim Siong
Chia Kuo Wui
Soon Eng Sing
Prof Datuk Dr Choo Yeang Keat (appointed on 15 October 2016)
Lee Kong Hung (deceased on 3 September 2016)

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses and children of the Directors) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares				
	At 1.5.2016	**Bought**	**Bonus issue**	**Sold**	**At 30.4.2017**
Interests in the Company:					
Tan Kai Hee					
- direct	19,456,466	50,000	9,728,233	-	29,234,699
- indirect	16,250,472	80,000	8,125,236	-	24,455,708
Tan Keng Kang					
- direct	2,238,938	50,000	1,119,469	-	3,408,407
- indirect	33,468,000	80,000	16,734,000	-	50,282,000
Hew Von Kin					
- direct	200,768	-	100,384	-	301,152
Datin Sunita Mei-Lin Rajakumar					
- direct	33,636	-	16,818	-	50,454
- indirect	100,000	-	50,000	-	150,000
Tan Kim Siong					
- direct	12,000	-	6,000	-	18,000
- indirect	-	5,000	2,500	-	7,500
Chia Kuo Wui					
- direct	907,534	-	453,767	-	1,361,301
Soon Eng Sing					
- direct	-	20,000	10,000	-	30,000

DIRECTORS' INTERESTS IN SHARES (cont'd)

	Number of ordinary shares				
	At 1.5.2016	**Bought**	**Bonus issue**	**Sold**	**At 30.4.2017**
Deemed interests in the Company:					
Tan Kai Hee *	18,394,349	68,200	9,206,274	-	27,668,823
Tan Keng Kang *	18,394,349	68,200	9,206,274	-	27,668,823
Interests in a subsidiary, Hai-O Raya Bhd.:					
Tan Kai Hee					
- direct	34,000	-	-	-	34,000
- indirect	57,000	-	-	-	57,000
Tan Keng Kang					
- direct	6,000	-	-	-	6,000
- indirect	85,000	-	-	-	85,000
Hew Von Kin					
- direct	3,000	-	-	-	3,000
Deemed interests in a subsidiary, Hai-O Raya Bhd.:					
Tan Kai Hee *	30,000	-	-	-	30,000
Tan Keng Kang *	30,000	-	-	-	30,000

* Deemed interested by virtue of the Directors' interests in Akintan Sdn. Bhd. and Daritan Sdn. Bhd.

In accordance with the Companies Act, the interests and deemed interests of the spouses and children of the Directors in the shares of the Company and of its related corporations (other than wholly owned subsidiaries) shall be treated as the interests of the Directors also.

By virtue of their interests in the shares of the Company, Tan Kai Hee and Tan Keng Kang are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Hai-O Enterprise Berhad has an interest.

None of the other Directors holding office at 30 April 2017 had any interest in the shares of the Company and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Directors' Report

For The Year Ended 30 April 2017 (cont'd)

DIRECTORS' BENEFITS (cont'd)

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 96,463,608 new ordinary shares arising from the bonus issue on the basis of 1 bonus share for every 2 existing shares held.

There were no other changes in the authorised, issued and paid-up capital of the Company during the financial year.

There were no debentures issued during the financial year.

During the financial year, the Company repurchased 368,100 (2016: 1,686,900) of its issued share capital from the open market for a total consideration of RM1,045,986 (2016: RM3,928,110). The average price paid for the shares repurchased was RM2.84 (2016: RM2.33) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 30 April 2017, the Company held 9,262,888 (2016: 8,894,788) of its own shares.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total amount of indemnity sum insured and premium paid for Directors and officers of the Group and of the Company are RM1,000,000 and RM8,750 respectively. There are no indemnity and insurance purchased for the auditors of the Group and of the Company.

QUALIFICATION OF SUBSIDIARIES' FINANCIAL STATEMENTS

The auditors' report on the audit of the financial statements of Company's subsidiaries did not contain any qualification.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

OTHER STATUTORY INFORMATION (cont'd)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 April 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

SIGNIFICANT EVENTS

i) During the financial year, the Company acquired additional 8,000 shares in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM21,600. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 61.80% to 62.07%.

   The Group recognised a decrease in non-controlling interests of RM64,710 and an increase in retained earnings of RM43,110 in respect of the above transactions.

ii) In September 2016, Yan Ou Holdings (M) Sdn. Bhd. ("Yan Ou Holdings"), a 60% owned subsidiary of the Company, incorporated a wholly owned subsidiary, Yan Ou Marketing (Intl) Sdn. Bhd. ("Yan Ou Marketing") with a paid-up capital of RM2.

   Subsequently, Yan Ou Marketing increased its paid-up capital to RM1 million, of which Yan Ou Holdings subscribed another RM899,998, therefore bringing its equity interest in Yan Ou Marketing to 90%.

Directors' Report

For The Year Ended 30 April 2017 (cont'd)

SIGNIFICANT EVENTS (cont'd)

iii) In January 2017, the Company disposed of its entire equity interest in a wholly owned subsidiary, MCC City Sdn. Bhd. for a total cash consideration of RM80,000. This transaction resulted in a loss on disposal to the Group of RM1,089.

iv) In March 2017, the shareholders of the Company approved the following corporate exercises of the Company:

- proposed bonus issue of up to 101,095,141 new ordinary shares of the Company on the basis of 1 bonus share for every 2 existing shares of the Company held;
- proposed establishment of an Employees' Share Option Scheme ("ESOS") of up to 15% of the total number of issued shares in the Company (excluding treasury shares) at any one time during the duration of the ESOS to eligible employees and Directors of the Company and its subsidiaries; and
- proposed specific allocation of ESOS options to Directors and persons connected to them.

The bonus issue was completed on 31 March 2017 following the listing for and quotation of 96,463,608 bonus shares on the Main Market of Bursa Securities, whilst the ESOS has not been established as at the end of the current financial year.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 21 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Keng Kang	**Hew Von Kin**

Kuala Lumpur,
Date: 8 August 2017

Statements of Financial Position

As At 30 April 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
ASSETS					
Property, plant and equipment	3	73,671,607	66,324,108	30,814,359	30,752,318
Investment properties	4	48,306,101	49,255,967	43,787,421	44,425,579
Goodwill	5	84,930	84,930	-	-
Investments in subsidiaries	6	-	-	14,185,260	14,254,756
Investments in associates	7	-	399,145	-	-
Investment in a joint venture	8	2,160,456	2,159,768	760,000	760,000
Other investments	9	236,406	251,835	-	-
Trade and other receivables	10	294,492	464,649	-	-
Deferred tax assets	11	1,212,389	1,761,047	592,009	706,700
Total non-current assets		125,966,381	120,701,449	90,139,049	90,899,353
Inventories	12	71,707,149	67,965,996	33,611,318	31,248,082
Other investments	9	58,194,030	53,808,970	2,730,413	1,418,809
Trade and other receivables	10	27,644,387	22,820,139	30,989,152	27,768,016
Prepayments		3,654,648	2,195,911	2,195,580	567,052
Current tax assets		286,237	177,871	-	-
Cash and cash equivalents	13	76,848,186	53,711,569	12,964,850	10,209,362
Total current assets		238,334,637	200,680,456	82,491,313	71,211,321
Total assets		364,301,018	321,381,905	172,630,362	162,110,674
EQUITY					
Share capital		149,326,945	101,095,141	149,326,945	101,095,141
Treasury shares		(19,686,506)	(18,640,520)	(19,686,506)	(18,640,520)
Reserves		155,174,066	174,919,234	16,164,435	56,942,310
Equity attributable to owners of the Company	14	284,814,505	257,373,855	145,804,874	139,396,931
Non-controlling interests		11,354,430	11,607,081	-	-
Total equity		296,168,935	268,980,936	145,804,874	139,396,931

Statements of Financial Position

As At 30 April 2017 (cont'd)

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
LIABILITIES					
Loans and borrowings	15	-	-	349,123	168,288
Deferred tax liabilities	11	208,133	63,170	-	-
Total non-current liabilities		208,133	63,170	349,123	168,288
Loans and borrowings	15	3,046,377	1,114,000	3,212,117	1,291,660
Trade and other payables	16	57,536,050	45,097,783	22,463,368	20,416,575
Current tax liabilities		5,693,083	4,048,627	800,880	837,220
Provisions	17	1,648,440	2,077,389	-	-
Total current liabilities		67,923,950	52,337,799	26,476,365	22,545,455
Total liabilities		68,132,083	52,400,969	26,825,488	22,713,743
Total equity and liabilities		364,301,018	321,381,905	172,630,362	162,110,674

The notes on pages 86 to 149 are an integral part of these financial statements.

Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 April 2017

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Revenue	18	404,239,775	297,629,344	148,900,994	131,961,924
Cost of sales		(271,712,065)	(196,193,146)	(83,908,010)	(74,041,265)
Gross profit		132,527,710	101,436,198	64,992,984	57,920,659
Other income		13,174,050	8,605,795	1,526,337	1,484,648
Distribution expenses		(38,811,568)	(35,317,764)	(13,248,437)	(11,868,803)
Administrative expenses		(28,917,587)	(26,059,294)	(12,023,266)	(12,506,589)
Other expenses		(531,146)	(345,088)	(215,736)	(1,045,484)
Results from operating activities		77,441,459	48,319,847	41,031,882	33,984,431
Finance income	19	1,361,449	1,472,663	186,814	159,598
Finance costs	20	(134,985)	(219,794)	(163,100)	(238,818)
Net finance income/(costs)		1,226,464	1,252,869	23,714	(79,220)
Share of loss of equity-accounted associate, net of tax		(399,145)	(502,260)	-	-
Share of profit of equity-accounted joint venture, net of tax		688	1,404	-	-
Profit before tax	21	78,269,466	49,071,860	41,055,596	33,905,211
Tax expense	22	(18,854,358)	(12,506,602)	(2,729,544)	(2,621,366)
Profit for the year		59,415,108	36,565,258	38,326,052	31,283,845
Other comprehensive (expense) / income, net of tax					
Item that is or may be reclassified subsequently to profit or loss					
Foreign currency translation differences for foreign operations		(159,800)	21,531	-	-
Other comprehensive (expense) / income for the year, net of tax		(159,800)	21,531	-	-
Total comprehensive income for the year		59,255,308	36,586,789	38,326,052	31,283,845

Statements of Profit or Loss and Other Comprehensive Income

For The Year Ended 30 April 2017 (cont'd)

		Group		Company	
	Note	**2017 RM**	**2016 RM**	**2017 RM**	**2016 RM**
Profit attributable to:					
Owners of the Company		59,475,449	36,343,530	38,326,052	31,283,845
Non-controlling interests		(60,341)	221,728	-	-
Profit for the year		59,415,108	36,565,258	38,326,052	31,283,845
Total comprehensive income attributable to:					
Owners of the Company		59,315,649	36,365,061	38,326,052	31,283,845
Non-controlling interests		(60,341)	221,728	-	-
Total comprehensive income for the year		59,255,308	36,586,789	38,326,052	31,283,845

		2017	**2016 Restated**
Basic earnings per ordinary share (sen)	23	20.54	12.47

The notes on pages 86 to 149 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For The Year Ended 30 April 2017

Group	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		← Attributable to owners of the Company					→		
		← Non-distributable			→	Distributable			
At 1 May 2015		101,095,141	(14,712,410)	(204,707)	657,192	167,029,697	253,864,913	11,966,150	265,831,063
Foreign currency translation differences for foreign operations		-	-	21,531	-	-	21,531	-	21,531
Total other comprehensive income for the year		-	-	21,531	-	-	21,531	-	21,531
Profit for the year		-	-	-	-	36,343,530	36,343,530	221,728	36,565,258
Total comprehensive income for the year		-	-	21,531	-	36,343,530	36,365,061	221,728	36,586,789
Own shares acquired	14.4	-	(3,928,110)	-	-	-	(3,928,110)	-	(3,928,110)
Acquisition of additional interests in a subsidiary from non-controlling interests	31.4	-	-	-	-	205,797	205,797	(288,297)	(82,500)
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	(292,500)	(292,500)
Dividends to owners of the Company	24	-	-	-	-	(29,133,806)	(29,133,806)	-	(29,133,806)
Total transactions with owners of the Company		-	(3,928,110)	-	-	(28,928,009)	(32,856,119)	(580,797)	(33,436,916)
At 30 April 2016		101,095,141	(18,640,520)	(183,176)	657,192	174,445,218	257,373,855	11,607,081	268,980,936

Consolidated Statement of Changes in Equity For The Year Ended 30 April 2017 (cont'd)

Group	Note	Share capital RM	Treasury shares RM	Translation reserve RM	Capital reserve RM	Retained earnings RM	Total RM	Non-controlling interests RM	Total equity RM
		← Attributable to owners of the Company					→		
		← Non-distributable			→	Distributable			
At 1 May 2016		101,095,141	(18,640,520)	(183,176)	657,192	174,445,218	257,373,855	11,607,081	268,980,936
Foreign currency translation differences for foreign operations		-	-	(159,800)	-	-	(159,800)	-	(159,800)
Total other comprehensive expense for the year		-	-	(159,800)	-	-	(159,800)	-	(159,800)
Profit for the year		-	-	-	-	59,475,449	59,475,449	(60,341)	59,415,108
Total comprehensive income for the year		-	-	(159,800)	-	59,475,449	59,315,649	(60,341)	59,255,308
Own shares acquired	14.4	-	(1,045,986)	-	-	-	(1,045,986)	-	(1,045,986)
Bonus issue	14.1	48,231,804	-	-	-	(48,231,804)	-	-	-
Acquisition of additional interests in a subsidiary from non-controlling interests	31.1	-	-	-	-	43,110	43,110	(64,710)	(21,600)
Subscription of shares by non-controlling interests in a subsidiary	31.2	-	-	-	-	-	-	100,000	100,000
Dividends to non-controlling interests of a subsidiary		-	-	-	-	-	-	(227,600)	(227,600)
Dividends to owners of the Company	24	-	-	-	-	(30,872,123)	(30,872,123)	-	(30,872,123)
Total transactions with owners of the Company		48,231,804	(1,045,986)	-	-	(79,060,817)	(31,874,999)	(192,310)	(32,067,309)
At 30 April 2017		149,326,945	(19,686,506)	(342,976)	657,192	154,859,850	284,814,505	11,354,430	296,168,935

The notes on pages 86 to 149 are an integral part of these financial statements.

Statement of Changes in Equity

For The Year Ended 30 April 2017

Company	Note	← Non-distributable Share capital RM	Treasury shares RM	Capital reserve RM →	Distributable Retained earnings RM	Total equity RM
At 1 May 2015		101,095,141	(14,712,410)	210	54,792,061	141,175,002
Profit and total comprehensive income for the year		-	-	-	31,283,845	31,283,845
Own shares acquired	14.4	-	(3,928,110)	-	-	(3,928,110)
Dividends to owners of the Company	24	-	-	-	(29,133,806)	(29,133,806)
Total transactions with owners of the Company		-	(3,928,110)	-	(29,133,806)	(33,061,916)
At 30 April 2016/ 1 May 2016		101,095,141	(18,640,520)	210	56,942,100	139,396,931
Profit and total comprehensive income for the year		-	-	-	38,326,052	38,326,052
Own shares acquired	14.4	-	(1,045,986)	-	-	(1,045,986)
Bonus issue	14.1	48,231,804	-	-	(48,231,804)	-
Dividends to owners of the Company	24	-	-	-	(30,872,123)	(30,872,123)
Total transactions with owners of the Company		48,231,804	(1,045,986)	-	(79,103,927)	(31,918,109)
At 30 April 2017		149,326,945	(19,686,506)	210	16,164,225	145,804,874

The notes on pages 86 to 149 are an integral part of these financial statements.

Statements of Cash Flows

For The Year Ended 30 April 2017

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash flows from operating activities				
Profit before tax	78,269,466	49,071,860	41,055,596	33,905,211
Adjustments for:				
Depreciation of investment properties	672,533	678,041	638,158	638,158
Depreciation of property, plant and equipment	2,969,823	2,677,405	1,057,311	920,582
Dividend income	(1,784,917)	(1,391,693)	(32,145,866)	(27,015,898)
Fair value gain on other investments	(198,887)	(7,357)	(9,732)	(14,166)
Finance costs	134,985	219,794	163,100	238,818
Finance income	(1,361,449)	(1,472,663)	(186,814)	(159,598)
Gain on disposal of other investments	(79,476)	(307,485)	(4,431)	(12,228)
Gain on disposal of property, plant and equipment	(117,416)	(2,332)	(113,559)	(754)
Impairment loss on investment in a subsidiary	-	-	-	900,000
Loss on disposal of a subsidiary	1,089	-	11,096	-
Property, plant and equipment written off	70,644	60,560	-	-
Provision for sales campaign	3,900,000	3,600,000	-	-
Share of loss of equity-accounted associate, net of tax	399,145	502,260	-	-
Share of profit of equity-accounted joint venture, net of tax	(688)	(1,404)	-	-
Unrealised foreign exchange gain	(150,113)	(187,363)	(200,937)	(174,941)
Operating profit before working capital changes	82,724,739	53,439,623	10,263,922	9,225,184
Change in inventories	(3,741,153)	(9,722,338)	(2,363,236)	(6,151,049)
Change in trade and other receivables and prepayments	(6,215,991)	(661,705)	(3,930,517)	2,958,338
Change in trade and other payables	12,348,409	14,327,550	1,549,091	3,903,859
Cash generated from operations	85,116,004	57,383,130	5,519,260	9,936,332
Sales campaign paid	(4,328,949)	(4,018,099)	-	-
Tax paid	(16,630,009)	(11,739,307)	(2,651,193)	(2,113,014)
Tax refunded	5,362	146,803	-	-
Net cash from operating activities	64,162,408	41,772,527	2,868,067	7,823,318

Statements of Cash Flows

For The Year Ended 30 April 2017 (cont'd)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Cash flows from investing activities				
Accretion of equity interest in a subsidiary	(21,600)	(82,500)	-	-
Acquisition of investment properties	-	(1,650,223)	-	-
Acquisition of other investments	(79,562,222)	(42,781,280)	(2,000,000)	(2,300,000)
Acquisition of property, plant and equipment	(10,110,157)	(2,116,633)	(726,175)	(1,257,911)
Dividends received	13,037	1,467,693	32,078,200	26,914,300
Increase in investments in subsidiaries	-	-	(21,600)	(82,500)
Interest received from fixed deposits and repo	1,361,449	1,472,663	186,814	159,598
Investment in an associate	-	(901,405)	-	-
Proceeds from disposal of a subsidiary	80,000	-	80,000	-
Proceeds from disposal of other investments	77,242,834	45,436,974	770,225	5,885,542
Proceeds from disposal of property, plant and equipment	146,753	3,526	130,382	1,153
Subscription of shares by non-controlling interests in a subsidiary	100,000	-	-	-
Net cash (used in)/from investing activities	(10,749,906)	848,815	30,497,846	29,320,182
Cash flows from financing activities				
Amount due from an associate	(104,653)	(950,071)	-	-
Dividends paid to non-controlling interests of a subsidiary	(227,600)	(292,500)	-	-
Dividends paid to owners of the Company	(30,872,123)	(29,133,806)	(30,872,123)	(29,133,806)
Drawdown/(Repayment) of bankers' acceptances	1,932,377	(377,000)	1,932,377	(377,000)
Increase in amount due to a joint venture	158	-	-	-
Increase in amounts due to subsidiaries	-	-	535,914	261,548
Increase in amounts due from subsidiaries	-	-	(919,147)	(2,388,387)
Interest paid on loans and borrowings	(134,985)	(219,794)	(163,100)	(238,818)
Repayment of bank loan	-	(2,420,982)	-	(2,420,982)
Repayment of hire purchase liabilities due to a subsidiary	-	-	(241,085)	(179,382)
Repurchase of treasury shares	(1,045,986)	(3,928,110)	(1,045,986)	(3,928,110)
Net cash used in financing activities	(30,452,812)	(37,322,263)	(30,773,150)	(38,404,937)
Net increase/(decrease) in cash and cash equivalents	22,959,690	5,299,079	2,592,763	(1,261,437)
Effect of exchange rate fluctuations on cash held	176,927	119,383	162,725	165,883
Cash and cash equivalents at 1 May 2016/2015	53,711,569	48,293,107	10,209,362	11,304,916
Cash and cash equivalents at 30 April	76,848,186	53,711,569	12,964,850	10,209,362

Statements of Cash Flows

For The Year Ended 30 April 2017 (cont'd)

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deposits placed with licensed banks	13	55,647,418	35,983,478	9,688,011	6,948,111
Cash and bank balances	13	21,200,768	17,728,091	3,276,839	3,261,251
		76,848,186	53,711,569	12,964,850	10,209,362

Acquisition of property, plant and equipment

During the financial year, the Company acquired property, plant and equipment with an aggregate cost of RM1,136,175 (2016: RM1,257,911), of which RM410,000 (2016: Nil) was acquired by means of hire purchases from a subsidiary.

The notes on pages 86 to 149 are an integral part of these financial statements.

Notes to The Financial Statements

30 April 2017

Hai-O Enterprise Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business
Wisma Hai-O
Lot 11995, Batu 2
Jalan Kapar
41400 Klang
Selangor Darul Ehsan

Registered office
Unit 621, 6th Floor, Block A
Kelana Centre Point
No 3 Jalan SS7/19 Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 30 April 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interests in associates and a joint venture. The financial statements of the Company as at and for the financial year ended 30 April 2017 do not include other entities.

The Company is principally engaged in the wholesaling and retailing of herbal medicines and healthcare products, investment holding activities and property holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 8 August 2017.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and by the Company:

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2017*

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

Notes to The Financial Statements

30 April 2017 (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2018*

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after 1 January 2019*

- MFRS 16, *Leases*

MFRSs, *Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed*

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 May 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017;

- from the annual period beginning on 1 May 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 4 which is not applicable to the Group and to the Company; and

- from the annual period beginning on 1 May 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the accounting standards, amendments or interpretations is not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9.

Notes to The Financial Statements
30 April 2017 (cont'd)

1. BASIS OF PREPARATION (cont'd)

(a) Statement of compliance (cont'd)

(ii) MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces 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 Group is currently assessing the financial impact that may arise from the adoption of MFRS 15.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM, except for financial information relating to operating segments (Note 25) which has been rounded to the nearest thousand.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 4 - valuation of investment properties
- Note 11 - recognition of deferred tax assets
- Note 17 - provisions

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution (or included in a disposal group that is classified as held for sale or distribution). The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vi) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of consolidation (cont'd)

(vi) Joint arrangements (cont'd)

Joint arrangements are classified and accounted for as follows:

- A joint arrangement is classified as "joint operation" when the Group or the Company has rights to the assets and obligations for the liabilities relating to an arrangement. The Group and the Company account for each of its share of the assets, liabilities and transactions, including its share of those held or incurred jointly with the other investors, in relation to the joint operation.

- A joint arrangement is classified as "joint venture" when the Group or the Company has rights only to the net assets of the arrangements. The Group accounts for its interest in the joint venture using the equity method. Investment in a joint venture is measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(vii) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the owners of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint venture are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign currency (cont'd)

(i) Foreign currency transactions (cont'd)

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 May 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2(j)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Property, plant and equipment (cont'd)

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Vintage Pu-Er tea leaves are carried at cost and are not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

• Leasehold land	50 - 99 years
• Buildings	50 years
• Motor vehicles	5 years
• Laboratory, furniture and office equipment	3 - 10 years
• Warehouse and electrical fittings	10 years
• Renovation	10 years
• Plant and machinery	5 years
• Fire fighting and lift systems	10 years

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Leased assets (cont'd)

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(f) Goodwill

Goodwill which arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates and joint venture.

Amortisation

Goodwill is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

(g) Investment property

(i) Investment property carried at cost

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. These include properties which in substance are finance leases held for a currently undetermined future use. Investment properties are initially and subsequently measured at cost and are accounted for similarly to property, plant and equipment.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, the carrying amount of the item immediately prior to transfer is recognised as the deemed cost of the investment property for subsequent accounting.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its carrying amount at the date of reclassification becomes its deemed cost for subsequent accounting.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(j) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries, investments in associates and joint venture) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Impairment (cont'd)

(i) Financial assets (cont'd)

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata basis*.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Ordinary shares

Ordinary shares are classified as equity.

(ii) Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares in the statement of changes in equity.

Where treasury shares are sold or reissued subsequently, the difference between the sales consideration net of directly attributable costs and the carrying amount of the treasury shares is recognised in equity.

(l) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(i) Sales campaign

The Group organises various sales campaign programmes for its eligible distributors and wholesale customers. Under these programmes, eligible distributors and wholesale customers are entitled to overseas trips subject to meeting certain qualifying performance targets. A provision is recognised at the end of each reporting period for eligible distributors and wholesale customers based on the Group's estimated qualifiers and quoted tour fares for the sales campaign programmes.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Provisions (cont'd)

(ii) Goods return

The Group provides pre-agreed return period on products sold by the Group. A provision is recognised at the end of each reporting period for goods return based on the Group's past experience on the level of goods returned.

(n) Revenue and other income

(i) Goods sold

Revenue from the sale of goods in the course of ordinary activities is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

(ii) Services

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the end of the reporting period. The stage of completion is determined by the estimated value of services performed to date as a percentage of the estimated value of total services to be performed.

(iii) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

(iv) Rental income

Rental income from property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(v) Hire purchase and lease rental income

Revenue from hire purchase and finance lease is recognised upon commencement of the hire purchase agreement or the lease agreement, on the sum-of-digits method over the period of the agreement. Lease rental income from operating leases is recognised on a straight-line basis over the lease term.

(vi) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) Revenue and other income (cont'd)

(vii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

(o) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

(p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance, being a tax incentive that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(q) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is not presented as the Group has no shares or other instruments with potential dilutive effects.

Notes to The Financial Statements

30 April 2017 (cont'd)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(s) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to The Financial Statements
30 April 2017 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Laboratory, furniture, and office equipment RM	Warehouse and electrical fittings RM	Renovation RM	Plant and machinery RM	Fire fighting and lift systems RM	Vintage Pu-Er tea leaves RM	Total RM
Cost											
At 1 May 2015	31,312,102	598,959	24,130,487	2,858,414	11,156,708	1,950,177	6,677,835	2,436,307	247,449	3,014,097	84,382,535
Additions	-	-	-	113,608	768,715	55,003	1,175,107	4,200	-	-	2,116,633
Disposals	-	-	-	(3,924)	(11,327)	-	-	-	-	-	(15,251)
Written off	-	-	-	-	(107,830)	(26,900)	(84,905)	(6,300)	-	-	(225,935)
Transfer from investment properties (Note 4)	925,098	-	1,373,645	-	-	-	-	-	-	-	2,298,743
Effect of movements in exchange rates	-	-	-	5,738	33,260	443	22,466	-	-	-	61,907
At 30 April 2016/ 1 May 2016	32,237,200	598,959	25,504,132	2,973,836	11,839,526	1,978,723	7,790,503	2,434,207	247,449	3,014,097	88,618,632
Additions	2,139,551	1,877,910	2,297,664	608,127	1,184,513	273,964	1,212,038	113,190	-	403,200	10,110,157
Disposals	-	-	-	(625,618)	(53,028)	-	-	(153,301)	-	(14,736)	(846,683)
Written off	-	-	-	-	(200,270)	(50,810)	(102,311)	(31,500)	-	-	(384,891)
Transfer from investment properties (Note 4)	-	194,580	82,753	-	-	-	-	-	-	-	277,333
Effect of movements in exchange rates	-	-	-	9,143	46,423	801	28,255	-	-	-	84,622
At 30 April 2017	34,376,751	2,671,449	27,884,549	2,965,488	12,817,164	2,202,678	8,928,485	2,362,596	247,449	3,402,561	97,859,170

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Motor vehicles RM	Laboratory, furniture, and office equipment RM	Warehouse and electrical fittings RM	Renovation RM	Plant and machinery RM	Fire fighting and lift systems RM	Vintage Pu-Er tea leaves RM	Total RM
Depreciation and impairment loss											
At 1 May 2015	-	167,780	5,431,473	2,243,158	7,072,479	763,322	2,281,816	1,724,539	86,724	-	19,771,291
Depreciation for the year	-	11,979	500,151	234,712	880,125	99,135	745,985	181,252	24,066	-	2,677,405
Disposals	-	-	-	(3,923)	(10,134)	-	-	-	-	-	(14,057)
Written off	-	-	-	-	(91,000)	(7,662)	(60,413)	(6,300)	-	-	(165,375)
Effect of movements in exchange rates	-	-	-	5,738	14,551	18	4,953	-	-	-	25,260
At 30 April 2016/ 1 May 2016	-	179,759	5,931,624	2,479,685	7,866,021	854,813	2,972,341	1,899,491	110,790	-	22,294,524
Depreciation for the year	-	13,646	531,207	348,862	931,437	165,815	769,866	184,924	24,066	-	2,969,823
Disposals	-	-	-	(623,531)	(41,903)	-	-	(151,912)	-	-	(817,346)
Written off	-	-	-	-	(157,710)	(36,796)	(88,241)	(31,500)	-	-	(314,247)
Effect of movements in exchange rates	-	-	-	9,143	33,558	110	11,998	-	-	-	54,809
At 30 April 2017	-	193,405	6,462,831	2,214,159	8,631,403	983,942	3,665,964	1,901,003	134,856	-	24,187,563
Carrying amounts											
At 1 May 2015	31,312,102	431,179	18,699,014	615,256	4,084,229	1,186,855	4,396,019	711,768	160,725	3,014,097	64,611,244
At 30 April 2016/ 1 May 2016	32,237,200	419,200	19,572,508	494,151	3,973,505	1,123,910	4,818,162	534,716	136,659	3,014,097	66,324,108
At 30 April 2017	34,376,751	2,478,044	21,421,718	751,329	4,185,761	1,218,736	5,262,521	461,593	112,593	3,402,561	73,671,607

Notes to The Financial Statements

30 April 2017 (cont'd)

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Freehold land RM	Buildings RM	Motor vehicles RM	Furniture and office equipment RM	Electrical fittings RM	Renovation RM	Plant and machinery RM	Vintage Pu-Er tea leaves RM	Total RM
Cost									
At 1 May 2015	17,028,856	9,641,378	2,366,097	2,795,109	69,140	3,254,654	50,500	2,978,097	38,183,831
Additions	-	-	6,318	245,903	5,690	1,000,000	-	-	1,257,911
Disposals	-	-	(3,924)	(1,257)	-	-	-	-	(5,181)
At 30 April 2016/ 1 May 2016	17,028,856	9,641,378	2,368,491	3,039,755	74,830	4,254,654	50,500	2,978,097	39,436,561
Additions	-	-	507,227	119,168	-	106,580	-	403,200	1,136,175
Disposals	-	-	(563,618)	(2,227)	-	-	-	(14,736)	(580,581)
Written off	-	-	-	(2,280)	-	-	-	-	(2,280)
At 30 April 2017	17,028,856	9,641,378	2,312,100	3,154,416	74,830	4,361,234	50,500	3,366,561	39,989,875
Depreciation									
At 1 May 2015	-	2,887,686	1,791,679	2,089,019	30,575	918,984	50,500	-	7,768,443
Depreciation for the year	-	192,828	209,633	150,254	5,555	362,312	-	-	920,582
Disposals	-	-	(3,923)	(859)	-	-	-	-	(4,782)
At 30 April 2016/ 1 May 2016	-	3,080,514	1,997,389	2,238,414	36,130	1,281,296	50,500	-	8,684,243
Depreciation for the year	-	192,828	295,355	155,061	6,029	408,038	-	-	1,057,311
Disposals	-	-	(561,532)	(2,226)	-	-	-	-	(563,758)
Written off	-	-	-	(2,280)	-	-	-	-	(2,280)
At 30 April 2017	-	3,273,342	1,731,212	2,388,969	42,159	1,689,334	50,500	-	9,175,516
Carrying amounts									
At 1 May 2015	17,028,856	6,753,692	574,418	706,090	38,565	2,335,670	-	2,978,097	30,415,388
At 30 April 2016/ 1 May 2016	17,028,856	6,560,864	371,102	801,341	38,700	2,973,358	-	2,978,097	30,752,318
At 30 April 2017	17,028,856	6,368,036	580,888	765,447	32,671	2,671,900	-	3,366,561	30,814,359

3. PROPERTY, PLANT AND EQUIPMENT (cont'd)

3.1 Leased motor vehicles

At 30 April 2017, the net carrying amount of leased motor vehicles from a subsidiary of the Company was RM576,875 (2016: RM363,740).

3.2 Security

The leased motor vehicles discussed above secure lease obligations (see Note 15).

3.3 Impairment loss

The carrying amount of buildings of the Group at 30 April 2017 is after netting off impairment loss of RM47,003 (2016: RM47,003).

3.4 Leasehold land

Included in the total carrying amount of leasehold land of the Group are:

	Group	
	2017	**2016**
	RM	**RM**
Leasehold land with unexpired lease period of less than 50 years	457,491	271,022
Leasehold land with unexpired lease period of more than 50 years	2,020,553	148,178
	2,478,044	419,200

3.5 Transfer from investment properties

During the current financial year, a property has been transferred from investment properties to property, plant and equipment following a change in usage from leasing to a third party to being used in the production and supply of goods of the Group.

In the previous financial year, a property had been transferred from investment properties to property, plant and equipment following a change in management's intention from holding for capital appreciation to usage in the production and supply of goods of the Group.

Notes to The Financial Statements

30 April 2017 (cont'd)

4. INVESTMENT PROPERTIES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Cost				
At 1 May 2016/2015	57,674,334	58,403,874	52,841,024	52,841,024
Additions	-	1,650,223	-	-
Transfer to property, plant and equipment:				
- Offset of accumulated depreciation	(156,000)	(81,020)	-	-
- Transfer of carrying amount (Note 3)	(277,333)	(2,298,743)	-	-
At 30 April	57,241,001	57,674,334	52,841,024	52,841,024
Depreciation				
At 1 May 2016/2015	8,240,721	7,643,700	8,415,445	7,777,287
Depreciation for the year	672,533	678,041	638,158	638,158
Offset of accumulated depreciation on properties transferred to property, plant and equipment	(156,000)	(81,020)	-	-
At 30 April	8,757,254	8,240,721	9,053,603	8,415,445
Impairment loss				
At 1 May/30 April	177,646	177,646	-	-

	Group RM	Company RM
Carrying amounts		
At 1 May 2015	50,582,528	45,063,737
At 30 April 2016/1 May 2016	49,255,967	44,425,579
At 30 April 2017	48,306,101	43,787,421

Included in the above are:

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Freehold land	24,233,986	24,233,986	21,636,236	21,636,236
Leasehold land with unexpired period of less than 50 years	585,166	803,737	-	-
Leasehold land with unexpired period of more than 50 years	225,915	231,771	67,200	68,800
Buildings	23,261,034	23,986,473	22,083,985	22,720,543
	48,306,101	49,255,967	43,787,421	44,425,579

4. INVESTMENT PROPERTIES (cont'd)

Investment properties comprise freehold land, leasehold land and a number of residential and commercial properties that are leased to third parties/subsidiaries or are currently vacant.

The following are recognised in profit or loss in respect of investment properties:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Rental income	2,512,694	4,342,141	3,308,538	5,136,940
Direct operating expenses:				
- income generating investment properties	(662,812)	(536,339)	(601,717)	(441,793)
- non-income generating investment properties	(20,520)	(97,464)	(6,440)	(95,202)

Fair value information

Fair value of investment properties is categorised as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Level 3				
Freehold land	44,983,068	44,983,068	53,794,457	53,794,457
Leasehold land	3,397,900	3,942,700	345,000	345,000
Buildings	59,437,187	59,649,054	58,770,037	58,770,037
	107,818,155	108,574,822	112,909,494	112,909,494

Valuation process applied by the Group for Level 3 fair value

In the current and previous financial years, the Directors have used the desktop valuations dated June 2015 provided by the external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of properties being valued, to estimate the fair value of the investment properties as the Directors considered that the market value is appreciating but with no substantial variation from the value stated in the desktop valuations.

One of the freehold buildings of the Group was purchased subsequent to the desktop valuations carried out in June 2015. The Directors considered that the market value is appreciating but with no substantial variation from the purchase price, and hence deemed the purchase price of the freehold building purchased in the prior financial year as its fair value for the current financial year.

Notes to The Financial Statements

30 April 2017 (cont'd)

5. GOODWILL

	Group 2017 RM	Group 2016 RM
At 1 May/30 April	84,930	84,930

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the subsidiaries acquired which represent the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each subsidiary are as follows:

	Group 2017 RM	Group 2016 RM
Chop Aik Seng Sdn. Bhd.	79,390	79,390
Sri Pangkor Credit & Leasing Sdn. Bhd.	5,540	5,540
	84,930	84,930

During the current and previous financial years, the Group assessed these subsidiaries for impairment based on actual operating results of these subsidiaries. No impairment was required as these subsidiaries were generating profits and the Group expects the profits to be sustainable in future periods. The carrying amounts of goodwill are not significantly higher than the profits generated by these subsidiaries during the financial year.

As the goodwill is not significant, hence the key assumptions used in determining the value in use have not been disclosed.

6. INVESTMENTS IN SUBSIDIARIES

	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	19,032,560	20,510,959
Equity contribution in subsidiaries	574,112	574,112
Less: Impairment loss	(5,421,412)	(6,830,315)
	14,185,260	14,254,756

The movements of investments in subsidiaries are as follows:

	Company 2017 RM	Company 2016 RM
At 1 May	14,254,756	15,072,256
Subscription of additional shares	21,600	82,500
Disposal of a subsidiary	(91,096)	-
Impairment loss provided during the year	-	(900,000)
At 30 April	14,185,260	14,254,756

Notes to The Financial Statements
30 April 2017 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
Grand Brands (M) Sdn. Bhd.	Malaysia	General importer, exporter and commission agent	100	100
Hai-O Credit & Leasing Sdn. Bhd. and its subsidiary:	Malaysia	Leasing of machinery, equipment, insurance agent and investment holding	100	100
Sri Pangkor Credit & Leasing Sdn. Bhd.	Malaysia	Licensed money lender and insurance agent	100	100
Hai-O Energy (M) Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O I. Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O Medicine Sdn. Bhd.	Malaysia	Trading of Chinese herbs and medicine	100	100
Sahajidah Hai-O Marketing Sdn. Bhd. and its subsidiaries:	Malaysia	Multi-level direct marketing and investment holding	100	100
PT. Hai-O Indonesia *	Indonesia	Multi-level direct marketing	55	55
Seagull Biolym Sdn. Bhd. *	Malaysia	Dormant	100	100
Hai-O (PG) Sdn. Bhd. *	Malaysia	Dormant	95.29	95.29
Hai-O Properties Sdn. Bhd. * and its subsidiary:	Malaysia	Property holding and investment holding	100	100
Hai-O Development Sdn. Bhd. *	Malaysia	Dormant	60	60
Hai-O Raya Bhd. **	Malaysia	Retail chain stores	62.07	61.80
Kinds Resource Sdn. Bhd.	Malaysia	Trading of Chinese herbs	100	100
MCC City Sdn. Bhd. @	Malaysia	Dormant	-	100
Samariatan Sdn. Bhd. and its subsidiary:	Malaysia	Investment holding	66.40	66.40
Chop Aik Seng Sdn. Bhd.	Malaysia	Trading of tea and other beverages	66.40	66.40
Sea Gull Advertising Sdn. Bhd.	Malaysia	Advertising and printing services	100	100

Notes to The Financial Statements

30 April 2017 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows:

Name of entity	Principal place of business	Principal activities	Effective ownership interest and voting interest 2017 %	2016 %
SG Global Biotech Sdn. Bhd. and its subsidiary:	Malaysia	Manufacturing of pharmaceutical products and investment holding	100	100
QIS Research Laboratory Sdn. Bhd.	Malaysia	Research and laboratory services	100	100
Vintage Wine Sdn. Bhd. *	Malaysia	Import and trading of wine	100	100
Yan Ou Holdings (M) Sdn. Bhd. and its subsidiary:	Malaysia	Trading of birds' nests and investment holding	60	60
Yan Ou Marketing (Intl) Sdn. Bhd. ^	Malaysia	Trading and distribution of birds' nests and its related products and other healthcare products	54	-
Hai-O (Hong Kong) Investment Limited * and its subsidiaries:	Hong Kong	Investment holding	100	100
Hai-O (Guangzhou) Trading Ltd. *, #	China	Trading of medicine, health and related products	100	100
Seagull Technology (Beijing) Co. Ltd. *, #	China	Dormant	100	100

* Not audited by member firms of KPMG International

** During the financial year, the Company acquired additional 8,000 shares in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM21,600.

\# The statutory financial year end of these subsidiaries was 31 December 2016 and it does not coincide with the Group. However, the Company has consolidated the financial position and results of these subsidiaries based on the audited financial statements made up to the financial year end of the Group. The Company has been granted approval from the Companies Commission of Malaysia pursuant to Section 247(7) of the Companies Act 2016 for these subsidiaries to continue adopting a financial year end that does not coincide with the financial year end of the Group.

^ In September 2016, Yan Ou Holdings (M) Sdn. Bhd. ("Yan Ou Holdings"), a 60% owned subsidiary of the Company, incorporated a wholly owned subsidiary, Yan Ou Marketing (Intl) Sdn. Bhd. ("Yan Ou Marketing") with a paid-up capital of RM2. Subsequently, Yan Ou Marketing increased its paid-up capital to RM1 million, of which Yan Ou Holdings subscribed another RM899,998, therefore bringing its equity interest in Yan Ou Marketing to 90%.

@ In January 2017, the Company disposed of its entire equity interest in a wholly owned subsidiary, MCC City Sdn. Bhd. for a total cash consideration of RM80,000.

Notes to The Financial Statements

30 April 2017 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

6.1 Non-controlling interests in subsidiaries

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows:

2017	Hai-O Raya Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	37.93%		
Carrying amount of NCI	9,598,675	1,755,755	11,354,430
Profit/(Loss) allocated to NCI	332,360	(392,701)	(60,341)

	Hai-O Raya Bhd. RM
Summarised financial information before intra-group elimination	
As at 30 April	
Non-current assets	4,649,693
Current assets	29,251,434
Non-current liabilities	(512,239)
Current liabilities	(8,082,601)
Net assets	25,306,287
Year ended 30 April	
Revenue	38,169,912
Profit for the year and total comprehensive income	876,246
Cash flows from operating activities	1,418,105
Cash flows from investing activities	1,294,772
Cash flows from financing activities	(444,920)
Net increase in cash and cash equivalents	2,267,957
Dividends paid to NCI	227,600

Notes to The Financial Statements

30 April 2017 (cont'd)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

6.1 Non-controlling interests in subsidiaries (cont'd)

2016	Hai-O Raya Bhd. RM	Other subsidiaries with immaterial NCI RM	Total RM
NCI percentage of ownership interest and voting interest	38.20%		
Carrying amount of NCI	9,561,476	2,045,605	11,607,081
Profit/(Loss) allocated to NCI	546,631	(324,903)	221,728

	Hai-O Raya Bhd. RM
Summarised financial information before intra-group elimination	
As at 30 April	
Non-current assets	4,744,622
Current assets	29,684,999
Non-current liabilities	(341,306)
Current liabilities	(9,058,274)
Net assets	25,030,041
Year ended 30 April	
Revenue	38,336,075
Profit for the year and total comprehensive income	1,430,970
Cash flows from operating activities	1,473,904
Cash flows from investing activities	(3,666,459)
Cash flows from financing activities	(1,209,798)
Net decrease in cash and cash equivalents	(3,402,353)
Dividends paid to NCI	292,500

6.2 Significant restrictions

There are no significant restrictions applying to any assets of the Group other than those disclosed elsewhere in the financial statements.

Notes to The Financial Statements

30 April 2017 (cont'd)

7. INVESTMENTS IN ASSOCIATES

	Group 2017 RM	Group 2016 RM
Unquoted shares, at cost	901,420	901,420
Share of post-acquisition reserves	(901,420)	(502,275)
	-	399,145

Details of the associates are as follows:

Name of entity	Principal place of business	Nature of the relationship	Effective ownership interest and voting interest 2017 %	Effective ownership interest and voting interest 2016 %
Yan Ou (Hong Kong) Trading Limited	Hong Kong	Trading of birds nest and related products. Currently inactive	40	40
Qian Ti Healthcare Technology Ltd.	China	Trading of wellness products	49	49

Unrecognised share of losses

The Group has not recognised losses related to both associates totalling RM171,524 (2016: RM2,102) in the current financial year and RM178,358 (2016: RM6,834) cumulatively, since the Group has no obligation in respect of these losses.

Both of the associates are not material to the Group and hence, no further disclosures are provided.

8. INVESTMENT IN A JOINT VENTURE

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Unquoted shares, at cost	760,000	760,000	760,000	760,000
Share of post - acquisition reserves	1,400,456	1,399,768	-	-
Group's share of net assets	2,160,456	2,159,768	760,000	760,000

Peking Tongrentang (M) Sdn. Bhd. ("PKT"), the only joint arrangement in which the Group participates, is principally engaged in providing traditional Chinese physician services and retail of traditional Chinese medicine in Malaysia.

PKT is structured as a separate vehicle and provides the Group rights to the net assets of the entity. Accordingly, the Group has classified the investment in PKT as a joint venture.

Notes to The Financial Statements

30 April 2017 (cont'd)

8. INVESTMENT IN A JOINT VENTURE (cont'd)

The following table summarises the financial information of PKT, as adjusted for any differences in accounting policies.

	Group	
	2017	**2016**
	RM	**RM**
Percentage of ownership interest	40%	40%
Percentage of voting interest	40%	40%
Summarised financial information		
As at 30 April		
Non-current assets	6,486,716	6,605,923
Current assets	1,816,472	1,725,857
Non-current liabilities	(2,272,247)	(2,450,858)
Current liabilities	(640,577)	(492,279)
Net assets	5,390,364	5,388,643
Year ended 30 April		
Profit for the year and total comprehensive income	1,720	3,509
Included in the total comprehensive income are:		
Revenue	3,049,516	3,375,789
Depreciation	(124,108)	(119,406)
Interest income	14,227	13,763
Interest expense	(106,915)	(125,535)
Tax expense	(21,190)	(23,124)
Group's share of results for the year ended 30 April		
Group's share of profit and total comprehensive income	688	1,404
Other information		
Cash dividends received by the Group	-	76,000

Notes to The Financial Statements

30 April 2017 (cont'd)

9. OTHER INVESTMENTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current				
Financial assets at fair value through profit or loss:				
- quoted shares in Malaysia	224,486	239,915	-	-
Available-for-sale financial assets:				
- unquoted shares	11,920	11,920	-	-
	236,406	251,835	-	-
Current				
Financial assets at fair value through profit or loss:				
- unit trusts in Malaysia	58,194,030	53,808,970	2,730,413	1,418,809
	58,430,436	54,060,805	2,730,413	1,418,809
Representing items:				
At cost	11,920	11,920	-	-
At fair value	58,418,516	54,048,885	2,730,413	1,418,809
	58,430,436	54,060,805	2,730,413	1,418,809
Market value of quoted shares and unit trusts	58,418,516	54,048,885	2,730,413	1,418,809

10. TRADE AND OTHER RECEIVABLES

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current					
Trade					
Hire purchase receivables	10.1	225,803	297,005	-	-
Loan receivables	10.2	103,951	167,644	-	-
Less: Individual impairment allowance		(35,262)	-	-	-
		68,689	167,644	-	-
		294,492	464,649	-	-

Notes to The Financial Statements

30 April 2017 (cont'd)

10. TRADE AND OTHER RECEIVABLES (cont'd)

		Group		Company	
	Note	2017	2016	2017	2016
		RM	RM	RM	RM
Current					
Trade					
Trade receivables		21,209,271	18,674,643	8,362,571	8,627,879
Less: Individual impairment allowance		-	(1,633)	-	-
		21,209,271	18,673,010	8,362,571	8,627,879
Hire purchase receivables	10.1	85,271	125,544	-	-
Loan receivables	10.2	102,442	204,784	-	-
Less: Individual impairment allowance		(36,073)	-	-	-
		66,369	204,784	-	-
Amounts due from subsidiaries	10.3	-	-	9,765,697	6,883,592
Amount due from a joint venture	10.3	219,907	171,987	8,587	11,473
		21,580,818	19,175,325	18,136,855	15,522,944
Non-trade					
Amount due from an associate	10.3	1,054,724	950,071	-	-
Amounts due from subsidiaries	10.3	-	-	14,157,518	13,238,371
Less: Individual impairment allowance		-	-	(1,700,417)	(1,700,417)
		-	-	12,457,101	11,537,954
Other receivables		3,737,775	1,303,985	199,578	205,614
Less: Individual impairment allowance		(27,958)	(28,758)	-	-
		3,709,817	1,275,227	199,578	205,614
Deposits		1,299,028	1,419,516	195,618	501,504
		6,063,569	3,644,814	12,852,297	12,245,072
		27,644,387	22,820,139	30,989,152	27,768,016
		27,938,879	23,284,788	30,989,152	27,768,016

Notes to The Financial Statements

30 April 2017 (cont'd)

10. TRADE AND OTHER RECEIVABLES (cont'd)

10.1 Hire purchase receivables

Hire purchase receivables are receivable as follows:

	Group 2017 RM	Group 2016 RM
Less than one year	103,437	149,651
Between one and five years	247,349	304,786
More than five years	4,531	32,904
	355,317	487,341
Less: Unearned interest charges	(44,243)	(64,792)
	311,074	422,549
Carrying amount:		
Current	85,271	125,544
Non-current	225,803	297,005
	311,074	422,549

10.2 Loan receivables

Loan receivables are receivable as follows:

	Group 2017 RM	Group 2016 RM
Less than one year	102,442	204,784
Less: Individual impairment allowance	(36,073)	-
	66,369	204,784
Between one and five years	103,951	167,644
Less: Individual impairment allowance	(35,262)	-
	68,689	167,644
	135,058	372,428
Carrying amount:		
Current	66,369	204,784
Non-current	68,689	167,644
	135,058	372,428

Notes to The Financial Statements

30 April 2017 (cont'd)

10. TRADE AND OTHER RECEIVABLES (cont'd)

10.3 Related party balances

The trade balances due from subsidiaries and a joint venture are subject to normal trade terms.

The non-trade balances due from an associate and subsidiaries are unsecured, interest free and repayable on demand.

11. DEFERRED TAX ASSETS/(LIABILITIES)

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017	2016	2017	2016	2017	2016
Group	RM	RM	RM	RM	RM	RM
Property, plant and equipment	-	-	(1,567,996)	(1,514,082)	(1,567,996)	(1,514,082)
Provisions	2,989,581	2,646,120	-	-	2,989,581	2,646,120
Capital allowance carry-forwards	7,071	-	-	-	7,071	-
Reinvestment allowance carry-forwards	252,946	591,093	-	-	252,946	591,093
Tax loss carry-forwards	17,027	24,272	-	-	17,027	24,272
Other items	-	-	(694,373)	(49,526)	(694,373)	(49,526)
Tax assets/(liabilities)	3,266,625	3,261,485	(2,262,369)	(1,563,608)	1,004,256	1,697,877
Set off of tax	(2,053,278)	(1,500,438)	2,053,278	1,500,438	-	-
Net tax assets/(liabilities)	1,213,347	1,761,047	(209,091)	(63,170)	1,004,256	1,697,877
Company						
Property, plant and equipment	-	-	(575,075)	(685,694)	(575,075)	(685,694)
Provisions	1,215,309	1,444,692	-	-	1,215,309	1,444,692
Other items	-	-	(48,225)	(52,298)	(48,225)	(52,298)
Tax assets/(liabilities)	1,215,309	1,444,692	(623,300)	(737,992)	592,009	706,700
Set off of tax	(623,300)	(737,992)	623,300	737,992	-	-
Net tax assets	592,009	706,700	-	-	592,009	706,700

Notes to The Financial Statements

30 April 2017 (cont'd)

11. DEFERRED TAX ASSETS/(LIABILITIES) (cont'd)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2017	**2016**
	RM	**RM**
Property, plant and equipment	(34,000)	(111,000)
Capital allowance carry-forwards	199,000	565,000
Tax loss carry-forwards	5,269,000	5,205,000
	5,434,000	5,659,000

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which certain Group entities can utilise the benefits therefrom.

Movement in temporary differences during the year

Group	**At 1.5.2015 RM**	**Recognised in profit or loss (Note 22) RM**	**At 30.4.2016/ 1.5.2016 RM**	**Recognised in profit or loss (Note 22) RM**	**At 30.4.2017 RM**
Property, plant and equipment	(1,203,536)	(310,546)	(1,514,082)	(53,914)	(1,567,996)
Provisions	2,482,717	163,403	2,646,120	343,461	2,989,581
Capital allowance carry-forwards	92,294	(92,294)	-	7,071	7,071
Reinvestment allowance carry-forwards	-	591,093	591,093	(338,147)	252,946
Tax loss carry-forwards	19,968	4,304	24,272	(7,245)	17,027
Other items	(91,084)	41,558	(49,526)	(644,847)	(694,373)
	1,300,359	397,518	1,697,877	(693,621)	1,004,256
Company					
Property, plant and equipment	(476,776)	(208,918)	(685,694)	110,619	(575,075)
Provisions	1,459,817	(15,125)	1,444,692	(229,383)	1,215,309
Other items	(101,857)	49,559	(52,298)	4,073	(48,225)
	881,184	(174,484)	706,700	(114,691)	592,009

Notes to The Financial Statements

30 April 2017 (cont'd)

12. INVENTORIES

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
At cost:				
Raw materials	1,502,569	866,568	-	-
Packaging materials	331,502	311,814	-	-
Finished goods and trading goods	60,925,831	57,995,509	26,196,015	25,027,959
Goods in transit	2,547,748	2,281,090	2,076,679	781,292
	65,307,650	61,454,981	28,272,694	25,809,251
At net realisable value:				
Finished goods and trading goods	6,399,499	6,511,015	5,338,624	5,438,831
	71,707,149	67,965,996	33,611,318	31,248,082
Recognised in profit or loss:				
Inventories recognised as cost of sales	130,708,894	103,143,682	83,517,899	73,708,775
Inventories written off	230,701	117,272	62,500	-

The write-off is included in cost of sales.

13. CASH AND CASH EQUIVALENTS

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Deposits placed with licensed banks	55,647,418	35,983,478	9,688,011	6,948,111
Cash and bank balances	21,200,768	17,728,091	3,276,839	3,261,251
	76,848,186	53,711,569	12,964,850	10,209,362

Notes to The Financial Statements

30 April 2017 (cont'd)

14. CAPITAL AND RESERVES

14.1 Share capital

	Group and Company			
	Amount 2017 RM	Number of shares 2017	Amount 2016 RM	Number of shares 2016
Ordinary shares:				
Authorised	250,000,000	500,000,000	250,000,000	500,000,000
Issued and fully paid:				
At 1 May 2016/2015	101,095,141	202,190,282	101,095,141	202,190,282
Bonus issue	48,231,804	96,463,608	-	-
At 30 April	149,326,945	298,653,890	101,095,141	202,190,282

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's treasury shares that are held by the Group, all rights are suspended until those shares are reissued.

14.2 Capital reserve

The capital reserve comprises gain arising from disposal of property, plant and equipment and quoted investments in the previous financial years.

14.3 Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14.4 Treasury shares

The shareholders of the Company, by special resolutions passed in general meetings held in previous financial years, approved the Company's plan to repurchase its own shares. The Directors of the Company are committed to enhancing the value of the Company to its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company repurchased 368,100 (2016: 1,686,900) of its issued share capital from the open market for a total consideration of RM1,045,986 (2016: RM3,928,110). The average price paid for the shares repurchased was RM2.84 (2016: RM2.33) per share and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

At 30 April 2017, the Company held 9,262,888 (2016: 8,894,788) of its own shares.

Notes to The Financial Statements

30 April 2017 (cont'd)

15. LOANS AND BORROWINGS

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Non-current					
Hire purchase liabilities due to a subsidiary	15.1	-	-	349,123	168,288
Current					
Bankers' acceptances - unsecured		3,046,377	1,114,000	3,046,377	1,114,000
Hire purchase liabilities due to a subsidiary	15.1	-	-	165,740	177,660
		3,046,377	1,114,000	3,212,117	1,291,660
		3,046,377	1,114,000	3,561,240	1,459,948

15.1 Hire purchase liabilities due to a subsidiary

Hire purchase liabilities due to a subsidiary are payable by the Company as follows:

	Company 2017 RM	Company 2016 RM
Less than one year	193,791	194,447
Between one and five years	380,994	179,798
	574,785	374,245
Less: Future interest charges	(59,922)	(28,297)
	514,863	345,948
Carrying amount:		
Current	165,740	177,660
Non-current	349,123	168,288
	514,863	345,948

16. TRADE AND OTHER PAYABLES

	Note	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Trade					
Trade payables		23,768,983	18,049,330	13,754,651	11,632,665
Amounts due to subsidiaries	16.1	-	-	1,481,831	1,682,787
Amount due to a joint venture	16.1	-	594	-	-
		23,768,983	18,049,924	15,236,482	13,315,452
Non-trade					
Amounts due to subsidiaries	16.1	-	-	3,964,243	3,428,329
Amount due to a joint venture	16.1	158	-	-	-
Other payables		20,034,305	18,040,110	566,957	401,104
Deposits received		3,690,515	2,151,049	782,130	1,369,650
Accrued expenses		8,530,128	5,759,069	1,761,079	1,808,515
Goods and services tax payable	16.2	1,511,961	1,097,631	152,477	93,525
		33,767,067	27,047,859	7,226,886	7,101,123
		57,536,050	45,097,783	22,463,368	20,416,575

16.1 Related party balances

The trade balances due to subsidiaries and a joint venture are subject to normal trade terms.

The non-trade balances due to subsidiaries and a joint venture are unsecured, interest free and repayable on demand.

16.2 Offsetting of financial assets and financial liabilities

The following table provides information of financial assets and financial liabilities that have been set off for presentation purposes:

	Gross amount RM	Balances that are set off RM	Net carrying amount RM
2017			
Group			
Goods and services tax claimable	25,180	(25,180)	-
Goods and services tax payable	(1,537,141)	25,180	(1,511,961)
Company			
Goods and services tax claimable	383,393	(383,393)	-
Goods and services tax payable	(535,870)	383,393	(152,477)

Notes to The Financial Statements

30 April 2017 (cont'd)

16. TRADE AND OTHER PAYABLES (cont'd)

16.2 Offsetting of financial assets and financial liabilities (cont'd)

	Gross amount RM	Balances that are set off RM	Net carrying amount RM
2016			
Group			
Goods and services tax claimable	1,579,108	(1,579,108)	-
Goods and services tax payable	(2,676,739)	1,579,108	(1,097,631)
Company			
Goods and services tax claimable	512,390	(512,390)	-
Goods and services tax payable	(605,915)	512,390	(93,525)

The goods and services tax claimable and goods and services tax payable were set off for presentation purposes because the Group entities have enforceable right to set off and they intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

17. PROVISIONS

Group	Sales campaign RM	Goods return RM	Total RM
At 1 May 2015	2,095,488	400,000	2,495,488
Provisions made during the year	3,600,000	-	3,600,000
Provisions used during the year	(4,018,099)	-	(4,018,099)
At 30 April 2016/1 May 2016	1,677,389	400,000	2,077,389
Provisions made during the year	3,900,000	-	3,900,000
Provisions used during the year	(4,328,949)	-	(4,328,949)
At 30 April 2017	1,248,440	400,000	1,648,440

Sales campaign

The Group organises various sales campaign programmes for its eligible distributors and wholesale customers. Under these programmes, eligible distributors and wholesale customers are entitled to overseas trips subject to meeting certain qualifying performance targets. A provision is recognised at the end of each reporting period for eligible distributors and wholesale customers based on the Group's estimated qualifiers and quoted tour fares for the sales campaign programmes.

Notes to The Financial Statements

30 April 2017 (cont'd)

17. PROVISIONS (cont'd)

Goods return

The Group provides pre-agreed return period on products sold by the Group. A provision is recognised at the end of each reporting period for goods return based on the Group's past experience on the level of goods returned.

18. REVENUE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Sale of goods	401,074,640	292,742,298	113,514,256	99,910,684
Services	715,114	661,450	-	-
Commissions	47,424	49,233	-	-
Hire purchase and finance lease income	24,841	35,132	-	-
Interest income	128,804	53,359	-	-
Dividends	13,017	20,731	32,078,200	26,914,300
Rental income from investment properties	2,235,935	4,067,141	3,308,538	5,136,940
	404,239,775	297,629,344	148,900,994	131,961,924

19. FINANCE INCOME

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest income of financial assets that are not at fair value through profit or loss:				
- fixed deposits and repo	1,361,449	1,472,663	186,814	159,598

20. FINANCE COSTS

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Interest expense of financial liabilities that are not at fair value through profit or loss:				
- bankers' acceptances	102,836	122,109	102,836	112,442
- hire purchase	-	-	40,125	28,818
- secured bank loan	-	51,070	-	51,070
	102,836	173,179	142,961	192,330
Other finance costs	32,149	46,615	20,139	46,488
	134,985	219,794	163,100	238,818

Notes to The Financial Statements

30 April 2017 (cont'd)

21. PROFIT BEFORE TAX

	Group 2017 RM	Group 2016 RM	Company 2017 RM	Company 2016 RM
Profit before tax is arrived at after charging:				
Auditors' remuneration:				
- Audit fees				
KPMG Malaysia	299,500	281,500	88,000	83,000
Other auditors	43,994	38,624	-	-
- Non-audit fees				
KPMG Malaysia	67,000	22,000	67,000	22,000
Bad debts written off	102,866	-	102,886	-
Depreciation of investment properties	672,533	678,041	638,158	638,158
Depreciation of property, plant and equipment	2,969,823	2,677,405	1,057,311	920,582
Impairment loss on:				
- trade receivables	71,335	553	-	-
- investment in a subsidiary	-	-	-	900,000
Loss on disposal of a subsidiary	1,089	-	11,096	-
Personnel expenses (including key management personnel):				
- Contributions to Employees' Provident Fund	2,773,643	2,524,403	902,733	783,858
- Wages, salaries and others	30,603,169	26,225,246	8,701,184	8,057,392
Property, plant and equipment written off	70,644	60,560	-	-
Provision for sales campaign	3,900,000	3,600,000	-	-
Rental expense on properties	2,676,465	2,912,874	11,420	42,928
and after crediting:				
Bad debts recovered	-	30,000	-	-
Dividend income from:				
- joint venture	-	-	-	76,000
- shares quoted in Malaysia	13,037	20,761	-	-
- subsidiaries (unquoted shares)	-	-	32,078,200	26,838,300
- unit trusts	1,771,880	1,370,932	67,666	101,598
Fair value gain on other investments	198,887	7,357	9,732	14,166
Gain on disposal of other investments	79,476	307,485	4,431	12,228
Gain on disposal of property, plant and equipment	117,416	2,332	113,559	754
Management fees receivable from:				
- subsidiaries	-	-	510,000	510,000
- others	45,600	50,700	-	-
Realised foreign exchange gain	574,603	734,108	373,421	480,827
Rental income from:				
- investment properties	2,512,694	4,342,141	3,308,538	5,136,940
- others	24,174	16,100	-	-
Reversal of impairment loss on:				
- trade receivables	1,633	-	-	-
- other receivables	800	1,050	-	-
Unrealised foreign exchange gain	150,113	187,363	200,937	174,941

22. TAX EXPENSE

Recognised in profit or loss

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Current tax expense				
Current year	18,245,914	13,137,959	2,616,062	2,652,404
Prior year	(85,177)	(233,839)	(1,209)	(205,522)
Total current tax recognised in profit or loss	18,160,737	12,904,120	2,614,853	2,446,882
Deferred tax expense				
Origination and reversal of temporary differences	680,838	(1,020,805)	18,317	(131,873)
Under provision in prior year	12,783	623,287	96,374	306,357
Total deferred tax recognised in profit or loss (Note 11)	693,621	(397,518)	114,691	174,484
Total income tax expense	18,854,358	12,506,602	2,729,544	2,621,366
Reconciliation of tax expense				
Profit before tax	78,269,466	49,071,860	41,055,596	33,905,211
Income tax calculated using Malaysian tax rate of 24%	18,784,672	11,777,246	9,853,343	8,137,251
Effect of reduction in income tax rate #	(1,099,082)	-	-	-
Non-deductible expenses	1,450,895	1,076,491	494,636	865,332
Tax exempt income	(155,733)	(219,896)	(7,713,600)	(6,482,052)
Effect of deferred tax assets not recognised	(54,000)	106,560	-	-
Recognition of previously accumulated reinvestment allowances	-	(623,247)	-	-
(Over)/Under provision in prior years	(72,394)	389,448	95,165	100,835
	18,854,358	12,506,602	2,729,544	2,621,366

The reduction in income tax rate applies in respect of the incremental chargeable income derived from the carrying on of a business as gazetted in the Income Tax (Exemption) (No. 2) Order 2017 to effect the 2017 Budget proposal.

Notes to The Financial Statements

30 April 2017 (cont'd)

23. BASIC EARNINGS PER ORDINARY SHARE

The calculation of basic earnings per ordinary share at 30 April 2017 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group 2017 RM	Group 2016 RM
Profit attributable to ordinary shareholders	59,475,449	36,343,530

Weighted average number of ordinary shares

	Group 2017	Group 2016 Restated
Issued ordinary shares at 1 May 2016/2015	202,190,282	202,190,282
Effect of treasury shares held	(9,180,305)	(7,854,424)
Effect of bonus issue	96,504,988	97,167,929
Weighted average number of ordinary shares at 30 April	289,514,965	291,503,787

	Group 2017 sen	Group 2016 sen Restated
Basic earnings per ordinary share (sen)	20.54	12.47

24. DIVIDENDS

Dividends recognised by the Company:

	Sen per share	Total amount RM	Date of payment
2017			
Final 2016 ordinary	11	21,225,753	23 November 2016
Interim 2017 ordinary	5	9,646,370	9 March 2017
		30,872,123	
2016			
Final 2015 ordinary	11	21,387,618	26 November 2015
Interim 2016 ordinary	4	7,746,188	9 March 2016
		29,133,806	

After the end of the reporting period, the final ordinary dividend recommended by the Directors in respect of the financial year ended 30 April 2017 is 11 sen per ordinary share. This dividend will be recognised in subsequent financial period upon approval by the owners of the Company.

Notes to The Financial Statements

30 April 2017 (cont'd)

25. OPERATING SEGMENTS

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing systems and strategies. For each of the strategic business units, the Chief Operating Decision Maker ("CODM") (i.e. the Group's Managing Director) reviews internal management reports at least on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Wholesale*. Includes wholesaling and trading in herbal medicines and healthcare products, herbs and tea.
- *Multi-level Marketing*. Includes operating multi-level direct selling of health food, healthcare products, wellness products and beauty products.
- *Retail*. Includes operating retail chain stores.

The wholesaling and trading of herbal medicines and healthcare products, herbs and tea are managed by a few different segments within the Group. These operating segments are aggregated to form a reportable segment as Wholesale due to the similar nature and economic characteristics of the products. The nature and methods of distribution of the products for these divisions are similar.

Other non-reportable segments comprise operations related to manufacturing, leasing of machinery and equipment, licensed money lender, insurance agent, advertising and printing services, investment holding and property holding. None of the segments met the qualitative thresholds for reporting segments in 2017 and 2016.

There are varying levels of integration between Wholesale, Multi-level Marketing and Retail reportable segments. This integration includes sales and transfers of inventories and shared distribution services, respectively. Inter-segment pricing is determined on negotiated basis.

Performance is measured based on segment profit before tax as included in the internal management reports that are reviewed by the CODM. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the key results of certain segments relative to other entities that operate within these industries.

Segment assets

The total of segment assets is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the CODM. Segment total assets is used to measure the return on assets of each segment.

Segment liabilities

Segment liabilities comprise operating liabilities and include items such as taxation and borrowings.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment and investment properties.

Notes to The Financial Statements

30 April 2017 (cont'd)

25. OPERATING SEGMENTS (cont'd)

Group	Wholesale RM'000	Multi-level marketing RM'000	Retail RM'000	Other non-reportable segments RM'000	Total RM'000
2017					
Segment profit	41,248	62,567	1,400	5,213	110,428
Included in the measure of segment profit are:					
Revenue from external customers	52,647	308,949	38,147	4,497	404,240
Inter-segment revenue	127,764	250	23	19,546	147,583
Depreciation	(908)	(895)	(612)	(1,227)	(3,642)
Not included in the measure of segment profit but provided to CODM:					
Tax expense	(3,445)	(14,304)	(524)	(581)	(18,854)
Segment assets	153,484	148,730	33,043	29,044	364,301
Included in the measure of segment assets is:					
Additions to non-current assets other than financial instruments and deferred tax assets	1,192	8,199	576	143	10,110
Segment liabilities	24,529	38,153	1,810	3,640	68,132
2016					
Segment profit	31,669	36,495	1,812	4,899	74,875
Included in the measure of segment profit are:					
Revenue from external customers	54,359	198,276	38,307	6,687	297,629
Inter-segment revenue	103,413	72	29	13,983	117,497
Depreciation	(767)	(769)	(571)	(1,248)	(3,355)
Not included in the measure of segment profit but provided to CODM:					
Tax expense	(3,331)	(9,074)	(381)	279	(12,507)
Segment assets	147,905	114,543	33,433	25,501	321,382
Included in the measure of segment assets is:					
Additions to non-current assets other than financial instruments and deferred tax assets	1,274	453	1,855	185	3,767
Segment liabilities	19,948	25,536	2,988	3,929	52,401

25. OPERATING SEGMENTS (cont'd)

Reconciliation of operating segments' profit or loss

	Group 2017 RM'000	Group 2016 RM'000
Profit or loss		
Total profit or loss for operating segments	110,428	74,875
Elimination of inter-segment profits	(32,159)	(25,803)
Tax expense	(18,854)	(12,507)
Consolidated profit for the year	59,415	36,565

Geographical segments

The Group's reportable segments are managed and operated predominantly in Malaysia (country of domicile). Hence, no further presentation of geographical segments is provided.

Major customers

The Group does not have any customers with revenue equal or more than 10% of the Group's total revenue.

26. FINANCIAL INSTRUMENTS

26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Loans and receivables ("L&R");
(b) Fair value through profit or loss ("FVTPL"):
- Held for trading ("HFT");
(c) Available-for-sale financial assets ("AFS");
(d) Financial liabilities measured at amortised cost ("FL").

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.1 Categories of financial instruments (cont'd)

	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM	AFS RM
2017				
Financial assets				
Group				
Other investments	58,430,436	-	58,418,516	11,920
Trade and other receivables	27,938,879	27,938,879	-	-
Cash and cash equivalents	76,848,186	76,848,186	-	-
	163,217,501	104,787,065	58,418,516	11,920
Company				
Other investments	2,730,413	-	2,730,413	-
Trade and other receivables	30,989,152	30,989,152	-	-
Cash and cash equivalents	12,964,850	12,964,850	-	-
	46,684,415	43,954,002	2,730,413	-
Financial liabilities				
Group				
Loans and borrowings	(3,046,377)	(3,046,377)	-	-
Trade and other payables	(57,536,050)	(57,536,050)	-	-
	(60,582,427)	(60,582,427)	-	-
Company				
Loans and borrowings	(3,561,240)	(3,561,240)	-	-
Trade and other payables	(22,463,368)	(22,463,368)	-	-
	(26,024,608)	(26,024,608)	-	-
2016				
Financial assets				
Group				
Other investments	54,060,805	-	54,048,885	11,920
Trade and other receivables	23,284,788	23,284,788	-	-
Cash and cash equivalents	53,711,569	53,711,569	-	-
	131,057,162	76,996,357	54,048,885	11,920
Company				
Other investments	1,418,809	-	1,418,809	-
Trade and other receivables	27,768,016	27,768,016	-	-
Cash and cash equivalents	10,209,362	10,209,362	-	-
	39,396,187	37,977,378	1,418,809	-

26. FINANCIAL INSTRUMENTS (cont'd)

26.1 Categories of financial instruments (cont'd)

2016	Carrying amount RM	L&R/ (FL) RM	FVTPL - HFT RM	AFS RM
Financial liabilities				
Group				
Loans and borrowings	(1,114,000)	(1,114,000)	-	-
Trade and other payables	(45,097,783)	(45,097,783)	-	-
	(46,211,783)	(46,211,783)	-	-
Company				
Loans and borrowings	(1,459,948)	(1,459,948)	-	-
Trade and other payables	(20,416,575)	(20,416,575)	-	-
	(21,876,523)	(21,876,523)	-	-

26.2 Net gains arising from financial instruments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Net gains on:				
Fair value through profit or loss:				
- Held for trading	2,063,280	1,706,535	81,829	127,992
Loans and receivables	1,442,818	1,726,150	246,653	334,539
Financial liabilities measured at amortised cost	490,239	567,178	248,533	242,009
	3,996,337	3,999,863	577,015	704,540

26.3 Financial risk management

The Group and the Company have exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26.4 Credit risk

Credit risk is the risk of a financial loss to the Group and to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, loans and advances to an associate and investment in equity securities. The Company's exposure to credit risk arises principally from its receivables from customers, loans and advances to subsidiaries and investment in equity securities.

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Credit risk (cont'd)

Receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position.

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are stated at their realisable values. A significant portion of these receivables are regular customers that have been transacting with the Group and with the Company. The Group and the Company use ageing analysis to monitor the credit quality of the receivables. Any receivables having significant balances past due more than 60 days, which are deemed to have higher credit risk, are monitored individually.

The exposure of credit risk for trade receivables as at the end of the current and previous reporting periods by geographic region was predominantly domestic.

Impairment losses

The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing of trade receivables as at the end of the reporting period was:

Group	**Gross RM**	**Individual impairment RM**	**Net RM**
2017			
Not past due	17,172,817	-	17,172,817
Past due 1 - 30 days	2,057,574	-	2,057,574
Past due 31 - 60 days	914,919	-	914,919
Past due more than 60 days	1,801,335	(71,335)	1,730,000
	21,946,645	(71,335)	21,875,310
2016			
Not past due	15,812,986	-	15,812,986
Past due 1 - 30 days	2,041,745	-	2,041,745
Past due 31 - 60 days	664,901	-	664,901
Past due more than 60 days	1,121,975	(1,633)	1,120,342
	19,641,607	(1,633)	19,639,974

Notes to The Financial Statements

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Credit risk (cont'd)

Receivables (cont'd)

Impairment losses (cont'd)

Company	Gross RM	Individual impairment RM	Net RM
2017			
Not past due	15,819,033	-	15,819,033
Past due 1 - 30 days	1,123,926	-	1,123,926
Past due 31 - 60 days	202,347	-	202,347
Past due more than 60 days	991,549	-	991,549
	18,136,855	-	18,136,855
2016			
Not past due	13,393,905	-	13,393,905
Past due 1 - 30 days	1,081,534	-	1,081,534
Past due 31 - 60 days	324,816	-	324,816
Past due more than 60 days	722,689	-	722,689
	15,522,944	-	15,522,944

No allowance for impairment losses of trade receivables has been made for the remaining past due receivables as the Group and the Company monitor the results and repayments of these customers regularly and are confident of the ability of the customers to repay the balances owing.

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
At 1 May 2016/2015	1,633	1,080	-	-
Impairment loss recognised	71,335	553	-	-
Reversal of impairment loss	(1,633)	-	-	-
At 30 April	71,335	1,633	-	-

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.4 Credit risk (cont'd)

Investments

Risk management objectives, policies and processes for managing the risk

Investments are allowed only in liquid securities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the Group and the Company have only invested in domestic securities. The maximum exposure to credit risk is represented by the carrying amounts in the statement of financial position.

The investments are unsecured.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

The Group provides unsecured loans to an associate. The Group monitors the results of the associate regularly.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Impairment losses

As at the end of the reporting period, except for a balance of RM1,700,417 (2016: RM1,700,417) due from a subsidiary which is deemed not recoverable and impaired, there was no indication that the loans and advances to the subsidiaries are not recoverable.

26.5 Liquidity risk

Liquidity risk is the risk that the Group and the Company will not be able to meet their financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises principally from their various payables, loans and borrowings.

The Group and the Company maintain a level of cash and cash equivalents and bank facilities deemed adequate by management to ensure, as far as possible, that they will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

26. FINANCIAL INSTRUMENTS (cont'd)

26.5 Liquidity risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

	Carrying Amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
2017							
Non-derivative financial liabilities							
Bankers' acceptances - unsecured	3,046,377	4.12%	3,046,377	3,046,377	-	-	-
Trade and other payables	57,536,050	-	57,536,050	57,536,050	-	-	-
	60,582,427		60,582,427	60,582,427	-	-	-
Company							
2017							
Non-derivative financial liabilities							
Bankers' acceptances - unsecured	3,046,377	4.12%	3,046,377	3,046,377	-	-	-
Hire purchase liabilities due to a subsidiary	514,863	3.25% - 3.80%	574,785	193,791	151,952	229,042	-
Trade and other payables	22,463,368	-	22,463,368	22,463,368	-	-	-
	26,024,608		26,084,530	25,703,536	151,952	229,042	-

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.5 Liquidity risk (cont'd)

Maturity analysis (cont'd)

	Carrying Amount RM	Contractual interest rate/ coupon	Contractual cash flows RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	More than 5 years RM
Group							
2016							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	1,114,000	4.20%	1,114,000	1,114,000	-	-	-
Trade and other payables	45,097,783	-	45,097,783	45,097,783	-	-	-
	46,211,783		46,211,783	46,211,783	-	-	-
Company							
2016							
Non-derivative financial liabilities							
Bankers' acceptances – unsecured	1,114,000	4.20%	1,114,000	1,114,000	-	-	-
Hire purchase liabilities due to a subsidiary	345,948	3.44% - 3.80%	374,245	194,447	97,431	82,367	-
Trade and other payables	20,416,575	-	20,416,575	20,416,575	-	-	-
	21,876,523		21,904,820	21,725,022	97,431	82,367	-

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's and the Company's financial position or cash flows.

26.6.1 Currency risk

The Group and the Company are exposed to foreign currency risk on sales, purchases and cash and cash equivalents that are denominated in a currency other than the respective functional currencies of Group entities and of the Company. The currencies giving rise to these risks are primarily Chinese Renminbi ("RMB"), Hong Kong Dollar ("HKD"), U.S. Dollar ("USD"), Singapore Dollar ("SGD") and Taiwan New Dollar ("TWD").

Risk management objectives, policies and processes for managing the risk

The Group and the Company hold cash and cash equivalents denominated in foreign currencies for working capital purposes. The Group and the Company did not enter into any forward foreign exchange contracts in the current and previous financial years.

Exposure to foreign currency risk

The Group's and the Company's exposure to foreign currency (a currency which is other than the functional currency of the Group entities and the Company) risk, based on carrying amounts as at the end of the reporting period was:

Balances recognised in the statement of financial position	**Trade and other receivables**	**Cash and cash equivalents**	**Trade and other payables**
Group	**RM**	**RM**	**RM**
2017			
Chinese Renminbi	168,851	4,085,390	(833,591)
Hong Kong Dollar	-	13,752	-
U.S. Dollar	1,871,766	4,547,361	(1,814,961)
Singapore Dollar	1,023,161	53,120	-
Taiwan New Dollar	-	-	(117,791)
Net exposure	3,063,778	8,699,623	(2,766,343)
Company			
2017			
Chinese Renminbi	-	3,639,290	(604,889)
U.S. Dollar	-	1,176,827	(274,684)
Singapore Dollar	1,023,161	-	-
Net exposure	1,023,161	4,816,117	(879,573)

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.6 Market risk (cont'd)

26.6.1 Currency risk (cont'd)

Exposure to foreign currency risk (cont'd)

Balances recognised in the statement of financial position	Trade and other receivables	Cash and cash equivalents	Trade and other payables
Group	**RM**	**RM**	**RM**
2016			
Chinese Renminbi	-	3,412,789	(117,872)
Hong Kong Dollar	-	-	(42,161)
U.S. Dollar	-	3,676,173	(1,302,399)
Singapore Dollar	760,266	66,504	-
Taiwan New Dollar	-	-	(250)
Net exposure	760,266	7,155,466	(1,462,682)
Company			
2016			
Chinese Renminbi	-	3,412,789	(3,916)
U.S. Dollar	-	768,809	(107,433)
Singapore Dollar	760,266	-	-
Net exposure	760,266	4,181,598	(111,349)

Currency risk sensitivity analysis

Foreign currency risk mainly arises from transactions of the Group and the Company which are denominated in RMB, USD and SGD. The exposure to currency risk of currencies other than RMB, USD and SGD is not material and hence, sensitivity analysis is not presented.

A 5% (2016: 5%) strengthening of RM against the following currencies at the end of the reporting period would have decreased post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

26. FINANCIAL INSTRUMENTS (cont'd)

26.6 Market risk (cont'd)

26.6.1 Currency risk (cont'd)

Currency risk sensitivity analysis (cont'd)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
RMB	129,985	125,207	115,307	129,537
USD	174,958	90,203	34,281	25,132
SGD	40,899	31,417	38,880	28,890

A 5% (2016: 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

26.6.2 Interest rate risk

The Group's and the Company's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's and the Company's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group and the Company borrow in their desired currencies at both fixed and floating rates of interest.

Exposure to interest rate risk

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	RM	**RM**	**RM**	**RM**
Fixed rate instruments				
Financial assets	56,093,550	36,778,455	9,688,011	6,948,111
Financial liabilities	(3,046,377)	(1,114,000)	(3,561,240)	(1,459,948)
	53,047,173	35,664,455	6,126,771	5,488,163

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.6 Market risk (cont'd)

26.6.3 Other price risk

Equity price risk arises from the Group's and the Company's investments in equity securities.

Risk management objectives, policies and processes for managing the risk

Management of the Group monitors the equity investments on a portfolio basis which are managed by financial institutions. All buy and sell decisions are approved by the Directors of the Group entities.

Equity price risk sensitivity analysis

As the Group and the Company invest in a portfolio of investments with a diversified risk base, the Group and the Company are not significantly exposed to price fluctuations of a single derivative within the portfolio of investments. As a result, the Directors are of the view that the effects of equity price fluctuations within a reasonably possible range for the quoted investments will not have a significant impact on the earnings of the Group and of the Company. Hence, sensitivity analysis is not presented.

26.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of non-current trade receivables and hire purchase liabilities due to a subsidiary also reasonably approximate fair values upon discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the assets and liabilities.

It was not practicable to estimate the fair value of the Group's investment in unquoted shares due to the lack of comparable quoted prices in an active market and the fair value cannot be reliably measured.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

26. FINANCIAL INSTRUMENTS (cont'd)

26.7 Fair value information (cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
Group	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2017										
Financial assets										
Quoted shares	224,486	-	-	224,486	-	-	-	-	224,486	224,486
Unit trusts	-	58,194,030	-	58,194,030	-	-	-	-	58,194,030	58,194,030
	224,486	58,194,030	-	58,418,516	-	-	-	-	58,418,516	58,418,516
Company										
2017										
Financial assets										
Unit trusts	-	2,730,413	-	2,730,413	-	-	-	-	2,730,413	2,730,413
	-	2,730,413	-	2,730,413	-	-	-	-	2,730,413	2,730,413
Group										
2016										
Financial assets										
Quoted shares	239,915	-	-	239,915	-	-	-	-	239,915	239,915
Unit trusts	-	53,808,970	-	53,808,970	-	-	-	-	53,808,970	53,808,970
	239,915	53,808,970	-	54,048,885	-	-	-	-	54,048,885	54,048,885
Company										
2016										
Financial assets										
Unit trusts	-	1,418,809	-	1,418,809	-	-	-	-	1,418,809	1,418,809

Notes to The Financial Statements

30 April 2017 (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

26.7 Fair value information (cont'd)

Level 1 fair value

The fair value of quoted shares is derived from quoted price (unadjusted) by reference to the stock exchange which they are listed on.

Level 2 fair value

The fair value of unit trusts is determined by reference to statements provided by the respective financial institutions, with which the investments were entered into.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2016: no transfer in either direction).

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

The Group has a strong cash pool and hence does not rely on any significant loans and borrowings.

There was no change in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholders' equity equal to or not less than the 25 percent of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40 million. The Company has complied with this requirement.

28. OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group	
	2017	**2016**
	RM	**RM**
Less than one year	2,096,132	1,960,320
Between one and five years	940,035	1,398,420
	3,036,167	3,358,740

The Group leases a number of warehouses and shop houses under operating leases. The leases typically run for a period of 1 to 4 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

Notes to The Financial Statements

30 April 2017 (cont'd)

28. OPERATING LEASES (cont'd)

Leases as lessor

The Group and the Company lease out their investment properties (see Note 4) and also sub-lease their rented properties to third parties under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Less than one year	1,901,171	2,237,124	1,778,028	2,160,716
Between one and five years	1,531,679	1,426,315	1,531,472	1,429,015
More than five years	8,800	-	8,800	-
	3,441,650	3,663,439	3,318,300	3,589,731

29. CAPITAL AND OTHER COMMITMENTS

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Capital expenditure commitments					
Property, plant and equipment					
Authorised but not contracted for	29.1	8,937,600	-	-	-
Contracted but not provided for		87,452	634,000	-	76,000
		9,025,052	634,000	-	76,000

29.1 Relates to purchase of shoplots and warehouse of which the Group entered into Sales and Purchase Agreements with third parties subsequent to the end of the current financial year.

30. RELATED PARTIES

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group.

The Group has related party relationship with its significant investors, subsidiaries, associates, a joint venture and key management personnel.

Notes to The Financial Statements

30 April 2017 (cont'd)

30. RELATED PARTIES (cont'd)

Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Notes 10 and 16.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
A. Subsidiaries				
Sale of goods	-	-	(80,707,999)	(64,128,300)
Purchase of goods	-	-	4,973,528	4,768,310
Dividend income	-	-	(32,078,200)	(26,838,300)
Interest expense on hire purchase	-	-	40,125	28,818
Management fees income	-	-	(510,000)	(510,000)
Rental income from properties	-	-	(1,175,003)	(1,174,399)
Advertising and promotion expense	-	-	5,893,453	5,076,984
Advertising expense	-	-	867,693	1,161,972
Purchase of motor vehicles under hire purchase	-	-	410,000	-
B. Joint venture				
Sale of goods	(690,428)	(310,032)	(21,322)	(13,308)
Dividend income	-	-	-	(76,000)
Rental income from properties	(289,872)	(289,872)	(289,872)	(289,872)
C. Key management personnel				
Directors of the Company:				
- Fees	224,833	193,167	170,833	150,000
- Remuneration	4,104,861	2,806,532	2,316,612	1,579,786
	4,329,694	2,999,699	2,487,445	1,729,786
Directors of subsidiaries:				
- Fees	80,667	77,667	-	-
- Remuneration	937,822	908,211	-	-
	1,018,489	985,878	-	-
Total short term employee benefits	5,348,183	3,985,577	2,487,445	1,729,786

31. BUSINESS COMBINATIONS

2017

31.1 Acquisition of non-controlling interests

During the financial year, the Company acquired additional 8,000 shares in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM21,600. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 61.80% to 62.07%.

The Group recognised a decrease in non-controlling interests of RM64,710 and an increase in retained earnings of RM43,110 in respect of the above transactions.

31.2 Incorporation of a subsidiary

In September 2016, Yan Ou Holdings (M) Sdn. Bhd. ("Yan Ou Holdings"), a 60% owned subsidiary of the Company, incorporated a wholly owned subsidiary, Yan Ou Marketing (Intl) Sdn. Bhd. ("Yan Ou Marketing") with a paid-up capital of RM2.

Subsequently, Yan Ou Marketing increased its paid-up capital to RM1 million, of which Yan Ou Holdings subscribed another RM899,998, therefore bringing its equity interest in Yan Ou Marketing to 90%.

31.3 Disposal of a subsidiary

In January 2017, the Company disposed of its entire equity interest in a wholly owned subsidiary, MCC City Sdn. Bhd. for a total cash consideration of RM80,000. This transaction resulted in a loss on disposal to the Group of RM1,089.

2016

31.4 Acquisition of non-controlling interests

During the previous financial year, the Company acquired additional 31,000 shares in Hai-O Raya Bhd. through several acquisitions from non-controlling owners for a total cash consideration of RM82,500. These acquisitions increased the equity interest of the Company in Hai-O Raya Bhd. from 60.77% to 61.80%.

The Group recognised a decrease in non-controlling interests of RM288,297 and an increase in retained earnings of RM205,797 in respect of the above transactions.

31.5 Acquisition of an associate

In October 2015, Hai-O (Guangzhou) Trading Ltd., a wholly owned subsidiary of the Company, acquired 49% equity interest in Qian Ti Healthcare Technology Ltd. ("Qian Ti"), a company incorporated in China, for a total cash consideration of RMB1,470,000 (approximately RM900,000). Consequently, Qian Ti became an associate of the Group.

Notes to The Financial Statements

30 April 2017 (cont'd)

32. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company at 30 April, into realised and unrealised profits, pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Total retained earnings of the Company and its subsidiaries				
- realised	157,168,496	174,369,299	15,361,547	56,046,293
- unrealised	953,256	1,513,936	802,678	895,807
	158,121,752	175,883,235	16,164,225	56,942,100
Total share of accumulated losses of associate				
- realised	(901,420)	(509,109)	-	-
Total share of retained earnings of a joint venture				
- realised	1,449,413	1,448,076	-	-
- unrealised	(48,957)	(48,308)	-	-
	158,620,788	176,773,894	16,164,225	56,942,100
Less: Consolidation adjustments	(3,760,938)	(2,328,676)	-	-
Total retained earnings	154,859,850	174,445,218	16,164,225	56,942,100

The determination of realised and unrealised profits is based on the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 76 to 148 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 April 2017 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 32 on page 149 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Keng Kang

Hew Von Kin

Kuala Lumpur,
Date: 8 August 2017

Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Tan Keng Kang**, the Director primarily responsible for the financial management of Hai-O Enterprise Berhad, do solemnly and sincerely declare that the financial statements set out on pages 76 to 149 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Tan Keng Kang, NRIC: 760601-14-5689, at Kuala Lumpur in the Federal Territory on 8 August 2017.

Tan Keng Kang

Before me:
D. Selvaraj (W320)
Commissioner for Oaths
Kuala Lumpur, Malaysia

Independent Auditors' Report

To The Members Of Hai-O Enterprise Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Hai-O Enterprise Berhad, which comprise the statements of financial position as at 30 April 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 76 to 148.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 April 2017, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition in the Appropriate Period

Refer to Note 2(n)(i) – Significant accounting policy: Revenue and other income and Note 18 – Revenue; Note 25 – Operating segments.

The key audit matter

The Group's multi-level marketing segment is engaged in the business of direct selling of health food, healthcare products, wellness products and beauty products. This segment is the largest revenue contributor on the statement of profit or loss and other comprehensive income, at RM308,949,063 for the financial year ended 30 April 2017.

The sales volume tends to be high towards the end of the financial year as members make purchases to qualify for incentive trips. There is a risk that goods ordered by members may be delivered to them subsequent to the end of the financial year.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We tested the General IT Controls and configurations of the IT application controls relating to the Group's system. We assessed the relevant reports generated by the system, that evidences whether goods ordered by members were delivered as at the end of the financial year.

Independent Auditors' Report

To The Members Of Hai-O Enterprise Berhad (cont'd)

KEY AUDIT MATTERS (CONT'D)

How the matter was addressed in our audit (cont'd)

- Based on the reports, we evaluated whether sales are recognised in the correct accounting period by testing selected samples of sales to acknowledged tax invoices.

- We sent confirmations to stockists and branches on a sampling basis to evaluate the balance of goods held by them.

INVENTORY VALUATION AND PROVISION

Refer to Note 2(h) – Significant accounting policy: Inventories and Note 12 – Inventories.

The key audit matter

The Group and the Company hold a large amount of inventories to cater for their retail, wholesale and multi-level marketing business. Inventories represented one of the largest category of assets on the statements of financial position, at RM71,707,149 and RM33,611,318 respectively, as at 30 April 2017.

Assessing net realisable value is an area of significant judgement, in particular with regards to the estimation of allowances for slow moving and obsolete inventories.

How the matter was addressed in our audit

We performed the following audit procedures, among others:

- We obtained the stock movement reports extracted from the system and tested the accuracy of the data.

- Based on the stock movement reports, for inventories with substantial movement during the financial year, we evaluated whether these inventories are stated at the lower of cost and net realisable value by comparing the cost of these inventories to their selling prices in the sales invoices.

- For inventories with no/minimal movements for the financial year, we challenged management on the sufficiency of allowance made through:

  - Examining the condition of inventories during our stock count attendance to ascertain that inventories are in a salable condition;
  - Assessing the salability of the inventories based on historical trends; and
  - Assessing the market value of the inventories based on prices available from other marketplaces such as third party websites.

- For inventories which have expired, we tested whether these inventories have been written off.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

To The Members Of Hai-O Enterprise Berhad (cont'd)

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditors' Report

To The Members Of Hai-O Enterprise Berhad (cont'd)

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 6 to the financial statements.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081-LCA & AF 0758)
Chartered Accountants

Lam Shuh Siang
Approval Number: 03045/02/2019 J
Chartered Accountant

Petaling Jaya

Date: 8 August 2017

Analysis Of Shareholdings

As At 20 July 2017

Number of Shares Issued	:	298,653,890 ordinary shares
Issued Share Capital	:	RM149,326,945.00
Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per share

Analysis of Shareholdings

Size of Holdings	No. of Shareholders	No. of Shares	% of Shares
Less than 100	877	23,858	0.01
100 - 1,000	1,280	612,736	0.21
1,001 - 10,000	5,074	21,430,064	7.41
10,001 - 100,000	1,910	51,773,559	17.89
100,001 – 14,469,549 (Less than 5% of issued shares*)	257	127,719,063	44.13
14,469,550 and above (5% and above of issued shares*)	4	87,831,722	30.35
Total Shares Issued Excludes Treasury Shares	**9,402**	**289,391,002**	**100.00**

Note:

* Excluding a total of 9,262,888 Hai-O Enterprise Berhad's (Hai-O) shares bought back by Hai-O and retained as treasury shares as at 20 July 2017.

THIRTY LARGEST SHAREHOLDERS

Name		No. of Shares	% of Shares
1.	Tan Kai Hee	29,234,699	10.10
2.	Akintan Sdn Bhd	22,807,113	7.88
3.	Tan Siow Eng	20,241,231	6.99
4.	Excellant Communication Sdn Bhd	15,548,679	5.37
5.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chia Kee Siong	9,719,172	3.36
6.	Daritan Sdn Bhd	4,861,710	1.68
7.	Chen Tam Chai	4,512,310	1.56
8.	Key Development Sdn. Berhad	3,750,000	1.30
9.	Citigroup Nominees (Asing) Sdn Bhd Exempt An For Citibank New York (Norges Bank 9)	3,438,000	1.19
10.	Lim Chin Luen	3,193,146	1.10

Analysis Of Shareholdings

As At 20 July 2017 (cont'd)

THIRTY LARGEST SHAREHOLDERS (cont'd)

Name		No. Of Shares	% Of Shares
11.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chan Chong Soon (E-KPG)	3,000,000	1.04
12.	Amy McConaghy	2,919,678	1.01
13.	Chin Chin Sing @ Tan Cheng Beng	2,797,143	0.97
14.	Tan Puah Khin @ Tan Puan Hee	2,730,021	0.94
15.	Citigroup Nominees (Tempatan) Sdn Bhd Exempt An For AIA Bhd	2,699,500	0.93
16.	Tan Keng Kang	2,527,266	0.87
17.	Chong Foong Foong	2,022,921	0.70
18.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Penny Stockfund	2,000,000	0.69
19.	Oon Teik Chye	1,999,350	0.69
20.	Huang, Chin-Chueh	1,939,227	0.67
21.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Lee Yoke Fong	1,804,503	0.62
22.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad For Hong Leong Growth Fund	1,566,150	0.54
23.	Kong Chew Fa	1,555,900	0.54
24.	Tew Sau Tin @ Tiew So Lan	1,355,184	0.47
25.	UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An For UOB Kay Hian Pte. Ltd (A/C Clients)	1,322,302	0.46
26.	Citigroup Nominees (Asing) Sdn Bhd CBNY For Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	1,320,300	0.46
27.	Teoh Jun Seong	1,300,000	0.45
28.	Soh Choo @ Soh Ai Choo	1,251,432	0.43
29.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Chia Kuo Wui (CEB)	1,250,940	0.43
30.	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Commerce Trustee Berhad-AMB Smallcap Trust Fund	1,180,000	0.41
Total		**155,847,877**	**53.85**

Analysis Of Shareholdings

As At 20 July 2017 (cont'd)

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS
(According to the Register of Substantial Shareholders as at 20 July 2017)

Name	Direct Holdings		Indirect Holdings	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Kai Hee	29,234,699	10.10	52,144,531 (note a)	18.02
2. Akintan Sdn Bhd	22,807,113	7.88	-	-
3. Tan Siow Eng	20,241,231	6.99	61,137,999 (note b)	21.13
4. Excellant Communication Sdn Bhd	15,548,679	5.37	-	-
5. Tan Keng Kang	3,408,407	1.18	77,970,823 (note c)	26.94
6. Tan Keng Song	715,320	0.25	80,663,910 (note d)	27.87
7. Phan Van Denh	110,750	0.04	81,268,480 (note e)	28.08

DIRECTORS' SHAREHOLDINGS
(According to the Register of Directors' Shareholdings as at 20 July 2017)

Name	Direct Holdings		Indirect Holdings	
	No. of Shares	% of Shares	No. of Shares	% of Shares
1. Tan Kai Hee	29,234,699	10.10	52,144,531 (note a)	18.02
2. Tan Keng Kang	3,408,407	1.18	77,970,823 (note c)	26.94
3. Hew Von Kin	301,152	0.10	-	-
4. Chia Kuo Wui	1,361,301	0.47	-	-
5. Datin Sunita Mei-Lin Rajakumar	50,454	0.02	150,000 (note e)	0.05
6. Chow Kee Kan @ Chow Tuck Kwan	-	-	-	-
7. Prof. Datuk Dr. Choo Yeang Keat	-	-	-	-
8. Tan Kim Siong	18,000	0.01	7,500 (note f)	0.003
9. Soon Eng Sing	30,000	0.01	-	-

a) Deemed interested by virtue of his substantial interest in Akintan Sdn Bhd and Daritan Sdn Bhd and through the direct and indirect interest of his family members in Hai-O respectively.
b) Deemed interested by virtue of her substantial interest in Akintan Sdn Bhd and Daritan Sdn Bhd and through the direct and indirect interest of her family members in Hai-O respectively.
c) Deemed interested through the direct and indirect interest of his family members in Hai-O.
d) Deemed interested through the direct and indirect interest of her family members in Hai-O.
e) Deemed interested through the direct and indirect interest of her spouse.
f) Deemed interested through the direct and indirect interest of his spouse.

Analysis Of Shareholdings

As At 20 July 2017 (cont'd)

DIRECTORS' SHAREHOLDINGS (cont'd)

In the subsidiaries

By virtue of their interests in shares in the Company. Tan Kai Hee and Tan Keng Kang are also deemed to be interested in the ordinary shares of the subsidiaries to the extent the Company has an interest.

Interests in subsidiary company, Hai-O Raya Bhd
(According to the Register of Directors' Shareholdings as at 20 July 2017)

Name		Direct Holdings		Indirect Holdings		
		No. of Shares	% of Shares	No. of Shares		% of Shares
1.	Tan Kai Hee	34,000	1.13	87,000	(note g)	2.90
2.	Tan Keng Kang	6,000	0.20	115,000	(note h)	3.83
3.	Hew Von Kin	3,000	0.10	-		-

g) Deemed interested by virtue of his substantial interest in Daritan Sdn Bhd and through the direct and indirect interest of his family members in Hai-O Raya Bhd respectively.

h) Deemed interested through the direct and indirect interest of his family members in Hai-O Raya Bhd.

Top 10 Properties
as at 30 April 2017

No.	Location	Description	Date of Acquisition	Land/Floor Area (sg.ft.)	Tenure	Existing Use	Age (year)	Date of Expiry	Net book value as at 30/04/2017 (RM)
1.	Lot 3202, 3203, 3204, 3205, 3206, 6724 and 44128 3 1/4 mile, Jalan Kapar 41400 Klang, Selangor	Industrial premises comprising of 8 buildings and some miscellaneous structures and other land improvements	21 Dec 2007	1,216,220	Freehold	Office, Warehouse & a portion being left as vacant land	Range from 13 to 48	-	43,418,102
2	GM 18673, Lot 17874, No. 1388, Mukim Kapar, Jalan Kapar, Batu 2, 41400 Klang, Selangor	2 single storey detached buildings	14 Sept 2010	118,422	Freehold	Office & warehouse	7	-	13,610,607
3	Geran 7155/M1 Sun Kompleks, Jalan Bukit Bintang 55100 Kuala Lumpur	Shoplots, Office Lots at Ground, 1st, 6th, 8th & 9th floor, 4 units of apartments & 284 number of car park bays (2nd - 6th floor)	22 Aug 1995, 29 Dec 1997, 01 May 1999 & 05 Feb 2001	86,721	Freehold	Shoplots, Offices, Residential & Car Park	39	-	12,961,792
4.	HS(M) 9019, Lot P.T. 11995 Mukim of Kapar, 1 1/2 Miles 41400 Klang, Selangor	Factory/ Warehouse & 6 storey building	05 June 1982 & 20 Sept 1997	100,804	Freehold	Office & Warehouse	34 & 20	-	9,415,475
5.	Geran 60815 - Lot 4093, Geran 74962 - Lot 1802, Geran 17405 - Lot 1791, Geran 74980 - Lot 4114, Mukim Setul, Daerah Seremban, Negeri Sembilan	Land	3 June 2014	1,145,268	Freehold	Vacant	3	-	9,101,916
6.	Geran 502799 Lot 198459, Geran 502800 Lot 198460, Mukim Plentong, No. 103 & 105, Jalan Tanjong 1, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor	2 units of 3 storey shop office	22 Jun 2016	9,900	Freehold	Shop	4	-	2,858,443
7.	Garden City Business Centre PT 15752 Unit No. C01/2 - C12/2 Taman Dagang Jalan Ampang, 68000 Kuala Lumpur	12 units of office lots (2nd floor)	20 Oct 1995	18,708	Leasehold for 99 years	Offices	22	20 Oct 2084	2,604,083
8.	Master title No. NT213206501 Unit No.5, Ground, First & Second Floor, I-Plaza Commercial Centre, 89500 Penampang, Sabah	1 unit of 3 storey shop office	28 Sep 2016	3,012	Leasehold for 99 years	Shop	2	31 Dec 2110	2,133,199
9.	HS(M) 10034, PT No. 15881 (7222), No. 12, 12A & 12B, Jalan Bunga Tanjung 8, Taman Putra Ampang, 68000 Selangor	3 storey shophouse	25 Feb 2016	3,880	Leasehold for 99 years	Shop	35	26 April 2081	1,622,719
10.	HS(D) 1019, PT 6727/151 Mukim Kuala Kuantan, Daerah Kuantan, Pahang	3 storey shophouse	18 Oct 2013	15,999	Freehold	Shop	4	-	1,377,428

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 42nd Annual General Meeting of the Company will be held at the Ballroom I, Level 2, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Monday, 25 September 2017 at 11.30 a.m. to transact the following business: -

AGENDA

1. To lay before the Meeting the Audited Financial Statements for the financial year ended 30 April 2017 and the Reports of the Directors and Auditors thereon.

2. To re-elect the following Directors who are retiring by rotation pursuant to Article 102(1) of the Company's Articles of Association :-
   i. Y.Bhg. Datin Sunita Mei-Lin Rajakumar **Resolution 1**
   ii. Mr. Tan Kim Siong **Resolution 2**

3. To re-appoint Mr. Tan Kai Hee as a Director of the Company. **Resolution 3**

4. i. To approve the payment of Directors' fees amounting to RM224,833 for the financial year ended 30 April 2017 of the Company and its subsidiaries. **Resolution 4**

   ii. To approve the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors up to an amount of RM1,400,000 from 1 February 2017 until the next Annual General Meeting of the Company. **Resolution 5**

5. To declare a final single tier dividend of 11 sen per ordinary share for the financial year ended 30 April 2017. **Resolution 6**

6. To re-appoint Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 7**

   As Special Business :-

7. To consider and if thought fit, to pass the following ordinary resolutions:-

   i. Retention of Independent Director **Resolution 8**
   "THAT subject to the passing of Resolution 1, Y.Bhg. Datin Sunita Mei-Lin Rajakumar be hereby retained as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."

   ii. To authorise the allotment and issuance of shares pursuant to Sections 75 and 76 of the Companies Act, 2016:- **Resolution 9**
   "THAT pursuant to Sections 75 and 76 of the Companies Act, 2016 and subject always to the approval of the relevant authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purpose as the Directors may, in their absolute discretion deem fit and in the interest of the Company, provided that the aggregate number of the shares issued pursuant to this resolution does not exceed 10% of the total number of shares issued of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

Notice of Annual General Meeting
(cont'd)

As Special Business :- (cont'd)

iii. Proposed Share Buy-Back by the Company **Resolution 10**

"THAT subject to the rules, regulations and orders made pursuant to the Companies Act, 2016 ("the Act"), provisions of the Company's Articles of Association and the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Board be and is hereby authorised to purchase the Company's shares ("Hai-O Shares") through Bursa Securities ("Proposed Share Buy-Back") subject to the following:-

a. the maximum number of Hai-O Shares which may be purchased and/or held as treasury shares by the Company at any point in time pursuant to the Proposed Share Buy-Back shall not exceed ten percent (10%) of the total number of shares issued of the Company;

b. the maximum fund to be allocated by the Company for the purpose of purchasing the Hai-O Shares shall not exceed the aggregate of the retained profits of the Company;

c. the authority conferred by this resolution will be effective immediately upon the passing of this Resolution and will expire at the conclusion of the next Annual General Meeting of the Company, unless earlier revoked or varied by an ordinary resolution of the shareholders of the Company at a general meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier, but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the Listing Requirements of Bursa Securities or any other relevant authorities; and

d. upon completion of the purchase(s) of the Hai-O Shares by the Company, the Board be and is hereby authorised to retain the Hai-O Shares so purchased as treasury shares, of which may be distributed as dividends to shareholders and/or re-sold on Bursa Securities and/or subsequently cancelled and in other manner as prescribed by the Act, rules, regulations and orders made pursuant to the Act and the requirements of Bursa Securities and any other relevant authorities for the time being in force.

AND that the Board be and is hereby authorised to take all such steps as are necessary or expedient to implement or to effect the purchase(s) of the Hai-O Shares with full power to assent to any condition, modification, variation and/or amendment as may be imposed by the relevant authorities and to take all such steps as they may deem necessary or expedient in order to implement, finalise and give full effect in relation thereto."

8. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 2016.

Notice of Annual General Meeting (cont'd)

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that subject to the approval of the shareholders at the 42nd Annual General Meeting to be held on 25 September 2017, a final single tier dividend of 11 sen per ordinary share in respect of the financial year ended 30 April 2017 will be paid on 22 November 2017. The entitlement date for the dividend payment is on 10 November 2017.

A Depositor shall qualify for the entitlement to the dividend only in respect of:-
(a) Securities transferred into the Depositor's Securities Account before 4.00 p.m. on 10 November 2017 in respect of transfers; and
(b) Securities bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the rules of Bursa Malaysia Securities Berhad.

By Order of the Board

Cynthia Gloria Louis (MAICSA 7008306)
Chew Mei Ling (MAICSA 7019175)
Company Secretaries

Selangor Darul Ehsan
30 August 2017

Notes:
1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 September 2017 (General Meeting Record of Depositors) shall be entitled to attend, speak and vote at this 42nd Annual General Meeting.*
2. *A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him save for a member who is an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 and holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which such member may appoint in respect of each omnibus account it holds. There shall be no restriction as to the qualification of the proxy and a proxy duly appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or attorney duly authorised in writing.*
5. *The Form of Proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate Services (KL) Sdn Bhd, Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the meeting.*
6. *Y.Bhg. Prof. Datuk Dr. Choo Yeang Keat retires pursuant to Article 109 of the Articles of Association of the Company at the 42nd AGM of the Company. He has expressed that he does not wish to seek for re-election at the 42nd AGM and therefore shall retire at the conclusion of the 42nd AGM of the Company.*

Explanatory Notes to Ordinary and Special Business

Item 1 of the Agenda

The Agenda No. 1 is meant for discussion only as Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the audited financial statements. Hence, this item 1 of the Agenda is not put forward for voting.

Ordinary Resolution 3

Mr. Tan Kai Hee who is above the age of 70, was re-appointed pursuant to Section 129(6) of the Companies Act, 1965 at the 41st Annual General Meeting held on 28 September 2016 and to hold office until the conclusion of the 42nd Annual General Meeting.

His term of office, therefore will end at the conclusion of the 42nd Annual General Meeting and he has offered himself for re-appointment. With the Companies Act, 2016 coming into force on 31 January 2017, there is no longer an age limit for Directors. The proposed Ordinary Resolution 3, if passed, will enable Mr. Tan Kai Hee to continue to act as a Director of the Company and he shall be subject to retirement by rotation pursuant to the Articles of Association of the Company. The Nominating Committee ("NC") of the Company has assessed the criteria and contribution of Mr. Tan Kai Hee and recommended for his re-appointment. The Board has endorsed the NC's recommendation that Mr. Tan Kai Hee to be re-appointed as Director of the Company.

Notice of Annual General Meeting
(cont'd)

Explanatory Notes to Ordinary and Special Business (cont'd)

Ordinary Resolution 5
The Directors' remuneration and benefits (excluding Directors' fees) comprises emoluments and other benefits payable to the Non-Executive Directors from 1 February 2017 until the next Annual General Meeting of the Company, as per the table below:

Description	Non-Executive Directors
Monthly Fixed Allowance	RM60,000
Meeting attendance allowance	RM1,000 per day basis
Other benefits	Group Medical & Personal Accident and Corporate Liability Insurance, training benefits, employer's statutory contribution, ESOS and other benefits

Special Business Ordinary Resolution 8 - To retain Y.Bhg. Datin Sunita Mei-Lin Rajakumar as an Independent Non-Executive Director of the Company
Y.Bhg. Datin Sunita Mei-Lin Rajakumar is currently the Independent Non-Executive Director of our Company who has served on our Board since 5 January 2009. Her tenure of office as an Independent Non-Executive Director of the Company will be nine (9) years cumulatively by 5 January 2018. In applying the recommendation under the Malaysian Code of Corporate Governance 2012, the Board has assessed and with the recommendation of the Nominating Committee would strongly recommend to the members of the Company to vote in favour of the resolution for Y.Bhg. Datin Sunita Mei-Lin Rajakumar to continue to act as an Independent Non-Executive Director. This is because she has demonstrated throughout the term of her office to be independent not only by the mere fulfillment of the criteria under the definition of an Independent Director in the Main Market Listing Requirements of Bursa Securities but subjectively too by exercising independent judgment when a matter is put before her for a decision. She also has the necessary knowledge of the business and operations of the Group and has the experience to make informed decision and to participate actively and contribute positively during deliberations or discussions at Board meetings. Y.Bhg. Datin Sunita also possess strong knowledge in the practice of good corporate governance.

Special Business Ordinary Resolution 9 – Mandate to issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016
The Directors did not issue any new shares pursuant to the existing Mandate which will lapse at the conclusion of the 42nd Annual General Meeting.

The proposed resolution is to seek members' approval to renew the mandate given by them at the 41st Annual General Meeting to issue new shares pursuant to Sections 75 and 76 of the Companies Act, 2016. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company. The authority will provide flexibility to the Company for any possible fund-raising activities, including but not limited to placement of shares, funding for future investment project(s) and/or business expansion and/or working capital and/or acquisitions.

Special Business Ordinary Resolution 10 - Proposed Share Buy-Back by the Company
The Ordinary Resolution, if passed, will empower the Company to purchase and/or hold up to ten percent (10%) of the total number of shares issued of the Company. This authority will, unless revoked or varied by the Company at a general meeting, expire at the next Annual General Meeting. For further information on the Proposed Share Buy-Back, please refer to the Share Buy-Back Statement dated 30 August 2017 accompanying the 2017 Annual Report.

Notice of Annual General Meeting
(cont'd)

PERSONAL DATA PRIVACY

By lodging of a completed Form of Proxy to the Share Registrar of the Company for appointing a proxy(ies) and/ or representative(s) to attend and vote in person at the 42nd Annual General Meeting and any adjournment thereof, a member of the Company is hereby:

1) consented to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the 42nd Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance list, minutes and other documents relating to the 42nd Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**");
2) warranted that where the member discloses the personal data of the member's proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/ or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/ or representative(s) for the Purposes ("**Warranty**"); and
3) agreed that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of the Warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Following is the statement made pursuant to paragraph 8.27(2) of the Listing Requirements of Bursa Malaysia Securities Berhad:-

1) Directors who are standing for re-election or re-appointment, whichever is applicable, at the 42nd Annual General Meeting of the Company, are as follows:-

    i) The Directors who are retiring by rotation pursuant to Article 102(1) of the Company's Articles of Association and seeking re-election, are:-
        - Y.Bhg. Datin Sunita Mei-Lin Rajakumar
        - Mr. Tan Kim Siong

    ii) The Director standing for re-appointment is Mr. Tan Kai Hee.

    The details of the three (3) Directors seeking for re-election or re-appointment, whichever is applicable, are set out in the Directors' profiles appearing on pages 10, 12 and 13 of the Annual Report.

2) Details of attendance of Directors at Board Meetings held during the financial year ended 30 April 2017 are set out on page 67 of the Annual Report.

3) Place, Date and Time of the 42nd Annual General Meeting are as follows:-
    Place : Ballroom I, Level 2,
    The Federal Hotel Kuala Lumpur,
    No.35, Jalan Bukit Bintang,
    55100 Kuala Lumpur, Malaysia.
    Date : 25 September 2017 (Monday)
    Time : 11.30 a.m.

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

CDS Account No.
No. Of Shares Held

FORM OF PROXY

I/We ____

NRIC No. (New) ____________________ (Old) ________________ / Company No.__________________

of ____

being a member / members of **HAI-O ENTERPRISE BERHAD (22544-D)** hereby appoint the following person (s) :-

Name	Address	NRIC / Passport No.	Proportion of Shareholdings (%)
* And / or failing him / her (delete as appropriate)			

For a member who is an authorised nominee with omnibus account, please state the details of the proxies as above if more than two (2) on your letterhead and to attach the same to this Form of Proxy.

or failing him/her/them, THE CHAIRMAN OF THE MEETING, as my/our proxy/proxies, to vote for me/us on my/our behalf at the **42nd Annual General Meeting** of the Company to be held at the Ballroom I, Level 2, The Federal Hotel Kuala Lumpur, No. 35, Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia on Monday, 25 September 2017 at 11.30 a.m. and at any adjournment thereof in the manner as indicated below in respect of the following Resolutions:-

RESOLUTIONS		**FOR**	**AGAINST**
Resolution 1	Re-election of Y.Bhg. Datin Sunita Mei-Lin Rajakumar as a Director.		
Resolution 2	Re-election of Mr. Tan Kim Siong as a Director.		
Resolution 3	Re-appointment of Mr. Tan Kai Hee as a Director.		
Resolution 4	Approval of Directors' fees payment for the financial year ended 30 April 2017.		
Resolution 5	Approval of the payment of Directors' remuneration and benefits (excluding Directors' fees) to the Non-Executive Directors from 1 February 2017 until the next Annual General Meeting of the Company.		
Resolution 6	Declaration of a final single tier dividend of 11 sen per ordinary share.		
Resolution 7	Re-appointment of Messrs. KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.		
Resolution 8	To retain Y.Bhg. Datin Sunita Mei-Lin Rajakumar as an Independent Non-Executive Director of the Company.		
Resolution 9	Authority to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
Resolution 10	Proposed Share Buy-Back by the Company.		

Please indicate with an "X" in the appropriate space how you wish your votes to be cast. If you do not indicate how you wish your proxy to vote on any Resolution, the proxy may vote or abstain from voting at his/her/their discretion.

Date : ________________________

____
Signature of Shareholder (s)

Notes:

1. *In respect of deposited securities, only Members whose names appear in the Record of Depositors on 15 September 2017 shall be entitled to attend, speak and vote at this 42nd Annual General Meeting.*
2. *A member entitled to attend and vote at the above meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him save for a member who is an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 and holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which such member may appoint in respect of each omnibus account it holds. There shall be no restriction as to the qualification of the proxy and a proxy duly appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportions of his holding(s) to be represented by each proxy.*
4. *The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or if the appointer is a corporation, either under its Common Seal or attorney duly authorised in writing.*
5. *The Form of Proxy must be deposited at the office of the Company's Share Registrar, Boardroom Corporate Services (KL) Sdn Bhd, Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the meeting.*

Fold this flap for sealing

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AFFIX
STAMP

HAI-O ENTERPRISE BERHAD
(Company No. 22544-D)

The Share Registrar
Boardroom Corporate Services (KL) Sdn Bhd (3775-X)
Lot 6.05, Level 6, KPMG Tower
8 First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor Darul Ehsan, Malaysia.

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NOTES

NOTES

Hai-O Enterprise Berhad
(22544-D)
Unit 621, 6th Floor, Block A, Kelana Centre Point,
No.3, Jalan SS7/19, Kelana Jaya, 47301 Petaling Jaya, Selangor Darul Ehsan.
Tel: 03-7880 9699 Fax: 03-7880 8699 W: www.hai-o.com.my E: info@hai-o.com.my